

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 7 - Contingencies:

Grants and contracts with agencies often require fulfillment of certain conditions as set forth in the terms of the instrument. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the return of funds is a possibility, the Board of Directors deems the contingency unlikely, since NHHNO has agreed to comply with the grantor's provisions.

Certain legal actions are pending against NHHNO. Management, after reviewing with counsel, considers the aggregate liability or loss, if any, resulting from them will not be material.

NOTE 8 - Notes Payable:

NHHNO's obligation under notes payable consists of the following:

01 note payable maturing January 1, 1996	\$ 9,500
2.5% revolving line-of-credit note commencing on July 14, 1994 and continuing until the note is paid in full. This loan is secured by a collateral mortgage note in the amount of \$40,000	18,000
Total	\$27,500

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - Loans Serviced:

Loans serviced for NHA

Under the terms of the Loan Sales and Services Agreement, NHHNO has sold certain mortgage loans to Neighborhood Housing Services of America (NHA) and has agreed to service the loans for a nominal fee. NHHNO is required to repurchase or replace all mortgages sold to NHA which become delinquent by 90 days or more. Principal balances outstanding on mortgages sold to NHA and serviced by NHHNO amounted to \$170,129 at December 31, 1990.

Loans Serviced for Brown Foundation

NHHNO serviced loans for the Brown Foundation with a total principal balance of \$378,993 at December 31, 1990.

NOTE 5 - Allowance for Uncollectible Loans:

The following is an analysis of the allowance for uncollectible loans as of December 31, 1990:

	CDBG	HBC	MIF	TOTAL
Beginning balance	\$ 90,883	\$8,715	\$4,283	\$103,881
Loans written-off	-0-	-0-	-0-	-0-
Recoveries of loans previously written- off	-0-	-0-	-0-	-0-
Ending balance	\$ 90,883	\$8,715	\$4,283	\$103,881

NOTE 6 - Construction Escrow:

Construction escrow represents funds that have been committed for Rehabilitation projects but have not been disbursed to construction contractors.

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Due From or to Other Funds

All interfund activities have been recorded as a receivable or payable and represent expenditures/receipts paid/received by one program on behalf of another.

Income Taxes

NEHNO is an 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 financial statements.

Property, Furniture and Equipment

Property, furniture and equipment are recorded at cost (or fair market value for donated assets) and are depreciated using the straight-line method over the estimated useful lives of the related assets.

NOTE 3 - Changes in Accounting Principles:

NEHNO adopted the provisions of Statement of Financial Accounting Standards No. 116, Accounting for Contributions Received and Contributions Made and No. 117, Financial Statements of Not-for-Profit Organizations. Statement No. 116 requires NEHNO to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. Statement No. 117 establishes standards for general purpose external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities, and a statement of cash flows. The adoption of statements No. 117 and 116 had no cumulative effect on net assets at the date of the adoption and for the year ended December 31, 1996.

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Statement of Cash Flows

For purposes of the statement of cash flows, cash and cash equivalents include all items contained in the balance sheet caption "cash".

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Contributions and Grants

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of an donor restriction. Grants from governmental agencies are recorded when NHHNO is entitled to the funds.

Mortgage Loans Receivable and Allowance
for Uncollectible Loans

Loans are stated at the amount of unpaid principal. The allowance for uncollectible loans is established through a provision for bad debts charged to expenses. Loans are charged against the reserves for loan losses when management believes that the collectibility of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectibility of loans.

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Summary of Significant Accounting Policies,
continued:

GENERAL, CONTINUED

Neighborhood Housing Services of America (NESA) Fund

This program represents the activities and accounts of NESA. Through an agreement between NHHO and NESA (See NOTE 1), certain mortgages have been sold to NESA with the loans are being serviced by NHHO.

Brown Foundation

This program represents the activities and accounts of the Brown Foundation. Through an agreement with the Brown Foundation, loans are serviced by NHHO.

Open Door

This program was established for the purpose of providing interim financing for home renovations to designated area residents who have obtained commitments for permanent financing from a financial institution.

First Time Homeowner's Program (FTHM)

This program represents funds established through a grant agreement with the City of New Orleans. The purpose of program is to provide loans to low-income individuals who are seeking to purchase a home for the first time.

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies.
Continued:

GENERAL, CONTINUED

Revolving Funds

The Revolving Loan Funds, permanently restricted funds, represent all programs and grants as described below.

Community Development Block Grant

This program represents funds established through a grant agreement with the City of New Orleans. Annual contracts provide funds for NHHNO to use for the purpose of providing loans to area residents who cannot qualify for conventional financing for home renovations and acquisitions.

Neighborhood Reinvestment Corporation Fund

This program represents restricted funds established through a grant agreement with Neighborhood Reinvestment Corporation for the purpose of providing loans to designated area residents for home renovations and acquisitions.

Neighborhood Housing Improvement Fund

This program represents funds established through a grant agreement with the City of New Orleans. Annual contracts provided funds for NHHNO to use for purposes of providing loans to area residents for home renovations and acquisitions, and for providing home ownership training and housing acquisition assistance grants. Expenses recorded to this fund include those incurred by the program and paid from its own funds.

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

**NOTE 3 - Summary of Significant Accounting Policies,
Continued:**

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the NHHNO. Generally, the donors of these assets permit the NHHNO to use all or part of the income earned on any related investments for general or specific purposes.

GENERAL

As of December 31, 1994, NHHNO administered the following funds, programs and grants:

General Fund

The General Fund, an unrestricted fund, is used to account for all financial resources that are not required to be accounted for in another fund. This fund is used to pay the cost of the general operations of NHHNO and certain expenditures that are not budgeted or permitted in other programs and/or grants.

Escrow Fund

The Escrow Fund is used as a depository for construction escrow and insurance escrow. This fund is custodial in nature and does not involve measurement of results of operations.

Fracet Street Project Fund

The Fracet Street Project fund is a temporarily restricted fund that was established to account for various projects in the Fracet Neighborhood.

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Organization:

Neighborhood Housing Services of New Orleans, Inc. (NHSNO) is a private, locally formed, nonprofit 501(c)(13) corporation which works to revitalize declining neighborhoods and provide affordable housing opportunities. NHSNO is based on the idea that a partnership of local residents, financial institutions, businesses, and local government working together can stop decline, promote reinvestment, restore pride and confidence, re-establish a sense of neighborhood self-reliance in the NHSNO neighborhoods and the broader community.

NOTE 2 - Summary of Significant Accounting Policies:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the NHSNO are changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the NHSNO and/or the passage of time. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 1984

Cash flows from operating activities:	
Changes in net assets	\$ 245,882
Adjustments to reconcile	
changes in net assets to cash	
provided by operating activities:	
Deferred loans receivables	30,000
Depreciation expense	10,310
Decrease in deposits	220
Increase in other receivables	(14,000)
Decrease in accounts payable	(45)
Decrease in interest payable	(534)
Decrease in accrued expenses	(518)
Increase in construction accrual	48,000
Increase in client insurance accrual	892
	<u> </u>
Net cash provided by operating	
activities	,325,078
Cash Flows From Investing Activities:	
Increase in mortgage loans receivable	(274,824)
Purchase of property and equipment	(10,052)
	<u> </u>
Net cash used in investing	
activities	(184,876)
Cash Flows From Financing Activities:	
Principal payment on notes payable	(88,780)
Proceeds from notes payable	10,000
Decrease in due to NHOA	(126,260)
	<u> </u>
Net cash used in by financing	
activities	(104,850)
Decrease in cash	(62,950)
Cash - beginning of year	,653,285
Cash - end of year	\$,590,285
Interest paid in cash during 1984	\$,1,324

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

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.

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NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 1996

REVENUES (NOTE 2):	
Contributions	\$ 100,931
Grants (NOTE 11)	450,883
Interest	59,300
construction management fees	9,373
Loan charges and fees	23,239
Rental income	8,160
Other revenue	10,502
inspection fees	<u>1,830</u>
Total revenues	<u>672,218</u>
 EXPENSES:	
Housing assistance grants	4,751
Salaries	321,883
Employee benefits	12,788
Payroll taxes	17,888
Interest	1,224
depreciation (NOTE 2)	10,310
Office supplies	9,160
Deferred loans forgiven	18,000
Professional fees	17,729
Insurance	14,747
Other operating expenses (SCHEDULE V)	80,926
office equipment	<u>10,033</u>
total expenses	<u>488,332</u>
 Charges in net assets	 283,882
beginning net assets	1,884,625
ending net assets	<u>\$1,888,302</u>

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

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
Neighborhood Housing Services
of New Orleans, Inc.

Page 2

As discussed in NOTE 3 to the financial statements, in 1986 Neighborhood Housing Services of New Orleans changed its method of accounting for contributions and its method of financial reporting and financial statements presentation.

In accordance with Government Auditing Standards, we have also issued a report dated June 9, 1987 on our consideration of Neighborhood Housing Services of New Orleans, Inc.'s internal control structure and a report dated June 9, 1987 on its compliance with laws, regulations and grants.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining financial statements and the schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Neighborhood Housing Services of New Orleans, Inc. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 9, 1987

Bruno
& Tervalon

CERTIFIED PUBLIC ACCOUNTANTS

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.

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NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 1996

ASSETS

Cash	\$ 500,740
Due from other funds (NOTE 2)	34,930
Mortgage loans receivable (NOTES 2 and 3)	2,043,722
Allowance for uncollectible loans (NOTES 2 and 3)	(100,441)
Other receivables	10,250
Net property, furniture and equipment (NOTES 2 and 3)	145,354
Other real estate owned	22,101
Deposits	514
Total assets	\$2,758,350

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 9,150
Accrued expenses	18,686
Due to other funds (NOTE 2)	34,930
Due to HHA (NOTES 2 and 4)	457,540
Interest payable	2,201
Construction accrual (NOTE 6)	100,340
Client Insurance accrual	13,670
Notes payable (NOTE 3)	12,380
Total liabilities	784,057
Net Assets:	
Unrestricted	117,000
Temporarily restricted	8,387
Permanently restricted	2,814,302
Total net assets	3,069,302
Total liabilities and net assets	\$2,758,350

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

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 9 - Property, Furniture and Equipment:

At December 31, 1996, NHCNO's property, equipment and accumulated depreciation were classified as follows:

	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Land	\$ 21,079	\$ -0-	\$ 21,079
Buildings	117,360	10,434	106,926
Furniture, fixtures and equipment	35,738	18,200	17,538
	<u>\$174,177</u>	<u>\$28,634</u>	<u>\$145,543</u>

NOTE 10 - Fair Values of Financial Instruments:

The fair values of financial instruments have been determined by NHCNO utilizing available market information and appropriate valuation methodologies. NHCNO considers the carrying amounts of cash, unconditional promises to give and notes payable to approximate fair value.

The estimated fair value of mortgage loans receivable could not be determined because of the excessive cost in calculating such valuation.

NOTE 11 - Neighborhood Reinvestment Corporation (NRC):

The Neighborhood Reinvestment Corporation (NRC) provided the following support to NHCNO for the year ended December 31, 1996:

General Fund

NRC provided \$28,300 of expendable grants during the year to defray operating expenses incurred by the NHCNO through December 31, 1996.

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1996

	SUPPORT SERVICES		PROGRAM SERVICES		TOTAL
	MANAGEMENT AND GENERAL	CONSTRUCTION MANAGEMENT ASSISTANCE	HOME OWNERSHIP AND LEASING ASSISTANCE	TOTAL	
EXPENSES					
Salaries and related expenses:					
Salaries	\$ 78,743	\$ 77,498	\$ 63,633		\$219,874
Employee benefits	4,540	4,466	3,704		12,710
Payroll taxes	6,552	5,943	5,950		18,445
Total salaries and related expenses	<u>89,835</u>	<u>87,907</u>	<u>73,287</u>		<u>251,029</u>
Others:					
Annual report, meeting and luncheon	1,748	1,748	1,748		5,244
Insurance	4,985	4,985	4,985		14,757
Maintenance and repairs	1,400	1,400	1,400		4,200
Office supplies	3,054	3,053	3,053		9,160
Postage and shipping	1,088	1,088	1,088		3,264
Professional fees	13,837	13,836	13,836		37,729
Equipment lease	553	554	553		1,660
Telephone	2,302	2,302	2,302		6,906
staff and board training and travel	1,540	1,540	1,539		4,619
Office equipment	3,383	3,383	3,383		10,149
Inspection costs	-0-	13,045	-0-		33,085
Interest	400	400	400		1,204
Utilities	1,526	1,526	1,525		4,577
Other expenses	2,828	2,828	2,828		8,484
Housing assistance grants	-0-	-0-	4,751		4,751
Deferred loans forgiven	-0-	-0-	16,680		16,680
Total other expenses before depreciation	<u>37,286</u>	<u>48,337</u>	<u>88,639</u>		<u>144,262</u>
Depreciation expense	<u>3,832</u>	<u>3,832</u>	<u>3,832</u>		<u>10,316</u>
Total expense	<u>\$118,953</u>	<u>\$139,701</u>	<u>\$116,541</u>		<u>\$475,200</u>

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

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.

EXIT CONFERENCE

The audit report was discussed at a meeting held on June 26, 1987 and attended by:

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.

Mr. Lauren Anderson -- Executive Director
Mr. Richard C. Ainsworth -- President

BRUNO & TERVALON, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Lawrence Jones, CPA -- Supervisor

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 9, 1987

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended December 31, 1986, Neighborhood Housing Service of New Orleans, Inc. expended 78 percent (78%) of its total Federal awards under the Community Development Block Grant major program.

We performed tests of controls, as required by OMB circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the major program which is identified in the accompanying Schedule of Federal Awards. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal awards would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal award program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we considered to be a material weakness as defined above.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE IN ACCORDANCE WITH GSA CIRCULAR A-133
(CONTINUED)

However, we noted other matters involving the internal control structure and its operation that we have reported to the management of Neighborhood Housing Services of New Orleans, Inc. in a separate letter dated June 9, 1987.

This report is intended for the information of the Board of Directors, management, grantors and the Legislative Auditor of the State of Louisiana. This is not intended to limit the distribution of this report, which is a matter of public record.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 9, 1987

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH
LAWS, REGULATIONS AND GRANTS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Neighborhood Housing Services of New Orleans, Inc.

We have audited the financial statements of Neighborhood Housing Services of New Orleans, Inc. (a nonprofit organization) as of and for the year ended December 31, 1996, and have issued our report thereon dated June 9, 1997.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and the provisions of OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Neighborhood Housing Services of New Orleans, Inc. is the responsibility of Neighborhood Housing Services of New Orleans, Inc.'s management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Neighborhood Housing Services of New Orleans, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express an opinion.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
LAWS, REGULATIONS AND GRANTS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

(CONTINUED)

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Board of Directors, management, grantors and the Legislative Auditor of the state of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 9, 2007

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
WITH SPECIFIC REQUIREMENTS APPLICABLE TO
MAJOR FEDERAL AWARD PROGRAMS**

To the Board of Directors of
Neighborhood Housing Services of New Orleans, Inc.

We have audited the financial statements of Neighborhood Housing Services of New Orleans, Inc. (a nonprofit organization) for the year ended December 31, 1996 and have issued our report thereon dated June 9, 1997.

We have also audited Neighborhood Housing Services of New Orleans, Inc.'s compliance with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort or cost-sharing; reporting claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to the major federal award programs, which is identified in the accompanying schedule of federal awards, for the year ended December 31, 1996. The management of Neighborhood Housing Services of New Orleans, Inc. is responsible for the organization's compliance with these requirements. Our responsibility is to express an opinion on compliance with these requirements based on our audit.

We conducted our audit of compliance with these requirements in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget circular (OMB) A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations". These standards and the provisions of OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the organization's compliance with these requirements. We believe that our audit provides a reasonable basis for our opinion.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
WITH SPECIFIC REQUIREMENTS APPLICABLE TO
MAJOR FEDERAL AWARD PROGRAMS
(CONTINUED)

The results of our audit procedures did not disclose any immaterial instances of noncompliance with the requirements referred to in the second paragraph.

In our opinion, Neighborhood Housing Services of New Orleans, Inc., complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort or cost-sharing; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to its major federal award program, which is identified in the accompanying schedule of federal awards, for the year ended December 31, 1990.

This report is intended for the information of the Board of Directors, management, grantors and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 8, 1997

& Tervalon

MEMBERS OF THE AICPA
1600 J. MONROE BLVD., SUITE 200
NEW ORLEANS, LOUISIANA 70119

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH GENERAL REQUIREMENTS APPLICABLE TO
FEDERAL AWARD PROGRAMS

To the Board of Directors of
Neighborhood Housing Services of New Orleans, Inc.

We have audited the financial statements of Neighborhood Housing Services of New Orleans, Inc. (a nonprofit organization) for the year ended December 31, 1998 and have issued our report thereon dated June 9, 1997.

We have applied procedures to test Neighborhood Housing Services of New Orleans, Inc.'s compliance with the following requirements applicable to its federal financial award programs, which are identified in the accompanying Schedule of Federal Awards for the year ended December 31, 1998.

GENERAL REQUIREMENTS

Political Activity
Civil Rights
Cash Management
Administrative Requirements
Allowable Cost
Drug Free Workplace
Federal Financial Reports

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of Educational Institutions and Other Nonprofit Organizations". Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Neighborhood Housing Services of New Orleans, Inc.'s compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH GENERAL REQUIREMENTS APPLICABLE TO
FEDERAL AIDED PROGRAMS
(CONTINUED)

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Neighborhood Housing Services of New Orleans, Inc. had not complied, in all material respects, with those requirements.

This report is intended for the information of the Board of Directors, management, grantors and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 9, 1997

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

The management of Neighborhood Housing Service of New Orleans, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal award programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal awards in the following categories:

ACCOUNTING APPLICATIONS

Cash receipts
Purchasing/receiving
Accounts payable
Cash disbursement
Payroll
Property and equipment
General ledger
Receivables

GENERAL REQUIREMENTS

Political activity
Civil rights
Cash management
Federal financial reports
Allowable costs/cost principles
Drug-free workplace
Administrative requirements

SPECIFIC REQUIREMENTS

Types of services
Eligibility
Matching, level of effort or worksharing
Reporting
Cost allocation

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO
REVENUE PROGRAM TRANSACTIONS
(CONTINUED)

This report is intended for the information of the Board of Directors, management, grantors and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 9, 1987

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.
STATUS OF PRIOR YEAR COMMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1996

9. LOAN FILES

We noted during our 1995 audit that loan files were not always organized in a systematic and orderly manner. We also noted in certain loan files that some documents were loosely placed in the files.

We recommended that NHOH establish procedures to ensure that all loan files are organized in a manner that will allow the user to easily retrieve information. NHOH should also consider developing a standard index system to locate commonly used documents.

Current Status

Based on our 1996 loan file review, tested files were considered systematically organized.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Directors
Neighborhood Housing Services of
New Orleans, Inc.

We have audited the financial statements of Neighborhood Housing Services of New Orleans, Inc. (NHSNO) for the year ended December 31, 1996 and have issued our report thereon dated June 9, 1997.

In planning and performing our audit for the general purpose financial statements of Neighborhood Housing Services of New Orleans, Inc. (NHSNO), we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

In accordance with Government Auditing Standards, as part of our audit, we are required to report to you reportable conditions and material weaknesses. A reportable condition is a significant deficiency in internal controls. A material weakness is a more serious reportable condition that is of such magnitude that it could potentially result in a material misstatement of the financial statements. By definition, all material weaknesses are reportable conditions. Not all reportable conditions, however, are material weaknesses. This management letter reflects some of our suggestions regarding improvements to the NHSNO's internal control structure and efficiency. Our aim in this letter is to provide a constructive, realistic and an independent view on topics such as organization and efficiency, fiscal matters, and use of resources.

During our audit we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies and are included in the accompanying Schedule of Current Year Comments and Status of Prior Year Comments.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Directors
Neighborhood Housing Services of
New Orleans, Inc.

This report is intended for the information of the Board of Directors, management, and the Louisiana Legislative Auditor.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 9, 1997

**NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.
SCHEDULE OF CURRENT YEAR COMMENTS
FOR THE YEAR ENDED DECEMBER 31, 1996**

1. SUPPORTING DOCUMENTATION

We noted during our 1996 cash disbursement test that the supporting documentation of several cash disbursements could not be located.

We recommend that NHOENCO review its procedures over cash disbursements and record retention and take immediate steps to ensure that cash disbursements are properly supported by documentation.

2. INVOICE APPROVAL

We noted during our 1996 audit that several cash disbursements were made with out evidence of invoice approval. However, the checks were properly co-signed in each instance.

We recommend that NHOENCO review its current procedures relating to cash disbursements to ensure that all cash disbursements are documented with invoice approval.

3. LOAN FILE REVIEW

We noted during our 1996 loan file review that one (1) borrower's homeowners and flood insurance coverages were inadequate based on the loan balances during the audit period.

We recommend that NHOENCO review its loan file documentation procedures with a view to ensuring that insurance coverages on all properties are at amounts equal to or greater than the loan balances.

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.
STATUS OF PRIOR YEAR COMMENTS
FOR THE YEAR ENDED DECEMBER 31, 1996

1. LOAN RECEIVABLE RECORDS

We noted during our 1995 test work that loan receivable subsidiary records were not timely reconciled to control accounts in the general ledger on a monthly basis. Differences between the subsidiary records and the general ledger were reconciled, in all material respects, to complete the audit procedures in connection with the loan receivable accounts.

We recommend that NHHNO reconcile monthly all subsidiary records to the general ledger accounts to ensure that amounts reported in the financial statements and to debtors are accurate.

Current Status

We noted during our 1996 audit that loan receivable records were being timely reconciled to the general ledger.

2. LOAN SERVICING PROCESS

Currently accrual and servicing records are prepared manually by staff. This process requires an enormous amount of staff time and may contribute to errors or inaccuracies in subsidiary records.

We recommend that NHHNO continue its efforts to obtain computerized loan servicing software and/or research the benefit of out-sourcing the compilation of monthly loan servicing reports. These alternative approaches should aid in the efficiency of the loan servicing process.

Current Status

In 1996, NHHNO continued its use of loan software to manually perform loan servicing. This process still consumes many staff hours to ensure accurate reporting.

3. LOAN PROCEDURES AND DOCUMENTATION

As part of the NHOH loan policy and requirements of grantors of loan funds, certain documents must be maintained in loan files and loan and lending procedures should be documented as performed.

One method to ascertain that loan procedures were performed and all required documents were completed or obtained is to establish a loan check list. This check list should aid management in its review of loan documents and determining whether all required procedures were performed and documented accordingly.

Current Status

We noted during our 1996 loan file review that NHOH uses a compliance checklist in each loan file.

4. CASH DISBURSEMENTS

During our cash disbursement test work we noted that one (1) out of twenty-five disbursements tested was not in agreement with its supporting documentation. While the difference was a minor amount, less than \$20.00, such a discrepancy should never exist.

We recommend that NHOH adhere to established cash disbursement procedures to ensure that payments to vendors are made only for the exact amounts documented on their invoices.

Current Status

We noted during our 1996 cash disbursement test work that all tested cash disbursements were in agreement with the provided supporting documentation.

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.
STATUS OF PRIOR YEAR COMMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1996

5. VOIDED CHECKS

We noted during our 1995 audit that two (2) checks were listed as outstanding for at least four (4) months on bank reconciliations which were actually voided. The cash balance in the general ledger did not reflect adjustments for these voided checks.

In order to ascertain that cash balances in the general ledger are correct, we recommend that checks listed as outstanding are timely reviewed for subsequent cancellations by banks or voiding.

Current Status

As in the prior year, we noted during our 1996 audit that NHO's general ledger is not being timely adjusted for voided checks previously recorded as disbursements.

6. FINANCIAL INFORMATION

The powers of NHO are vested in the Board of Directors. As such, it typically authorizes management to acquire significant assets, procure major purchases and adjust salaries. Also, the Board adopts an operating budget and monitors it throughout the fiscal year.

Therefore, we suggest that the management of NHO provide the Board with monthly financial report and other financial analyses, as needed. This information provided to the Board should be current and accurate in order for the Board to make appropriate decisions.

Current Status

In 1996 and 1997, the management of NHO has provided the Board with monthly financial statements.

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.
STATUS OF PRIOR YEAR COMMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1996

7. GENERAL LEDGER REVIEW

During our 1995 audit we proposed numerous audit adjustments to general ledger accounts. Such adjustments were necessary to properly reflect account balances.

We recommend that NHO establish and implement procedures to review the general ledger on a monthly basis to ensure that account balances are properly recorded.

Current Status

We noted in the 1996 audit that the general ledger generally is being timely reviewed by management for its accuracy with the exception of accounting for void checks previously recorded to the general ledger.

8. CUSTOMER INSURANCE ESCROW

As in the prior year, we noted during our 1995 audit that the balance of the loan and escrow cash account as of December 31, 1995 was not sufficient to cover the liability of customer insurance escrow payments after disbursements of principal, interest and service fees to other funds. As of December 31, 1995, the customer insurance escrow cash shortfall was determined to be approximately \$5,600.

We recommend that NHO fund the calculated cash shortfall. Also, we recommend that NHO establish and implement procedures to ensure that escrow collections are properly accounted for in the escrow cash account and to ascertain that borrowers' escrow requirements are sufficient to cover related costs.

Current Status

At the end of the 1996 fiscal year, the fund had been reconciled and brought into balance.

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submit from the
Main Audit Office
Date: 11/19/86

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date: 12/11/87

FINANCIAL AND COMPLIANCE AUDIT

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 1986

**Bruno
& Tervalon**

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Neighborhood Housing Services
of New Orleans, Inc.

We have audited the financial statements of the Neighborhood Housing Services of New Orleans, Inc. (NHSNO-a nonprofit organization) as of and for the year ended December 31, 1994, as listed in the accompanying table of contents. These financial statements are the responsibility of the management of NHSNO. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Audit Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations". These standards and the provisions of OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Neighborhood Housing Services of New Orleans, Inc. as of December 31, 1994 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

& Tervalon

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO
NONMAJOR FEDERAL TRANSACTIONS

To the Board of Directors of
Neighborhood Housing Services of New Orleans, Inc.

We have audited the financial statements of Neighborhood Housing Services of New Orleans, Inc. (a nonprofit organization) as of and for the year ended December 31, 1990, and have issued our report thereon dated June 9, 1997.

In connection with our audit of the financial statements of Neighborhood Housing Services of New Orleans, Inc. and with our consideration of the Neighborhood Housing Services of New Orleans, Inc.'s internal control structure used to administer federal award programs, as required by Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions," we selected certain transactions applicable to certain nonmajor federal award programs for the year ended December 31, 1990. As required by OMB Circular A-133, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed, eligibility, and special tests and provisions that are applicable to these transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Neighborhood Housing Services of New Orleans, Inc.'s compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Neighborhood Housing Services of New Orleans, Inc.'s had not complied, in all material respects, with those requirements.

INTERESTS BOARDS MEMBERS OF THE GREAT, INC.
STATEMENT OF FINANCIAL POSITION - BALANCE SHEET RESTRICTED FUND
October 31, 1974

COMMITTY MEMBERS BLOCK COUNT 100000	RESTRICTIONS BOARDS MEMBERS BLOCK COUNT 100000	RESTRICTIONS BLOCKS ADDED BLOCKS 100000	RESTRICTIONS BLOCKS ADDED BLOCKS 100000	RESTRICTIONS BLOCKS ADDED BLOCKS 100000	RESTRICTIONS BLOCKS ADDED BLOCKS 100000
\$ 29,486	\$126,173	\$ -	\$ 43,286	\$ -	\$ 69,479
-0-	22,276	-0-	-0-	-0-	22,276
1,475,983	681,414	120,226	246,243	-0-	3,843,732
(90,422)	(5,212)	-0-	(8,723)	-0-	(108,621)
-0-	-0-	-0-	18,682	-0-	18,682
14,216	-0-	-0-	1,676	-0-	15,892
-0-	-0-	-0-	-0-	-0-	-0-
\$1,623,263	\$131,645	\$120,226	\$281,282	\$ -	\$3,843,732

Total Assets

Assets:
Cash
Due from other funds
Due from other individuals
(Schedules 2 and 3)
Allowances for noncollectible
Sovereigns (Schedule 3)
Due from property and equipment
(other than individuals)
Other

See Independent Auditors' Report on Supplementary Information.

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - Neighborhood Reinvestment Corporation Grants, continued:

NHC provided a \$50,000 capital grant during the year for making loans and for acquisition of capital projects.

NOTE 12 - Transfers Between Funds:

Investment income and interest on outstanding loans in the amount of \$6,438 was earned on the NET Assets of the Neighborhood Reinvestment Capital Fund and was available for unrestricted use by NHHNO. For the year ended December 31, 1990, \$6,438 was transferred to the General Fund.

For the year ended December 31, 1990, CHHO was authorized to transfer \$225,461 in funds to the general fund to reimburse the general fund for CHHO expenses.

NOTE 13 - Concentration of Credit Risk:

The NHHNO lends primarily to lower-to-moderate-income individuals living within the New Orleans area. The majority of loans are secured by first and second mortgages on residential real estate. The mortgage loans receivable is a concentration of credit risk.

At December 31, 1990, NHHNO's cash on deposit with financial institutions exceeded the amount insured by the Federal Deposit Insurance Corporation (FDIC) by \$171,018.

SUPPLEMENTARY INFORMATION

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS
STATEMENT OF FINANCIAL POSITION-UNRESTRICTED,
ESCROW AND TEMPORARILY RESTRICTED FUNDS
DECEMBER 31, 1996

	UNRESTRICTED	ESCROW FUND	TEMPORARILY RESTRICTED PROJECT SPENT PROJECT
ASSETS			
Cash	\$ 40,883	\$247,416	\$8,397
Due from other funds	34,864	-0-	-0-
Net property, furniture and equipment	130,884	-0-	-0-
deposits	526	-0-	-0-
Total assets	\$182,917	\$247,416	\$8,397
 LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	\$ 9,155	\$ -0-	\$ -0-
Accrued expenses	36,424	-0-	-0-
Notes payable	19,580	-0-	-0-
Due to other funds	-0-	13,397	-0-
construction escrow	-0-	230,348	-0-
client insurance escrow	-0-	13,671	-0-
Total liabilities	45,369	247,416	-0-
 Net assets	 137,548	 -0-	 8,397
Total liabilities and net assets	\$182,917	\$247,416	\$8,397

See Independent Auditors' Report on Supplementary Information.

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS
STATEMENT OF ACTIVITIES-UNRESTRICTED,
ESROW AND TEMPORARILY RESTRICTED FUNDS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 1994

	UNRESTRICTED	ESROW FUND	TEMPORARILY RESTRICTED FERRY STREET PROJECT
EXPENSES:			
Salaries	\$331,387	\$ -0-	\$ -0-
Employee benefits	6,145	-0-	-0-
Payroll taxes	12,426	-0-	-0-
Depreciation (NOTE 2)	9,788	-0-	-0-
Office supplies	8,510	-0-	-0-
Professional fees	30,890	-0-	-0-
Insurance	13,977	-0-	-0-
Other operating expenses (SCHEDULE V)	38,887	-0-	-0-
Total expenses	451,900	-0-	-0-
Change in net assets	(41,068)	-0-	8,387
Beginning net assets	128,924	-0-	-0-
Ending net assets	\$87,856	\$ -0-	\$8,387

See Independent Auditors' Report on Supplementary Information.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Neighborhood Housing Services of New Orleans, Inc.

We have audited the financial statements of Neighborhood Housing Services of New Orleans, Inc. (a nonprofit organization) for the year ended December 31, 1994, and have issued our report thereon dated June 9, 1994.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the comptroller general of the United States and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions. These standards and the provisions of OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Neighborhood Housing Services of New Orleans, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS
STATEMENT OF ACTIVITIES—UNRESTRICTED,
ECONOM AND TEMPORARILY RESTRICTED FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1966

	UNRESTRICTED	ECONOM FUND	TEMPORARILY RESTRICTED PROJECT STREET PROJECT
REVENUES AND RECLASSIFICATIONS			
(NOTE 21)			
Contributions	\$ 92,115	\$ -0-	\$8,806
Grants (NOTE 11)	30,250	-0-	-0-
Interest	2,266	-0-	?
Construction management fees	9,371	-0-	-0-
Loan charges and fees	22,190	-0-	-0-
Rental income	0,168	-0-	-0-
Other revenues	10,255	-0-	-0-
Inspection fees	1,820	-0-	-0-
Net assets released from restrictions:			
satisfaction of program restrictions	—6,824	—-0-	—(456)
Total revenues and reclassifications	181,241	—-0-	8,350

See Independent Auditors' Report on Supplementary Information.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
CONTINUED

In planning and performing our audit of the financial statements of Neighborhood Housing Services of New Orleans, Inc. for the year ended December 31, 1994, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of Neighborhood Housing Services of New Orleans, Inc. in a separate letter dated June 9, 1997.

This report is intended for the information of the Board of Directors, management, grantors and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 9, 1997

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE IN ACCORDANCE WITH GAO CIRCULAR A-133

To the Board of Directors of
Neighborhood Housing Service of New Orleans, Inc.

We have audited the financial statements of Neighborhood Housing Service of New Orleans, Inc. (a nonprofit organization) as of and for the year ended December 31, 1996, and have issued our report thereon dated June 9, 1997. We have also audited the compliance of Neighborhood Housing Service of New Orleans, Inc. with requirements applicable to its major federal award program and have issued our report thereon dated June 9, 1997.

We conducted our audits in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". These standards and the provisions of OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether Neighborhood Housing Service of New Orleans, Inc. complied with laws and regulations, noncompliance with which would be material to a major federal award program.

In planning and performing our audits for the year ended December 31, 1996, we considered Neighborhood Housing Service of New Orleans, Inc.'s internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on Neighborhood Housing Service of New Orleans, Inc. financial statements and on its compliance with requirements applicable to its major program to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal award programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated June 9, 1997.

TECHNICAL SUPPORT SERVICES OF NEW COLLEGE, INC.
 SCHEDULE OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 1974

FEDERAL AGENCY/ PROGRAM TITLE	GRANTOR'S CONTRACT NUMBER	CFDA NUMBER	AWARD AMOUNT	REVENUE RECOGNIZED	EXPENSES
U.S. Department of Housing and Urban Development Fees through City of New Orleans office of housing and urban affairs; Community Development Block Grant - Loan grant	00410-038(995)	14.218	\$ 359,800	\$282,938	\$125,284*
First-time Homeowner's Program	08098-038 08099-031 0082 94-000	97A 97A 14.229	328,800 309,800 709,600	-0- -0- 87,884	-0- -0- -0-
Total U.S. Department of Housing and Urban Development			1,073,200	340,822	125,284
Neighborhood Reinvestment Corporation					
A. Daniel-Grinnell-Jarvis Capital Funds Grant	N/A	97A	80,000	80,000	812
Expendable Funds Award	N/A	97A	38,250	38,250	38,250
Total Neighborhood Reinvestment Corporation			118,250	118,250	38,250
Total Federal Awards			\$1,191,450	\$459,072	\$163,534

*Denotes Major Program

See Independent Auditors' Report on Supplementary Information.

SCHEDULE I

NEIGHBORHOOD HOUSING SERVICES OF NEW ORLEANS, INC.
 SCHEDULE OF OTHER OPERATING EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 1990

	UNRESTRICTED	COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)	FORWARDIBLE HOUSING	NEIGHBORHOOD HOUSING IMPROVEMENT FUND (NHIF)	TOTAL FORWARDIBLY RESTRICTED	TOTAL
OTHER OPERATING EXPENSES:						
Telephone	\$ 3,491	\$1,055	\$ -0-	\$ -0-	\$ 1,055	\$ 6,096
Postage and shipping	2,288	-0-	-0-	-0-	-0-	2,288
Annual report, meeting and luncheon	5,288	-0-	-0-	-0-	-0-	5,288
Maintenance and repairs	4,228	-0-	-0-	-0-	-0-	4,228
Equipment less staffing and travel	-0-	1,690	-0-	-0-	1,690	1,690
training and travel	4,819	-0-	-0-	-0-	-0-	4,819
Inspection fees	3,030	-0-	7,425	7,425	7,425	11,045
Utilities	4,577	-0-	-0-	-0-	-0-	4,577
Other expenses	8,088	-0-	419	419	419	8,088
Total	\$42,497	\$4,215	\$1,844	\$1,844	\$4,899	\$48,036

See Independent Auditors' Report on Supplementary Information.