

R E P O R T

CRESCENT CITY CLT, INC.
AND SUBSIDIARIES

DECEMBER 31, 2019 AND 2018

CRESCENT CITY CLT, INC.
AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

December 1, 2020

To the Board of Directors
Crescent City CLT, Inc.
New Orleans, LA

We have audited the accompanying consolidated financial statements of Crescent City CLT, Inc. (a nonprofit organization) and affiliate, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Crescent City CLT I, a wholly-owned subsidiary, which statements reflect total assets of \$1,308,908 and \$1,380,175 as of December 31, 2019 and 2018, respectively, and a total net (loss) income of (\$71,267) and \$344,503, respectively, for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Crescent City CLT I, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Crescent City CLT, Inc. and its wholly owned subsidiary as of December 31, 2019 and 2018, and the changes in their consolidated net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Duplantier, Chapman, Hogan and Parker, LLP

New Orleans, Louisiana

CRESCENT CITY CLT, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>ASSETS</u>		<u>2019</u>		<u>2018</u>
ASSETS:					
Cash		\$	142,328	\$	471,702
Deposit			400		-
Certificate of deposit			561,607		559,403
Accounts receivable			-		4,052
Due from third party			14,847		-
Due from employees			15		-
Developer fees receivable			290,211		294,043
Prepaid insurance			2,639		3,190
Investment in LLC			1,308,908		1,380,175
Property held for development			1,618,692		1,700,331
TOTAL ASSETS		\$	<u>3,939,647</u>	\$	<u>4,412,896</u>
 <u>LIABILITIES AND NET ASSETS</u>					
LIABILITIES:					
Accounts payable		\$	25,200	\$	57,686
Refundable advance			70,032		-
Accrued benefits			-		63,752
Accrued payroll liabilities			-		6,364
Accrued interest			58,212		45,596
Note payable			1,396,404		1,396,404
TOTAL LIABILITIES			<u>1,549,848</u>		<u>1,569,802</u>
NET ASSETS:					
Without donor restrictions			1,807,456		1,943,094
With donor restrictions			582,343		900,000
TOTAL NET ASSETS			<u>2,389,799</u>		<u>2,843,094</u>
TOTAL LIABILITIES AND NET ASSETS		\$	<u>3,939,647</u>	\$	<u>4,412,896</u>

See accompanying notes.

CRESCENT CITY CLT, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT:			
Interest income	\$ 2,269	\$ -	\$ 2,269
Other income	6,155	-	6,155
Rental income	14,959	-	14,959
Grant income	180,873	5,000	185,873
Loss on sale of home	(123,847)	-	(123,847)
Loss on investment in LLC	(71,267)	-	(71,267)
Net assets, released from restrictions	322,657	(322,657)	-
Total revenues and other support	331,799	(317,657)	14,142
EXPENSES:			
General and administrative	120,141	-	120,141
Program services	347,296	-	347,296
Total expenses	467,437	-	467,437
Change in net assets	(135,638)	(317,657)	(453,295)
NET ASSETS, BEGINNING OF YEAR	1,943,094	900,000	2,843,094
NET ASSETS, END OF YEAR	\$ 1,807,456	\$ 582,343	\$ 2,389,799

See accompanying notes.

CRESCENT CITY CLT, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT:			
Interest income	\$ 3,614	\$ -	\$ 3,614
Other income	1,569	-	1,569
Rental income	55,870	-	55,870
Grant income	3,200	125,000	128,200
Gain on investment in LLC	952,269	-	952,269
Impairment on investment in LLC	(607,766)	-	(607,766)
Net assets, released from restrictions	75,000	(75,000)	-
Total revenues and other support	<u>483,756</u>	<u>50,000</u>	<u>533,756</u>
EXPENSES:			
General and administrative	133,707	-	133,707
Program services	337,500	-	337,500
Total expenses	<u>471,207</u>	<u>-</u>	<u>471,207</u>
Change in net assets	12,549	50,000	62,549
NET ASSETS, BEGINNING OF YEAR	<u>1,930,545</u>	<u>850,000</u>	<u>2,780,545</u>
NET ASSETS, END OF YEAR	<u>\$ 1,943,094</u>	<u>\$ 900,000</u>	<u>\$ 2,843,094</u>

See accompanying notes.

CRESCENT CITY CLT, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Total	Program Services	General & Administrative
Bank charges	\$ 35	\$ -	\$ 35
Insurance	3,736	2,752	984
Interest	12,616	12,616	-
Meals and entertainment	1,253	-	1,253
Membership dues and fees	3,074	3,074	-
Miscellaneous	585	-	585
Office supplies	1,404	-	1,404
Postage	110	110	-
Professional fees	87,082	39,187	47,895
Property expenses:			
Consultants	17,657	17,657	-
Insurance	22,815	22,815	-
Repairs and maintenance	39,687	39,687	-
Other	15,985	15,985	-
Rent	4,800	3,536	1,264
Salaries and fringe benefits	249,492	183,801	65,691
Software	399	-	399
Telecommunications	2,396	1,765	631
Travel	4,311	4,311	-
Total functional expenses	<u>\$ 467,437</u>	<u>\$ 347,296</u>	<u>\$ 120,141</u>

See accompanying notes.

CRESCENT CITY CLT, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Total	Program Services	General & Administrative
Bank charges	\$ 125	\$ -	\$ 125
Donation	4,247	4,247	-
Insurance	17,490	12,885	4,605
Interest	13,964	13,964	-
Meals and entertainment	1,350	-	1,350
Membership dues and fees	1,331	1,331	-
Miscellaneous	34	-	34
Office supplies	1,205	-	1,205
Postage	53	53	-
Professional fees	106,316	47,842	58,474
Property expenses:			
Consultants	14,201	14,201	-
Insurance	5,565	5,565	-
Repairs and maintenance	36,271	36,271	-
Other	12,815	12,815	-
Rent	4,800	3,536	1,264
Salaries and fringe benefits	246,432	181,546	64,886
Software	951	-	951
Telecommunications	3,089	2,276	813
Travel	968	968	-
Total functional expenses	<u>\$ 471,207</u>	<u>\$ 337,500</u>	<u>\$ 133,707</u>

See accompanying notes.

CRESCENT CITY CLT, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (453,295)	\$ 62,549
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Loss (gain) on investment in LLC	71,267	(952,269)
Loss on sale of property	123,847	-
Impairment on investment in LLC	-	607,766
Change in assets and liabilities:		
(Increase) decrease in deposit	(400)	-
(Increase) decrease in accounts receivable	4,037	(4,052)
(Increase) decrease in due from third party	(14,847)	-
(Increase) decrease in developer fees receivable	3,832	20,871
(Increase) decrease in prepaid expenses	551	(2,603)
Increase (decrease) in accounts payable	(32,486)	49,879
Increase (decrease) in accrued benefits	(63,752)	6,908
Increase (decrease) in accrued payroll liabilities	(6,364)	6,364
Increase (decrease) in accrued interest payable	12,616	13,964
Increase (decrease) in refundable advances	70,032	-
Net cash used by operating activities	<u>(284,962)</u>	<u>(190,623)</u>
 Cash flows used by investing activities:		
Redemption of certificates of deposit	-	300,000
Purchase of certificates of deposit	(2,204)	(3,434)
Proceeds from sale of property	60,348	-
Purchase of property held for development	(102,556)	(137,582)
Net cash provided (used) by investing activities	<u>(44,412)</u>	<u>158,984</u>
 Net decrease in cash	 (329,374)	 (31,639)
 CASH, BEGINNING OF YEAR	 <u>471,702</u>	 <u>503,341</u>
CASH, END OF YEAR	<u>\$ 142,328</u>	<u>\$ 471,702</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid during the year for taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes.

CRESCENT CITY CLT, INC.
AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

DESCRIPTION OF ORGANIZATION:

Crescent City CLT, Inc. (the “Company”) is a Louisiana not-for-profit corporation located in New Orleans, Louisiana and is committed to the long-term sustainable renewal of New Orleans. Crescent City CLT, Inc. serves as a bridge between resources, partnership, and projects for developing permanently affordable residential and commercial real estate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Consolidated Financial Statements:

The consolidated financial statements include accounts of the Company and its wholly owned subsidiaries, Crescent City CLT I, LLC and 3300 LaSalle Street, LLC. The sole member of both of these entities is Crescent City CLT, Inc. All material intercompany transactions have been eliminated in the consolidation.

Crescent City CLT I, LLC is a limited liability corporation formed for the purpose of investing in the development of an apartment complex in New Orleans, Louisiana. Crescent City CLT I, LLC began operating in 2015. 3300 LaSalle Street, LLC is a limited liability corporation formed for the purpose of acquiring and developing property. Operations began in July 2017.

Basis of Presentation:

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recorded when earned and expenses are recorded when incurred.

Crescent City CLT’s statements are presented in accordance with the Financial Accounting Standards Board’s Accounting Standards Update No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14)*. Net asset classes are reported in one of two asset classes – with donor restrictions and without donor restrictions. Net assets – without donor restrictions are not subject to or are no longer subject to donor-imposed stipulations. Net assets – with donor restrictions is limited by donor-imposed time and/or purpose restrictions. At December 31, 2019 and 2018 Crescent City CLT had \$582,343 and \$900,000, respectively, in net assets with donor restrictions.

Statement of Cash Flows:

For purposes of the consolidated statement of cash flows, Crescent City CLT, Inc. considers all short-term, highly-liquid investments with maturity of three months or less at the time of purchase to be cash equivalents.

CRESCENT CITY CLT, INC.
AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Functional Allocation of Expenses:

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The expenses which cannot be functionally categorized are allocated between functions based upon management's estimate of time spent by each employee performing those functions.

Contributions:

The Company receives as revenue and support grant revenues which management has determined are contributions. The Company recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Once the condition is met, contributions are recorded as increases in net assets without donor restrictions or increases in net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions, and reported in the statement of activities as net assets released from donor restrictions. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Fair Value:

Crescent City CLT, Inc. has adopted FASB Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*. All investments are recorded at fair market value. ASC Topic 820 refines the definition of fair value, establishes specific requirements as well as guidelines for consistent framework to measure fair value, and expands disclosure requirements about fair value measurements. ASC Topic 820 requires Crescent City CLT, Inc. to maximize the use of observable market inputs, minimize the use of unobservable market inputs and disclosure in the form of an outline hierarchy, the details of such fair value measurements.

Use of Estimates:

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CRESCENT CITY CLT, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

New Accounting Pronouncement:

Beginning January 1, 2019, Crescent City CLT, Inc. adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for certain exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information amount not-for-profits entities. A footnote on the change in accounting principle has also been added to the financial statements. (Note 17)

2. ECONOMIC DEPENDENCY:

The primary sources of revenue for Crescent City CLT, Inc. are grants provided through various funding agencies. The continued success of Crescent City CLT, Inc. is dependent upon the renewal of these grants and obtaining other grants and funding sources.

Crescent City CLT, Inc. is a recipient of grant funds from various funding sources. The administration of the programs and activities funded by grants are under the control and administration of Crescent City CLT, Inc. and are subject to audit and/or review by the application of funding source. Any grant funds not found to be properly spent in accordance with the terms, conditions, and regulations of the funding source may be subject to recapture.

3. INCOME TAXES:

Crescent City CLT, Inc. is a tax-exempt organization under section 501(C)(3) of the Internal Revenue Code. Accordingly, no provisions for federal or state income taxes have been recorded in the accompanying consolidated financial statements. Crescent City CLT I, LLC and 3300 LaSalle Street, LLC were formed as limited liability corporations. Since Crescent City CLT I, LLC and 3300 LaSalle Street, LLC are wholly-owned by Crescent City CLT, Inc., the net income of Crescent City CLT I, LLC and 3300 LaSalle Street, LLC are included in the Crescent City CLT, Inc.'s exempt income tax return and is also exempt from federal and State of Louisiana income tax to the extent of any unrelated business tax required.

Crescent City CLT, Inc., Crescent City CLT I, LLC, and 3300 LaSalle Street, LLC believe that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the consolidated financial statements.

CRESCENT CITY CLT, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

3. INCOME TAXES: (Continued)

The Organization's Federal Return of Organization Exempt from Income Tax (990) for 2019, 2018, and 2017 are subject to examination by the IRS, generally, for three to four years after they were filed.

4. CERTIFICATE OF DEPOSIT:

On November 2, 2015, Crescent City CLT, Inc. acquired an \$850,000 Certificate of Deposit with a maturity date of November 2, 2020 and interest rate of .4%. The CD was opened as part of a reserve required by a grant from the Greater New Orleans Foundation to be invested in the Crescent City Futures Fund. On November 6, 2015 Crescent City CLT granted a security interest in the \$850,000 certificate of deposit to perfect the security interest of Iberia Bank, lender for the Pythian Project. The security interest will stay in force to ensure full and timely payment of the loans with Iberia Bank in conjunction with the Pythian Project. During the year ended December 31, 2018 Iberia Bank released \$300,000 of the CD which was then liquidated. The balance as of December 31, 2019 and 2018 was \$561,607 and \$559,403, respectively of which \$550,000 is restricted due to the security interest with Iberia Bank with the remaining balance unrestricted.

5. FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS AND LIABILITIES:

In accordance with FASB ASC Topic 820, fair value is defined as the price that Crescent City CLT, Inc. would receive to sell an asset or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the asset or liability. ASC Topic 820 provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under Financial Accounting Standards Codification 820-10 are described below.

Level 1 – Quoted prices are available in active market for identical investments as of the reporting date.

Level 2 – Pricing inputs are other than quoted prices in active market, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity. The inputs into the determination of fair value require significant management judgment or estimation.

CRESCENT CITY CLT, INC.
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5. FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS AND LIABILITIES:
(continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The certificate of deposit in the amount of \$561,607 and \$559,403 as of December 31, 2019 and 2018, respectively, is valued at current market value and considered a Level 2 investment on the fair value hierarchy. The Organization uses the cash surrender value as a practical way of estimating fair value. There have been no changes in the methodologies used as of December 31, 2019 and 2018.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Crescent City CLT, Inc. believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

6. INVESTMENT IN LLC:

Crescent City CLT I, Inc. has a minority interest in GCE 234 Loyola Leveraged Lender, LLC which is a leveraged lender for the development of an apartment complex in New Orleans, Louisiana. Crescent City CLT owns 100% of Crescent City CLT I, LLC. The investment balance was \$1,308,908 and \$1,380,175 at December 31, 2019 and 2018, respectively, and is accounted for using the equity method.

Included in the GCE 234 Loyola Leveraged Lender, LLC investment balance and gain on investment as of December 31, 2019 and 2018, are proceeds from the sale of historic tax credits allocated to Crescent City CLT I, LLC. All proceeds from the sale of the credits was contributed to GCE 234 Loyola Leverage Lender, LLC.

7. PROPERTY HELD FOR DEVELOPMENT:

During the year ended December 31, 2017, Crescent City CLT, Inc. accepted the transfer of 10 single family community land trust houses located in the 9th ward of New Orleans, Louisiana. The value of the property was \$1,425,709 at the time of the transfer. Crescent City CLT, Inc. plans to manage and develop the property for eventual sale. The value of these properties as of December 31, 2019 and 2018 was \$1,401,182 and \$1,557,821 respectively.

CRESCENT CITY CLT, INC.
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7. PROPERTY HELD FOR DEVELOPMENT: (continued)

With the transfer, the Company assumed a promissory note in the amount of \$1,396,404, with interest of \$29,305. The original loan was to finance predevelopment and construction loans in connection with the development of affordable, single-family homes. (See also Note 9)

3300 LaSalle, LLC, a wholly-owned subsidiary of Crescent City CLT, Inc., purchased the vacant lot located at 3300 LaSalle Street, New Orleans, Louisiana for development. The lot's value at the date of purchase was \$142,510.

During the year ended December 31, 2019 Crescent City CLT, Inc. invested \$25,000 in the Broadmoor Improvement Association with an additional \$25,000 commitment to be funded in the future. The investment consist of seven parcels of undeveloped real properties. One and two family homes will be built on each site. Three of these homes will be sold to CCCLT who will then sell as Community Land Trust homes at 80% of the average median income.

During the year ended December 31, 2019 Crescent City CLT, Inc. invested \$50,000 in a building at 1800 Onzaga in New Orleans. The investment provided pre-development funding to rehabilitate the building which will reopen as commercial property. There is no formal commitment for additional funding. In 2018 Crescent City CLT, Inc. and the owner of the building at 1800 Onzaga became members of 1800 Onzaga LLC, this entity will eventually own and oversee the 1800 Onzaga project. 1800 Onzaga, LLC entered into a contract with a project manager to manage and oversee the rehabilitation of the project. The agreement is \$5,000 per month with \$1,000 monthly retainage. The retainage is paid upon attaining specific milestones as noted in the agreement.

8. DUE FROM THIRD PARTY:

CCCLT entered into a memorandum of agreement with Vance A. Vaucresson and 1804 Onzaga, LLC to act as fiscal agent for the rehabilitation of a building referred to as 1800 Onzaga. As fiscal agent CCCLT will pay all expenses associated with the rehabilitation project. During the year ended December 31, 2019 CCCLT paid \$77,847 in expenses associated with the project. The expenses were funded by a \$50,000 line of credit which was secured by Vance A. Vaucresson (third party) in addition to \$1,000 from Vance A. Vaucresson. As of December 31, 2019, \$26,847 was due from the third party with \$12,000 being held back as a retainage for a net amount of \$14,847 due from third party.

9. NOTES PAYABLE:

The Company assumed a promissory note in the amount of \$1,396,404, with interest of \$29,305 upon the acceptance of the transfer of 10 single family Community Land Trust homes located in the ninth ward of New Orleans, La. The loan bears interest at 1.00% and is payable in one installment on October 31, 2022. Community land trust houses collateralize the loan. (See also Note 7).

CRESCENT CITY CLT, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. NOTES PAYABLE: (Continued)

The loan balance as of December 31, 2019 and 2018 was \$1,396,404 and \$1,396,404, respectively.

Interest expense recognized for the years ended December 31, 2019 and 2018 were \$12,616 and \$13,964, respectively. Accrued interest as of December 31, 2019 and 2018 was \$58,212 and \$45,596, respectively.

10. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are available for the following as of December 31, 2019 and 2018, respectively:

	2019	2018
Stabilizing Neighborhood Initiative	\$ 550,000	\$ 850,000
L9 Program	32,343	50,000
Total Net Assets with donor restrictions	\$ 582,343	\$ 900,000

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose. Net assets released from restrictions during the years ended December 31, 2019 and 2018 was \$322,657 and \$75,000, respectively.

In addition to the \$22,657 released from restrictions an additional \$300,000 was released from restrictions during the year ended December 31, 2019. The \$300,000 was released from the \$850,000 certificate of deposit from the Greater New Orleans Foundation's Stabilizing Neighborhood Initiative program (GNOF). The funds from GNOF are to be used in securing and developing permanently affordable real estate in the Lower 9th Ward, the 7th Ward, Broadmoor and Central City neighborhoods of New Orleans. As developer fees, profits or short-term loans affiliated with these projects are paid to CCCLT, GNOF expects CCCLT to reinvest these funds in these same types of properties.

11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The Company manages its liquidity by operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The following table reflects the Company's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts available include donor-restricted amounts that are available for general expenditure in the following year.

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11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS: (continued)

	2019	2018
Financial assets, at year end:		
Cash and cash equivalents	\$ 142,328	\$ 471,701
Certificate of deposit	561,607	550,000
Accounts receivable	-	4,052
Total financial assets at year end	703,935	1,025,753
Less contracted or donor-imposed restrictions:		
Total contractual or donor-imposed restrictions	582,343	900,000
Financial assets available to meet cash needs for general expenditures within one year	\$ 121,592	\$ 125,753

12. CONCENTRATION OF CREDIT RISK:

Crescent City CLT, Inc. maintains its cash deposits in one financial institution and a single certificate of deposit in another financial institution, which at times during the year exceeded the federally insured limits. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. As of December 31, 2019 and 2018, the Company exceeded federally insured limits by \$312,659 and \$310,228 respectively, on the certificate of deposit. Cash exceeded the federally insured limits by \$0 and \$226,086 for the years ended December 31, 2019 and 2018, respectively.

13. REFUNDABLE ADVANCE:

Prior to January 1, 2019, the Company recognized grants as support on a straight-line basis over the grant period. Any restricted grant unexpended at the end of the accounting period was recorded as net assets with donor restrictions.

Beginning January 1, 2019, the Company implemented FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. As a result, the Company's revenue that is derived from cost-reimbursable contracts and grants, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses, is recognized when the Company has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

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13. REFUNDABLE ADVANCE: (continued)

During the year ended December 31, 2019, the Company received conditional grant funds from the Ford Foundation and Capital One. The conditional grants are reported as revenue when the performance is met, which includes when qualifying expenses are incurred. Any conditional grant funds received in which the performance has not been met is reported as refundable advances in the statement of financial position. The refundable advance balance as of December 31, 2019 is as follows.

Ford Foundation	\$ 20,032
Capital One	<u>50,000</u>
Total	<u>\$ 70,032</u>

14. DEVELOPER FEE:

In November 2015, the Company entered into a Development Agreement for the development and rehabilitation of a certified historic structure located at 234 Loyola Avenue in New Orleans, Louisiana. For the year ended December 31, 2019 and 2018, the Company recognized \$- and \$-, respectively, in development fee income related to the project. As of December 31, 2019 and 2018, the Company has a receivable in the amount of \$290,211 and \$294,043, respectively, for developer fees earned and unpaid.

15. RENTAL INCOME:

The Company has ten properties held as investment rental property. During 2019 and 2018 two and six units, respectively, were leased. Rental income per unit varies between \$500 - \$800 per month. Total rental income for the years ended December 31, 2019 and 2018 was \$14,959 and \$55,870 respectively. There are no formal leases, the company leases these properties on a month to month basis.

16. EMPLOYEE BENEFITS:

Included in salaries and fringe benefits on the consolidated statement of functional expenses for the years ended December 31, 2019 and 2018 is \$5,948 and \$7,968, respectively, for officer retirement. As per their employment contracts each officer is to receive a percentage of their gross salary to be paid to a retirement savings plan of their choice. The percentage for the year ended December 31, 2019 was 4%. The rate for all years prior to the year ending December 31, 2018 was 14.4%. As of December 31, 2019 and 2018, \$0 and \$63,752, respectively, is reported as accrued liability on the consolidated Statement of Financial Position. The employer contribution for December 31, 2019 and 2018 was \$5,948 and \$7,968, respectively.

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17. IMPAIRMENT:

During 2019 and 2018 the Company reviewed their investment in Crescent City CLT I, LLC for impairment in accordance with ASC 360-10-15, “*Impairment of Disposal of Long-Lived Assets.*” As a result of the eventual wind up and liquidation of the sole investment held by Crescent City CLT I, LLC, the Company determined that an impairment write down was not required for the year ending December 31, 2019.

An impairment loss of \$607,766 was recorded, in the consolidated statement of activities for the year ended December 31, 2018. The impairment was measured based on Crescent City CLT I, LLC’s change in ownership percentage of their sole investment, GCE 234 Leveraged Lender upon completion of the wind up of the Historic Tax Credits.

18. CHANGE IN ACCOUNTING PRINCIPLES:

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle was adopted on a modified prospective basis as of January 1, 2019. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of January 1, 2019. In comparison to the year ended December 31, 2018, the effect of adopting the new accounting principle was an increase in refundable advances of \$70,032 and a decrease in grant income of \$70,032 during the year ended December 31, 2019.

19. RECLASSIFICATIONS:

Certain 2018 amounts have been reclassified to conform to the 2019 financial statement presentation. Total net assets are unchanged due to these reclassifications.

20. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through December 1, 2020, which is the date the consolidated financial statements were available to be issued. A novel strain of coronavirus was reported in March 2020, and continues to spread throughout the United States. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which could possibly impact the Company. The related financial impact and duration cannot be reasonably estimated at this time.

The Company was notified by the Ford Foundation of the forgiveness of the outstanding loan balance of \$1,396,404 effective May 7, 2020.