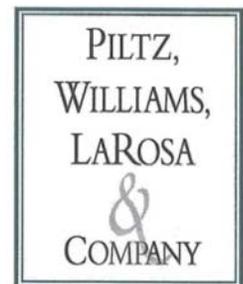


Financial Statements

**Gulf Coast Renaissance Corporation
Gulfport, Mississippi**

**Year Ended December 31, 2013
(With Summarized Financial Information
for the Year Ended December 31, 2012)**



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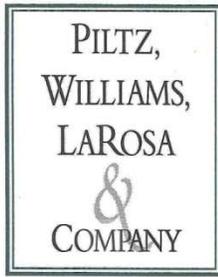
Gulf Coast Renaissance Corporation
Gulfport, Mississippi

Financial Statements

Year Ended December 31, 2013
(With Summarized Financial Information
for the Year Ended December 31, 2012)

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Independent Auditors' Report

To the Board of Directors
Gulf Coast Renaissance Corporation
Gulfport, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of Gulf Coast Renaissance Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the 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 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, the financial statements referred to above present fairly, in all material respects, the financial position of Gulf Coast Renaissance Corporation as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

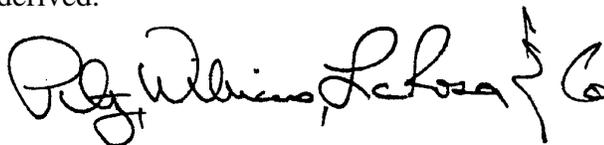
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2014, on our consideration of Gulf Coast Renaissance Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gulf Coast Renaissance Corporation's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Gulf Coast Renaissance Corporation 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 24, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants

Section I

General Purpose Financial Statements

Gulf Coast Renaissance Corporation
Statements of Financial Position

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Assets	December 31,	
	2013	2012
Cash	\$ 5,283,993	\$ 5,878,243
Cash, restricted	2,465,357	1,401,524
Federal Home Loan Bank Stock, at cost	18,100	18,100
Grants receivable	1,471,189	170,243
Prepaid expenses	21,496	16,025
Due from affiliate	193,886	79,167
Due from closing agents and others	95,958	97,166
Equity in net assets of affiliate	3,114,430	1,523,336
Contingent receivable, REACH	3,231,215	3,892,476
Contingent receivable, My Home My Coast	4,348,214	6,950,169
Contingent receivable, Temporary Housing Units	572,798	810,061
Contingent receivable, Turtle Creek Lot Equity	1,023,608	683,925
Notes receivable, Small Business Development Fund	125,813	122,474
Notes receivable, Commercial Lending	200,057	119,800
Mortgages receivable	653,670	744,451
Non-interest bearing residential mortgage loans, net of unamortized discounts of \$11,213,193 and \$12,132,708	17,890,875	18,581,179
Allowance for doubtful accounts and loans receivable	(369,319)	(852,542)
Foreclosed assets held for sale	258,212	616,093
Property & equipment, net	89,225	98,442
Totals	\$ 40,688,777	\$ 40,950,332
Liabilities & Net Assets		
Liabilities		
Accounts payable	\$ 233,699	\$ 71,196
Accrued expenses	69,485	67,054
Escrows	5,182	983
Grant payable	1,006,288	1,045,107
Total liabilities	1,314,654	1,184,340
Net assets		
Unrestricted	36,908,766	38,364,468
Temporarily restricted	2,465,357	1,401,524
Total net assets	39,374,123	39,765,992
Totals	\$ 40,688,777	\$ 40,950,332

The accompanying notes are an integral part of the financial statements.

Gulf Coast Renaissance Coporation
Statements of Activities

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	Year Ended December 31,				2012
	2013			Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue					
Contributions	\$ 597,500	\$ -	\$ -	\$ 597,500	\$ 678,960
Contributions, in kind	8,530			8,530	4,723
Grant revenue	-	2,363,017		2,363,017	5,910,522
Mortgage discount amortization	729,982			729,982	2,635,310
Loan fees	96,168			96,168	42,658
Interest and investment income	64,286			64,286	56,719
Miscellaneous Income	7,600			7,600	7,319
Equity in earnings of affiliate	1,591,094			1,591,094	1,522,153
Net assets released/ restrictions satisfied	1,299,184	(1,299,184)		-	-
Total support and revenue	4,394,344	1,063,833	-	5,458,177	10,858,364
Expenses					
Program services:					
Homeownership	1,456,200			1,456,200	1,051,951
Lending	3,622,788			3,622,788	4,681,213
Land development	143,406			143,406	203,050
Community	116,950			116,950	112,645
Supporting services:					
Management and general	510,702			510,702	291,623
Total expenses	5,850,046	-	-	5,850,046	6,340,482
Change in net assets	(1,455,702)	1,063,833	-	(391,869)	4,517,882
Net assets, beginning of year,	38,364,468	1,401,524	-	39,765,992	35,248,110
Net assets, end of year	\$ 36,908,766	\$ 2,465,357	\$ -	\$ 39,374,123	\$39,765,992

The accompanying notes are an integral part of the financial statements.

Gulf Coast Renaissance Corporation
Statements of Cash Flows

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	Year Ended December 31,	
	2013	2012
Cash flows from operating activities		
Change in net assets	\$ (391,869)	\$ 4,517,882
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt	(478,334)	130,539
Depreciation	17,346	23,706
Mortgage discount expense	(189,534)	747,897
Mortgage discount amortization	(729,982)	(2,635,310)
Receipts from mortgages receivable	1,193,935	1,692,152
Mortgages received	(317,321)	(2,643,607)
Loss on foreclosure	401,437	120,077
Loss on sale of asset	476,888	-
Changes in assets and liabilities:		
Grants receivable	(1,300,946)	811,878
Due from affiliate	(114,719)	(79,167)
Due from closing agents and others	1,208	(752)
Equity in net assets of affiliate	(1,591,094)	(1,522,947)
Contingent receivable, REACH	661,261	601,178
Contingent receivable, My Home My Coast	2,601,955	1,556,540
Contingent receivable, Temporary Housing Units	237,263	192,937
Contingent receivable, Turtle Creek Lot Equity	(339,683)	(562,858)
Notes receivable, Commercial Lending	(80,257)	(119,800)
Notes receivable, Small Business Development Fund	(3,339)	(86,866)
Prepaid expenses	(5,471)	3,035
Accounts payable	162,503	(29,544)
Accrued expenses	2,431	15,195
Escrows	4,199	983
Grants payable	(38,819)	(12,429)
Net cash provided by (used in) operating activities	<u>179,058</u>	<u>2,720,719</u>
Cash flows from investing activities		
Proceeds from sale of foreclosed assets	995,684	100,000
Purchase of property and equipment	(8,129)	(68,570)
Acquisition of foreclosed assets	(697,030)	(283,191)
Investment in Federal Home Loan Bank	-	(18,100)
Net cash provided by (used in) investing activities	<u>290,525</u>	<u>(269,861)</u>
Net increase (decrease) in cash	469,583	2,450,858
Cash, beginning of year	<u>7,279,767</u>	<u>4,828,909</u>
Cash, end of year	<u>\$ 7,749,350</u>	<u>\$ 7,279,767</u>

The accompanying notes are an integral part of the financial statements.

Note 1 – Description of Organization and Significant Accounting Policies

The organization - The Gulf Coast Renaissance Corporation, (the Corporation) was incorporated on November 20, 2006, as a non-profit organization. It was established to serve as the capstone organization in the rebuilding of the Mississippi Gulf Coast by removing obstacles to the redevelopment, creating partnerships, and stimulating investment in order to create vibrant, diverse, sustainable communities that offer residents the highest quality of life. Its current mission is to provide support through technical and financial assistance to facilitate the development of communities which provide safe, quality housing for the workforce and special need residents of the Mississippi Gulf Coast and economic opportunities that will add/retain jobs in the community or that create entrepreneurial opportunities.

In November 2011, Bridge Development, LLC (Bridge), a Mississippi Limited Liability Company, was formed with Gulf Coast Renaissance Corporation as its sole member. The accounts of Bridge are included in the December 31, 2013 and 2012 financial statements of the Corporation. Any intercompany balances have been eliminated.

Basis of accounting - The Corporation presents its financial statements using the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, revenue and the related assets are recognized when earned and expenses are recognized when the obligations occur.

Basis of presentation - The Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributed services - The Corporation records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment. The Corporation received contributed professional services during the years ended December 31, 2013 and 2012, with a fair value on the dates of donation of \$8,530 and \$4,723, respectively.

Federal Home Loan Bank stock - The Company is a member of the Federal Home Loan Bank of Dallas (“FHLB”) and as such is required to maintain a minimum investment in its stock that varies with the level of FHLB advances outstanding. The stock is bought from and sold to the FHLB based on its \$100 par value. The stock does not have a readily determinable fair value and as such is classified as restricted stock, carried at cost and evaluated for impairment in accordance with GAAP.

Mortgages receivable - Mortgages receivable are recorded at fair value. Mortgages receivable with interest rates at less than market value are discounted accordingly and reported at present value.

Property and equipment - It is the Corporation’s policy to capitalize property and equipment over \$2,500 with the exception of computer equipment. Lesser amounts are expensed. Property and equipment are recorded at cost. Donated property and equipment are recorded at their estimated fair

Gulf Coast Renaissance Corporation
Notes to Financial Statements
(Continued)

value. Property and equipment are depreciated over their estimated useful lives using the straight-line method.

Fair value measurements – The FASB Codification establishes a framework for measuring fair value. That framework 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 are as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Grants payable - Unconditional grants are charged against operations when authorized. The actual payment of the grant may not necessarily occur in the year of authorization. Grants which are expected to be paid beyond one year are discounted at an appropriate rate, which management has determined to be 4%. Amortization of the present value discount rate is recorded as additional grants expense. A conditional grant is considered unconditional if the possibility that the condition will not be made is remote.

Income taxes - The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Similar provisions under the Mississippi Code allow exemption of state income taxes.

Estimates - The preparation of financial statements in conformity with U.S. 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.

Advertising costs - The Corporation uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed when incurred.

Gulf Coast Renaissance Corporation
Notes to Financial Statements
(Continued)

Revenue recognition - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash equivalents - The Corporation considers all highly liquid investments, except those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

Reclassifications – Certain reclassifications have been made to prior year figures in order for them to conform to current year presentation.

Note 2 – Concentration of Credit Risk

The Corporation maintains cash balances at various financial institutions, which at times may exceed the federally insured limit of \$250,000. The Corporation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on these deposits.

Note 3 – Grants Receivable

The following is a summary of grants receivable at:

	December 31,	
	2013	2012
Community Development Financial Institutions Fund	\$ 1,347,000	\$ -
Mississippi Development Authority - MyHome MyCoast	124,189	170,243
Totals	\$ 1,471,189	\$ 170,243

Note 4 – Contingent and Mortgage Receivables

In support of its mission, the Corporation has developed the Regional Employer Assisted Collaboration for Housing (REACH) Mississippi program. Through this program, the Corporation will assist employers in setting up an Employer Assisted Housing (EAH) program. Based upon employer determined criteria, EAH-qualified employees will be offered a predetermined amount to help them purchase homes. This amount can be a second lien position on the home structured according to the employers' specifications, but will generally be forgiven after a five-year period of employment. Under the REACH program, employees with total household income less than 120 percent of the area median income can qualify for up to a five-to-one matching funds through the Corporation to further offset the costs of home ownership. This third, interest free lien is silent, coming due only when the home is sold or refinanced within the forgiveness period. It is completely forgiven after ten years. With the conclusion of this program, the Corporation did not extend any of these matching funds during the past two years.

Gulf Coast Renaissance Corporation
Notes to Financial Statements
(Continued)

The MyHome MyCoast program was launched in April 2009 by the Gulf Coast Renaissance Corporation as a perpetual fund to assist thousands of residents and potential residents of Mississippi's six coastal counties. The long-term, stimulus-style housing program will provide homeownership opportunities to private individuals, focusing on those who have been negatively impacted by the devastation of Hurricane Katrina and/or the recent national credit crisis. Through its initial goal to bridge the gap in affordable workforce housing in the area, MyHome MyCoast also provides many benefits to South Mississippi, including stimulating the private real estate market.

The program leverages local lenders' mortgages and offers a zero-percent interest on a second mortgage funded by Community Development Block Grant funds. The mortgages, which are 30-year, fixed-rate, have a loan-to-value position of 40 - 60 percent, with a graduating scale based upon household area median income (AMI). The program provides flexibility in lending as the local financial lenders are not burdened with selling loans in the secondary mortgage marketplace. The program includes down-payment-assistance grants based on the AMI, ranging from \$14,300 to \$22,500 forgivable after 5 years if the home is not sold or refinanced during the forgiveness period and up to \$3,500 that can be used to cover closing costs. This closing cost assistance is forgiven when the loan closes. During the years ended December 31, 2013 and 2012, the Corporation extended \$282,000 and \$2,444,261 in zero-percent interest mortgages, \$118,287 and \$1,100,501 in down-payment-assistance, as well as \$18,424 and \$154,932 in forgiven closing costs. All of the mortgages receivable are secured by the homes sold. Because the mortgages held by the Corporation bear no interest, they have been discounted using an annual rate of 4%. These original discounted amounts are reflected in the financial statements as mortgage discount expense in the year the mortgage is closed. The annual amortization of the discount is recorded as mortgage discount amortization income.

The discount on the non-interest bearing loans is categorized as level two within the fair value hierarchy. The discount rate used for all closed mortgages is based on the Corporation's borrowing rate. The fair value of these non-interest bearing residential mortgage loans, net of the unamortized discount was \$17,890,875 and \$18,581,179 at December 31, 2013 and 2012, respectively.

Mortgage receivables are evaluated annually for impairment. In its evaluation the Corporation will assess whether there have been any foreclosures, bankruptcies, or other types of debtor impairments. If this quantitative impairment analysis indicates a possible impairment of the Corporation's receivable, the Corporation will investigate other qualitative factors including the ability of the borrower to pay off the loan. The Corporation reserves 40% of the portfolio at risk for loans delinquent greater than 90 days. At December 31, 2013 and 2012, the allowance for doubtful accounts and mortgage loans receivables was evaluated to be \$369,319 and \$852,542, respectively.

Note 5 – Property and Equipment

The following is a summary of property and equipment at:

	December 31,	
	2013	2012
Furniture and fixtures	\$ 144,160	\$ 136,031
Real estate	58,220	58,220
Less accumulated depreciation	113,155	95,809
Totals	\$ <u>89,225</u>	\$ <u>98,442</u>

Gulf Coast Renaissance Corporation
Notes to Financial Statements
(Continued)

Note 6 – Temporarily Restricted Net Assets

Temporarily restricted net assets in the amount of \$2,465,357 and \$1,401,524 as of December 31, 2013 and 2012, respectively, were available solely for use in the Corporation's lending activities as a Community Development Financial Institution.

Note 7 – Employee Retirement Plans

The Corporation sponsors a defined contribution retirement plan with Section 401(k) provisions. The plan is available to substantially all of the company's employees. The plan provides for participating employees to make salary reduction (elective deferral) contributions from their compensation into the plan with the Corporation making a discretionary matching employer contribution. The Corporation made discretionary matching employer contributions in the amount of \$13,885 and \$0 for the years ended December 31, 2013 and 2012, respectively.

Note 8 – Contingencies

The Corporation is involved in various legal matters arising during the normal course of business. Management, after consulting legal counsel, is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the financial condition of the Corporation.

Note 9 – Other Commitments

The Corporation maintains a \$1,000,000 unsecured line of credit with Hancock Bank. It bears a variable interest rate currently at 4.00% and expires December 5, 2014. At December 31, 2013 and 2012, the outstanding loan balance on this line of credit was \$0 and 0, respectively.

Note 10 – Grants Payable

Grants authorized but unpaid at year-end are reported as liabilities. Grants to be paid in more than one year are discounted using a rate of 4%. The following is a summary of grants authorized and payable at December 31, 2013:

To be paid in 2014	\$ 124,300
To be paid in 2015	135,600
To be paid in 2016	135,600
To be paid in 2017	135,600
To be paid in more than five years	807,573
Less discount on long-term grants	<u>(332,385)</u>
Net grants authorized but unpaid	<u><u>\$ 1,006,288</u></u>

Note 11 – Investment in Unconsolidated Affiliate

On December 22, 2011, the Corporation, through its wholly owned subsidiary Bridge Development, LLC, acquired 33.001% of the existing membership units in Lamey Bridge Senior Development, LLC, (LBSD) a Mississippi Limited Liability Company. The Corporation accounts for its investment in this unconsolidated affiliate by the equity method. The Corporation records its share of earnings (loss) in the Statements of Activities as "Equity in earnings of affiliate" and the carrying value of the Corporation's investment is recorded in the Statements of Financial Position as "Equity in net assets of affiliate". As of the years ended December 31, 2013 and 2012, the Corporation's investment in LBSD is valued at \$3,114,430 and \$1,523,336, respectively. Also, a gain of \$1,591,094 and \$1,522,153 has been recognized for the years ended December 31, 2013 and 2012, respectively.

The following is a synopsis of LBSD's financial statements as of and for the years ended December 31, 2013 and 2012.

Lamey Bridge Senior Development, LLC Synopsis
Balance Sheet

	December 31,	
	2013	2012
	<u>2013</u>	<u>2012</u>
Assets	<u>\$ 14,699,854</u>	<u>\$ 10,113,043</u>
Liabilities	\$ 4,769,662	\$ 5,004,201
Members' equity	<u>9,930,192</u>	<u>5,108,842</u>
Total liabilities and members' equity	<u>\$ 14,699,854</u>	<u>\$ 10,113,043</u>

Statement of Operations

	December 31,	
	2013	2012
	<u>2013</u>	<u>2012</u>
Revenues	\$ 5,437,050	\$ 4,737,500
Operating expenses	<u>(615,700)</u>	<u>(123,907)</u>
Net income	<u>\$ 4,821,350</u>	<u>\$ 4,613,593</u>

Bridge Development, LLC, in its capacity as a member of LBSD, is a guarantor on a note payable to The First Bank in the amount of \$3,600,000. The note bears interest at 4.5% and is secured by a First Deed of Trust on property. The balance of the note at December 31, 2013 and 2012 is \$3,580,543 and \$2,770,600, respectively, and is included in total liabilities for LBSD reported in the previous paragraph.

Note 12 – Related Party Transactions

In December 2011, the Corporation executed a restricted grant agreement with Lamey Bridge Senior Development, LLC (LBSD). Bridge Development, LLC is one of the members of LBSD. Under the terms of the grant agreement, the Corporation will provide to LBSD a rental subsidy grant totaling \$1,356,000, payable in equal annual installments of \$135,600. As of December 31, 2013, the Corporation has recorded grants payable in the amount of \$1,006,288 the present value of the liability.

On May 14, 2012, the Corporation entered into an agreement with Lamey Bridge Senior Development, LLC to provide the Company a \$250,000 line of credit, with a variable rate of interest. LBSD is required to make monthly interest payments to the Corporation. This agreement expired on May 14, 2013 with the entire principal and interest balance being due. On May 15, 2013, the Corporation extended the \$250,000 line of credit, having the same terms as the original note, expiring on May 14, 2014. The Corporation expects to further extend this line of credit. The balance of this line of credit at December 31, 2013 and 2012 was \$0 and \$32,500, respectively.

Gulf Coast Renaissance Corporation
Notes to Financial Statements
(Continued)

12

The Corporation provides accounting services to Lamey Bridge Senior Development, LLC. As of December 31, 2013 and 2012, \$193,886 and 79,167, respectively, has been accrued as due from affiliate for those services.

Note 13 – Subsequent Events

Management has evaluated subsequent events through June 12, 2014, the date on which the financial statements were available to be issued.

Section II

Supplemental Information

Gulf Coast Renaissance Corporation
Statement of Functional Expenses
Year Ended December 31, 2013

	Program Services				Community	Support Services		Total
	Home Ownership	Lending	Land Development	Management & General		Management & General	Total	
Salaries	\$ 21,566	\$ 536,566	\$ 84,692	\$ 48,077	\$ -	\$ 690,901		
Employee benefits	-	52,241	6,962	128,444	-	187,647		
Payroll taxes	1,464	37,451	6,068	17,749	-	62,732		
Total payroll and related expenses	23,030	626,258	97,722	194,270	-	941,280		
Advertising	-	55,268	-	15,696	125	71,089		
Bad debt	(6,446)	(471,888)	-	-	-	(478,334)		
Call center	-	4,055	-	-	-	4,055		
Closing costs	-	18,424	-	-	-	18,424		
Counseling fees	760	60	-	-	-	820		
Depreciation	-	-	-	17,346	-	17,346		
Donations/pledges	-	200	-	750	-	950		
Down payment assistance amortization	555,428	2,410,045	-	-	-	2,965,473		
Down payment assistance - Turtle Creek	201,817	-	-	-	-	201,817		
Dues & subscriptions	-	2,233	-	-	8,528	10,761		
ECD fees	-	75,452	-	-	-	75,452		
Food and beverage	-	777	-	-	3,676	4,453		
Housing assistance grants	311,420	-	-	100,000	-	411,420		
Insurance	-	37,087	-	-	9,228	46,315		
LBSD Appliance Grants	-	-	13,020	-	-	30,000		
Legal & professional	-	58,269	515	63,272	116,825	251,386		
Loss on asset	-	476,373	-	-	-	476,888		
Loss on foreclosure	83,333	318,104	-	-	-	401,437		
MDA NHP Flood Insurance Program	100,919	-	-	-	-	100,919		
Mortgage discount expense	-	(189,534)	-	-	-	(189,534)		
Office supplies & expense	-	28,251	57	19,235	-	47,543		
Postage	-	2,851	-	1,876	-	4,727		
Printing	-	1,866	-	1,788	-	3,654		
Professional development	-	13,380	-	12,111	-	25,491		
Property management	-	128,384	-	-	-	128,384		
Rent	-	30,171	-	13,366	-	43,537		
Rental home expense	2,632	2,021	-	-	-	4,653		
Restricted grant expense	(21,492)	-	-	-	-	(21,492)		
Supplies	-	4,058	-	3,075	-	7,133		
Temporary housing units grant amortization	204,723	(16,000)	32,025	-	-	220,748		
Travel	-	2,514	16	-	-	15,189		
Utilities	76	4,109	51	3,826	-	8,062		
Total functional expenses	\$ 1,456,200	\$ 3,622,788	\$ 143,406	\$ 510,702	\$ 116,950	\$ 5,850,046		

The accompanying notes are an integral part of the financial statements.

Gulf Coast Renaissance Corporation
Statement of Functional Expenses
Year Ended December 31, 2012

	Program Services				Support Services		Total
	Home	Lending	Land Development	Community	Management & General	Management & General	
Salaries	3,848	\$ 603,380	\$ 41,778	-	\$ 43,817	-	\$ 692,823
Employee benefits	145	51,315	2,005	-	101,619	-	155,084
Payroll taxes	178	42,552	2,991	-	16,787	-	62,508
Total payroll and related expenses	4,171	697,247	46,774	-	162,223	-	910,415
Advertising	-	1,329	-	-	1,275	-	2,604
Bad debt	(29,980)	160,519	-	-	-	-	130,539
Call center	-	8,297	-	-	-	-	8,297
Closing costs	-	154,932	-	-	-	-	154,932
Counseling fees	15,676	12,100	-	-	270	-	28,046
Depreciation	3,612	-	-	-	20,094	-	23,706
Donations/pledges	-	500	-	-	2,150	-	2,650
Down payment assistance amortization	581,178	2,469,141	-	-	-	-	3,050,319
Down payment assistance - Turtle Creek	93,642	-	-	-	-	-	93,642
Dues & subscriptions	-	3,156	-	-	4,783	-	7,939
ECD Fees	-	126,554	-	-	-	-	126,554
Eco-Cottages	-	-	130,540	-	-	-	130,540
Food and beverage	-	39	-	-	3,233	-	3,272
Housing assistance grants	35,980	-	-	-	455	-	36,435
Insurance	-	34,471	-	-	7,652	-	42,123
Legal & professional	319	68,874	21,336	112,645	31,623	-	234,797
Loss on asset	-	-	-	-	18,521	-	18,521
Loss on foreclosure	120,077	-	-	-	-	-	120,077
Mortgage discount expense	-	747,897	-	-	-	-	747,897
Office supplies & expense	-	27,733	30	-	11,372	-	39,135
Postage	-	1,099	-	-	1,103	-	2,202
Printing	-	1,819	-	-	844	-	2,663
Professional development	-	7,470	-	-	3,068	-	10,538
Property management	111	115,263	4,027	-	-	-	119,401
Rent	-	30,003	-	-	15,055	-	45,058
Rental home expense	2,981	1,068	-	-	-	-	4,049
Restricted grant expense	(12,429)	-	-	-	-	-	(12,429)
Supplies	39	4,181	-	-	1,934	-	6,154
Temporary housing units grant amortization	236,551	-	237	-	-	-	236,788
Travel	-	1,334	64	-	3,161	-	4,559
Utilities	23	6,187	42	-	2,807	-	9,059
Total functional expenses	\$ 1,051,951	\$ 4,681,213	\$ 203,050	\$ 112,645	\$ 291,623	\$ 6,340,482	

The accompanying notes are an integral part of the financial statements.

Section III

Schedule of Expenditures of Federal Awards

Gulf Coast Renaissance Corporation
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development: Passed-through the Mississippi Development Authority Community Development Block Grant	14.228	\$ 1,016,017
U.S. Department of the Treasury Community Development Financial Institutions Program	21.020	<u>283,167</u>
Total Financial Awards, All Programs		<u><u>\$ 1,299,184</u></u>

The following notes are an integral part of this schedule.

Note A - Basis of Presentation

The above schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Gulf Coast Renaissance Corporation under programs of the Federal government for the year ended December 31, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*. Because the Schedule presents only a selected portion of the operations of Gulf Coast Renaissance Corporation, it is not intended to and does not present the financial position or changes in net assets of Gulf Coast Renaissance Corporation.

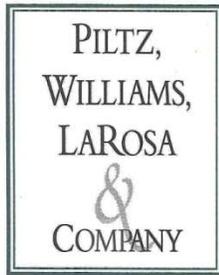
Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Nonprofit Organizations*, and Subpart C, "Cost Sharing and Matching," of OMB Circular A-110, *Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

See independent auditors' report.

Section IV

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***



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Sam J. LaRosa, Jr., CPA (Retired)
William S. Thompson, CPA (Retired)
Gene M. Clark, Jr., CPA (Retired)
Darrell L. Galey, CPA

The Board of Directors
Gulf Coast Renaissance Corporation
Gulfport, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Gulf Coast Renaissance Corporation (a non-profit organization) which comprise the statement of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 12, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gulf Coast Renaissance Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gulf Coast Renaissance Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Gulf Coast Renaissance Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

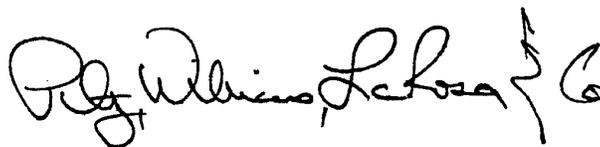
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gulf Coast Renaissance Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our

audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

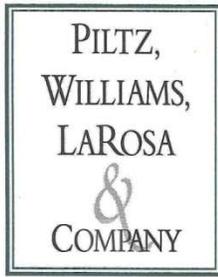


Certified Public Accountants

Biloxi, Mississippi
June 12, 2014

Section V

**Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control Over
Compliance Required by OMB Circular A-133**



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The Board of Directors
Gulf Coast Renaissance Corporation
Gulfport, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Gulf Coast Renaissance Corporation's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Gulf Coast Renaissance Corporation's major federal programs for the years ended December 31, 2013 and 2012. Gulf Coast Renaissance Corporation's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Gulf Coast Renaissance Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Gulf Coast Renaissance Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Gulf Coast Renaissance Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, Gulf Coast Renaissance Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

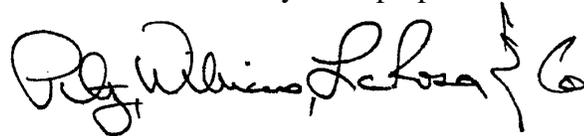
Report on Internal Control Over Compliance

Management of Gulf Coast Renaissance Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Gulf Coast Renaissance Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Gulf Coast Renaissance Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants

Biloxi, Mississippi
June 12, 2014

Gulf Coast Renaissance Corporation
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2013

Section 1 – Summary of Auditors' Results

Financial Statements Section

1. An unqualified opinion was issued on the financial statements.
2. The audit did not disclose any material weaknesses or reportable conditions over financial reporting.
3. The audit did not disclose any noncompliance which is material to the basic financial statements.

Federal Awards Section

4. The audit did not disclose any material weaknesses in internal control over major programs.
5. An unqualified opinion was issued on compliance for major federal programs.
6. Audit findings which are required to be reported under Section 510(a) of OMB Circular A-133 are reported in Section III below.
7. The program tested as a major program was the Community Development Block Grant, CFDA No. 14.228.
8. The dollar threshold for distinguishing Types A and B programs was \$300,000.
9. The Auditee qualified as a low-risk auditee.

Section 2 – Findings Relating to the Financial Statements

None

Section 3 – Findings and Questioned Costs for Federal Awards

None