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NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.
**FINANCIAL STATEMENTS AND
AUDITOR'S REPORT**
December 31, 1986

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 4-15-98

NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.

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INDEPENDENT AUDITORS REPORT

Board of Directors
New Orleans Affordable Homeownership, Inc.

I have audited the accompanying statement of financial position of New Orleans Affordable Homeownership, Inc. in non-profit corporation as of December 31, 1996, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of New Orleans Affordable Homeownership, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of the Office of Management and Budget Circular A-133 'Audits of Institutions of Higher Education and Other Non-Profit Institutions'. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements related to above present fairly, in all material respects, the financial position of New Orleans Affordable Homeownership, Inc. as of December 31, 1996, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note A to the financial statements, in 1996 the Corporation changed its method of accounting the contributions, and its method of financial reporting and financial statement presentation.

As discussed in Note F to the financial statements, the Corporation has expended certain grant funds in a manner that may have violated certain of the restrictive provisions of the related grants. The possible outcome of these matters, which have been reported to appropriate grant officials, is uncertain at this time. Accordingly, no provision for any liability has been made in these financial statements for possible grantor claims for refunds of these grant monies.

My audit was made for the purpose of forming an opinion on the basic financial statements of New Orleans Affordable Homeownership, Inc. taken as a whole. The accompanying supplemental information listed in the table of contents is presented for the purpose of additional analysis and it is not a required part of the basic financial statements of New Orleans Affordable Homeownership, Inc.. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, I have also issued a report dated December 16, 1997, on my consideration of New Orleans Affordable Homeownership, Inc.'s internal control structure and a report dated December 16, 1997, on its compliance with laws and regulations.

New Orleans, Louisiana
December 16, 1997

Justin J. Scanlan, CPA

George Anagnostopoulos
Legislative Auditor
81 _____

NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 1996

ASSETS

Cash		\$	94,212
Receivables			
Grants (Notes A4 and E)	\$	140,634	
Interest and fees		4,711	
Other		6,715	148,060
Loans			
Loans (Note A4)	\$	2,007,615	
Loan reserve for possible loan losses (Notes A4 and C)		<u>(1,182,660)</u>	1,745,170
Real estate held for resale (Note A4)			10,410
Land and building - at cost (Notes A7 and E)			<u>1,649,511</u>
Total assets		\$	<u>3,289,412</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued liabilities	\$	347,820
Due to City of New Orleans (Note E)		1,459,129
Contingencies (Note F)		<u> -</u>
Total liabilities		2,087,662
Net assets		
Unrestricted		1,341,609
Temporarily restricted		<u>9,205,917</u>
Total net assets		<u>1,282,508</u>
Total liabilities and net assets	\$	<u>3,289,662</u>

The accompanying notes are an integral part of this financial statement.

NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.

STATEMENT OF ACTIVITIES

For the year ended December 31, 1994

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL MEMORANDUM ONLY
REVENUES			
Grant appropriations	\$ -	\$ 1,694,697	\$ 1,694,697
Other	-	75,544	75,544
Net assets released from restrictions	<u>1,173,878</u>	<u>(1,173,878)</u>	<u>-</u>
TOTAL REVENUES	<u>1,173,878</u>	<u>596,363</u>	<u>1,599,241</u>
EXPENSES			
Professional services	821,415	-	821,415
Print supplies	194,256	-	194,256
Property acquisition and demolition	318,214	-	318,214
Appraisal, legal, and insurance	21,438	-	21,438
Depreciation	-	17,564	17,564
Advertising	4,654	-	4,654
Security services	18,872	-	18,872
Other costs	<u>295,299</u>	<u>-</u>	<u>295,299</u>
TOTAL EXPENSES	<u>1,598,798</u>	<u>17,564</u>	<u>1,598,862</u>
Increase (decrease) in net assets	(424,920)	578,799	584,179
Net assets retained, beginning of year	<u>23,362</u>	<u>398,118</u>	<u>421,480</u>
Net assets, end of year	\$ <u>(398,558)</u>	\$ <u>1,128,617</u>	\$ <u>1,599,241</u>

The accompanying notes are an integral part of this financial statement.

NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.

STATEMENT OF CASH FLOWS

For the year ended December 31, 1998

Increase (decrease) in cash and cash equivalents

Cash flows from operating activities:

Increase in net assets

\$ 284,378

Adjustments to reconcile increase in net assets
to net cash provided by operating activities:

Depreciation and amortization

\$ 17,564

Transfer of real estate held for resale

28,108

Changes in assets and liabilities:

Decrease in grant receivables

158,568

Increase in other receivables

(4,725)

Increase in accounts payable and
accrued liabilities

74,478

Increase in Due to City of New Orleans

89,128

(12,601)

Net cash provided by operating activities

309,844

Cash flows from investing activities:

Reservations to building

(184,322)

Net cash used in investing activities

(184,322)

Net decrease in cash and cash equivalents

(74,478)

Cash and cash equivalents, beginning of year

160,811

Cash and cash equivalents, end of year

\$ 86,333

The accompanying notes are an integral part of this financial statement.

NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 1994

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Nature of Activities

New Orleans Affordable Homeownership, Inc. is a nonprofit corporation organized under the laws of the State of Louisiana. The corporation is organized to provide home ownership opportunities to low and moderate income persons who otherwise could not afford to buy a home; increase the number of safe, decent and sanitary housing units in the City of New Orleans; create meaningful activities for youths at risk; and in general, improve the quality of life, housing conditions and work opportunities for residents of the City of New Orleans.

The corporation is supported primarily through government grants. Accordingly, 100% of the corporation's support for the year ended December 31, 1994 came from government grants.

2. Financial Statement Presentation

For December 31, 1994, the corporation has implemented the new disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth in the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations," dated June 1993. Accordingly, the net assets of the corporation are reclassified to present the following classes: (a) unrestricted net assets, and (b) temporarily restricted net assets. This reclassification had the effect of restating net assets by \$412,871.

Net assets of the restricted class are created only by donor-imposed restrictions on these (or) All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

3. Revenue Recognition

For financial reporting the corporation recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified as unrestricted net assets and reported in the statement of activity as "net assets released from restrictions".

NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1994

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. **Receivables - grants**

The corporation considers grants receivable to be fully collectible since the balance consists principally of payments due under governmental contracts. If amounts due become collectible, they will be charged to operations when the determination is made.

5. **Loans**

Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Interest on loans is calculated by using the simple interest method on daily balances of the principal amount outstanding.

Management reviews the Corporation's loan portfolio to determine the existence of and extent of which loans are subject to special consideration as to any doubt regarding their collectibility. All nonaccrual loans are considered to be impaired in accordance with SFAS No. 114, "Accounting by Creditors for Impairment of a Loan." When, in management's judgment, a loan is determined to be of doubtful collectibility, the loan is charged to the Reserve for Loan Losses, subject to approval from the funding source, if applicable.

Accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions and collection efforts, that the borrower's financial condition is such that collection of interest is doubtful.

6. **Provision and Reserve for Loan Losses**

The reserve for possible loan losses is maintained to provide for possible losses inherent in the loan portfolio. On January 8, 1993, the corporation adopted SFAS No. 114, as amended by SFAS No. 118 "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosure," in accordance with SFAS No. 114, the 1993 reserve for possible loan losses related to loans that are identified as impaired is based upon discounted cash flows using the loan's initial effective interest rate or the fair value of the collateral.

Management determines the appropriate level of reserve to be maintained based on an analysis of the portfolio and evaluation of economic factors. Provisions for loan losses are recognized by a charge to expense on a collection of monies due to the funding source depending on the source of the loan proceeds. However, because such factors as loan growth, the future collectibility of loans and the amounts and timing of future cash flows expected to be received on impaired loans are uncertain, the level of future provisions generally cannot be predicted.

NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1996

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. **Buildings and Improvements**

New Orleans Affordable Homeownership, Inc. records property acquisitions at cost. Donated assets are recorded at estimated value at date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Depreciation expense for the year ended December 31, 1996 totaled \$17,544.

Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized when the acquisition cost exceeds \$1,000. When items of property are sold or retired, the related cost and accumulated depreciation are removed from the accounts and gain or loss is included in the changes in net assets.

8. **Real Estate Investments**

Real estate inventories are carried at cost not in excess of estimated fair market value determined on an individual project basis. The real estate has been acquired in accordance with government contracts.

9. **Cash equivalents**

The Corporation considers demand deposits and short-term investments with an original maturity of three months or less to be cash equivalents.

10. **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

11. **Fair Values of Financial Instruments**

Generally accepted accounting principles require disclosure of fair value information about financial instruments for which it is practicable to estimate fair value, whether or not recognized in the statement of financial position. Cash and cash equivalents carrying amounts reported on the statement of financial position approximate fair values because of the short maturities of these instruments.

NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1996

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Total Columns of Combined Statements - Disclosure

Total columns are captioned "Memorandum Only" to indicate that they are presented only to assist with financial analysis. Data in these columns do not present financial position, results of operations or changes in net assets in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE B. GRANT RECEIVABLE

Grant receivable at December 31, 1996 consists of the following:

City of New Orleans - Division of Housing and Neighborhood Development	<u>1,081,650</u>
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NOTE C - RESERVE FOR LOAN LOSSES

A summary of the activity in the Reserve for Loan Losses for the year ended December 31, 1996 follows:

Balance at beginning of year	\$ 518,879
Reduction of reserve as a change is due from funding source	<u>- 236,614</u>
Balance at end of year	<u>\$ 282,265</u>

NOTE D - LAND AND BUILDING

Land and building at December 31, 1996 consists of the following:

Building	\$ 181,113
Improvements	<u>365,450</u>
	1,276,554
Less accumulated depreciation	<u>- 36,841</u>
	1,239,713
Land	<u>31,008</u>
	<u>\$ 1,270,721</u>

NEW ORLEANS AFFORDABLE HOUSING OWNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1996

NOTE E - DUE TO CITY OF NEW ORLEANS

The amount due to the City of New Orleans as of December 31, 1996, consists of loans, net of the reserve for possible loan losses, and accrued interest and fees.

NOTE F - CONTINGENCIES

The Corporation is engaged in a lawsuit involving the termination of a construction management contract. In the opinion of management, the ultimate outcome of this lawsuit is not determinable at this time.

The Corporation expended certain grant funds in a manner that may have violated certain of the restrictive provisions of the related grants. The possible outcome of these matters, which have been reported to appropriate grantor officials, is uncertain at this time. Accordingly, no provision for any liability has been made in these financial statements for possible grantor claims for refunds of those grant monies.

NOTE G - INCOME TAXES

The Corporation is exempt from corporate income taxes under Section 513(c)(3) of the Internal Revenue Code.

NOTE H - ADMINISTRATIVE SUPPORT

The Corporation received administrative support for the year ended December 31, 1996 from the City of New Orleans. The support is not reflected in the financial statements.

NOTE I - BOARD OF DIRECTORS' COMPENSATION

The board of directors is a voluntary board; therefore, no compensation was paid to any board member during the year ended December 31, 1996.

NOTE J - ECONOMIC DEPENDENCY

The Corporation receives a majority of its revenues from funds provided through grants administered by the City of New Orleans. The grant amounts are appropriated each year by the federal and local governments. If significant budget cuts are made at the federal and/or local level, the amount of the funds the Corporation receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Corporation will receive in the next fiscal year.

PER COLLEGE AFFILIABLE MEMBERSHIP, (M)

COMPARATIVE STATEMENT OF ACTIVITIES

For the year ended December 31, 1964

	FUND FOR PUBLIC UTILITY AND ACCIDENTS	PER COLLEGE AFFILIABLE MEMBERSHIP	PER COLLEGE AFFILIABLE MEMBERSHIP'S RESERVE	PER COLLEGE AFFILIABLE MEMBERSHIP'S RESERVE	PER COLLEGE AFFILIABLE MEMBERSHIP'S RESERVE	PER COLLEGE AFFILIABLE MEMBERSHIP'S RESERVE	PER COLLEGE AFFILIABLE MEMBERSHIP'S RESERVE
REVENUE							
Over appropriation	\$ 28,128	\$ 3,441	\$ 3,441	\$ -	\$ -	\$ -	\$ 2,274
Other	28,128	3,441	3,441	-	-	-	3,274
(EXPENSES)							
Subsistence services	-	20,418	2,734	-	-	-	2,734
Real supplies	-	-	-	-	-	-	-
Supplies, transportation and insurance	-	-	-	-	-	-	-
Applied, field and business	-	-	-	-	-	-	-
Transportation and maintenance	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-
Security services	-	-	-	-	-	-	-
Other items	28,128	23,869	1,888	2,274	2,274	2,274	14,208
Balance - December 31, net assets	28,128	21,672	4,274	-	-	2,274	21,672
Net assets - initial beginning of year	0	21,672	14,274	2,274	2,274	2,274	21,672
Addition of reported improvements	28,128	-	-	-	-	-	-
Net assets, end of year	56,256	43,344	16,548	2,274	2,274	2,274	43,344

NEW ORLEANS AIRPORTS AND TERMINALS, INC.

COMBINED STATEMENT OF ACTIVITIES

For the year ended December 31, 1994

	PROPERTY INVESTMENT (IN DOLLARS)	NON- CURRENT ASSETS (IN \$)	NON- CURRENT LIABILITIES (IN DOLLARS)	NET POSITIONS (IN DOLLARS)	CHANGES	2004
REVENUES						
Gate operations	\$ 479,110	-	-	\$ 479,110	\$ 74,600	\$ 553,710
Other	499,710	21,210	-	520,920	10,000	530,920
EXPENSES						
Professional services	769,410	-	-	769,410	-	769,410
Rent expense	164,210	-	-	164,210	-	164,210
Property depreciation and amortization	-	-	-	-	-	11,000
Utilities, light and telephone	-	21,210	-	21,210	-	21,210
Repairs and maintenance	-	-	-	-	11,000	11,000
Advertising	1,000	-	-	1,000	-	1,000
Security services	14,000	-	-	14,000	-	14,000
Other costs	10,000	-	-	10,000	-	10,000
	<u>964,620</u>	<u>21,210</u>	<u>-</u>	<u>985,830</u>	<u>(51,500)</u>	<u>934,330</u>
Income "transfer" to air users	-	-	-	-	(21,000)*	21,000
Net assets - initial, beginning of year	-	-	-	-	166,311	166,311
Additional registered investments	-	-	-	-	28,200	-
Net assets, end of year	-	-	-	-	<u>194,511</u>	<u>1,158,821</u>

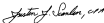
INDEPENDENT AUDITORS' REPORT ON
SCHEDULE OF FEDERAL AWARDS

Board of Directors
New Orleans Affordable Homeownership, Inc.

I have audited the financial statements of New Orleans Affordable Homeownership, Inc. (a non-profit corporation) for the year ended December 31, 1996, and have issued my report thereon dated December 16, 1997. These financial statements are the responsibility of New Orleans Affordable Homeownership, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit 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 (OMB) Circular A-133, "Audit of Institutions of Higher Education and Other Nonprofit Institutions." These standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

My audit was made for the purpose of forming an opinion on the basic financial statements of the New Orleans Affordable Homeownership, Inc. taken as a whole. The accompanying Schedule of Federal Awards is prepared for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



New Orleans, Louisiana
December 18, 1997

NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.

SCHEDULE OF FEDERAL AWARDS

For the year ended December 31, 1996

<u>PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>EXPENDITURES</u>
MAJOR PROGRAM		
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Passed through the City of New Orleans		
Community Development Block Grant Program Entitlement Grants		
ROOF American Loan	14.218	\$ 75,544
Project Nix-Coat	14.218	699,532
ERFG, Yardsbuild	14.218	49,216
U.S.E.N. Public Facility and Acquisition Urban Homeowner's Corporation	14.218	150,000
Property Acquisition and Demolition Urban Homeowner's Program	14.218	10,218
		<u>1,084,510</u>
Total federal awards		\$ <u>1,816,710</u>

Justin J. Sennlan, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT
478 ST. ROCH AVE. NEW ORLEANS, LOUISIANA 70112
(504) 581-1100

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
New Orleans Affordable Homeownership, Inc.

I have audited the financial statements of New Orleans Affordable Homeownership, Inc. (a non-profit corporation) as of and for the year ended December 31, 1996, and have issued my report thereon dated December 16, 1997.

I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of New Orleans Affordable Homeownership, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, wisdom and judgment 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.

In planning and performing my audit of the financial statements of New Orleans Affordable Homeownership, Inc. for the year ended December 31, 1996, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the Corporation's ability to record, process, summarize, and report financial data in a manner that is consistent with the assertions of management in the financial statements.

ANNEX

The reportable conditions noted are as follows:

1. **Grants Receivable**

Finding

The corporation did not maintain a subsidiary ledger of outstanding grants receivable as of December 31, 1994, although individual grants were listed in the general ledger. The outstanding receivables are not reviewed monthly for collectability.

Recommendation

The corporation should maintain a listing of all outstanding grant receivables monthly, and review the listing for accuracy and collectability.

2. **Loans**

Finding

A review of the December 31, 1994 loan balances noted the following:

1. The corporation does not maintain a written loan policy and procedural manual.
2. The delinquency rate for the loan portfolio totaled 10%.
3. The subsidiary loan ledger was not in agreement with the general ledger.

Recommendation

Recommend a loan committee be formulated to address the problems noted above. A formal loan policy and procedures manual should be written, with emphasis placed on collection and disposition of delinquent loans. The loan balances should be reviewed monthly and agreed in the general ledger. By properly maintaining accurate loan balances, the financial statements will be more meaningful.

3. **Provision for Loan Losses**

Finding

The adequacy of the provision for possible loan losses is not reviewed and adjusted by the Board of Directors. The provision of loan losses is adjusted at year-end.

Recommendation

To insure the Corporation maintains an adequate provision for loan losses, the adequacy of the provision for loan losses should be reviewed quarterly by the Board of Directors and revised accordingly. By maintaining an adequate reserve, the financial statements will be more meaningful.

4. **Accounting System**

Finding

1. A review of the accounting system noted that the prior years credit adjustments for 1994 and 1995 were not recorded on the general ledger.

Recommendation

The prior years audit adjustments should be reviewed to assure the accuracy and completeness of the financial statements.

5. Real Estate Held for Sale

Finding

The real estate held for sale maintained by the corporation were reflected as a fixed asset of the corporation and depreciated. They were not adjusted for 1996 sales and donations.

Recommendation

All real estate held for sale should be reviewed quarterly to assure their existence, and the accuracy of the financial statements.

6. Accounts Payable

Finding

As of December 31, 1996, the accounts payable balances consists of 1996 payables. The accounts payable listing should be reviewed monthly for old outstanding items to assure they are properly stated.

Recommendation

Accounts payable should be reviewed monthly, and adjusted accordingly. The financial statements should reflect only items that represent valid payables, and any old items should be reviewed thoroughly to assure their accuracy.

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 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.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, I believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of management, the audit committee, the City of New Orleans, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

Justin J. Sankler, CPA

New Orleans, Louisiana
December 18, 1997

Justin J. Sennick, c.p.a.

CERTIFIED PUBLIC ACCOUNTANT
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE LINKED IN ADMINISTERING FEDERAL AWARDS

Board of Directors
New Orleans Affordable Homeownership, Inc.

I have audited the financial statements of New Orleans Affordable Homeownership, Inc. (a nonprofit corporation) as of and for the year ended December 31, 1996, and have issued my report thereon dated December 18, 1997. I have also audited the compliance of New Orleans Affordable Homeownership, Inc. with requirements applicable to major federal programs and have issued my report thereon dated December 18, 1997.

I conducted my 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, "Audit of the Institutions of Higher Education and Other Nonprofit Institutions". These standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the organization complied with laws and regulations, noncompliance with which would be material to a major federal program.

In planning and performing my audit for the year ended December 31, 1996, I considered the internal control structure of New Orleans Affordable Homeownership, Inc. in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements of New Orleans Affordable Homeownership, Inc. and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses my consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal award programs. I have addressed policies and procedures relevant to my audit of the financial statements in a separate report dated December 18, 1997.

The management of New Orleans Affordable Homeownership, 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 awards 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.

MEMBERS

American Institute of Certified Public Accountants - Society of Louisiana Certified Public Accountants

For the purpose of this report, I have classified the significant internal control structure policies and procedures in the following categories:

- Cash
- Loans
- Support, receivables, and receipts
- Expenses for program, supporting services and accounts payable
- Property and equipment
- Other liabilities
- Net assets
- Governmental financial assistance programs

GENERAL REQUIREMENTS

- Political activity
- Civil rights
- Financial reports
- Allowable Costs/Cost principles
- Administrative requirements

SPECIAL REQUIREMENTS

- Types of services allowed or not allowed
- Eligibility
- Cost allocation
- Claims for reimbursement
- Special interest provisions

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

During the year ended December 31, 1996, New Orleans Affordable Homeownership, Inc. expended 100% of its total federal awards under major federal award programs.

I performed tests of controls, as required by OMB Circular A-110, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that I considered relevant in preventing or detecting material non-compliance with specific requirements, general requirements, and requirements governing claims for reimbursements and amounts claimed or used for matching that are applicable to each of the Corporation's major programs, which are identified in the accompanying Schedule of Federal Awards. My procedures were less in scope than would be necessary to render an opinion on those internal control structure policies and procedures. Accordingly, I do not express such an opinion.

I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the Corporation's ability to administer federal award programs in accordance with applicable laws and regulations.

The reportable conditions noted are as follows:

1. Grants Receivable

Findings

The corporation did not maintain a subsidiary ledger of outstanding grants receivable as of December 31, 1996, although individual grants were listed in the general ledger. The outstanding receivables are not reviewed monthly for collectability.

Recommendation

The corporation should maintain a listing of all outstanding grant receivables monthly, and review the listing for accuracy and collectability.

2. Loans

Finding

A review of the December 31, 1995 loan balances noted the following:

1. The corporation does not maintain a written loan policy and procedural manual.
2. The delinquency rate for the loan portfolio totaled 31%.
3. The subsidiary loan ledger was not in agreement with the general ledger.

Recommendation

Encourage a loan committee be formulated to address the problems noted above. A formal loan policy and procedures manual should be written, with emphasis placed on collection and disposition of delinquent loans. The loan balances should be reviewed monthly and agreed to the general ledger. By properly maintaining accurate loan balances, the financial statements will be more meaningful.

3. Provisions for Loan Losses

Finding

The adequacy of the provision for possible loan losses is not reviewed and adjusted by the Board of Directors. The provision for loan losses is adjusted at year-end.

Recommendation

To assure the Corporation maintains an adequate provision for loan losses, the adequacy of the provision for loan losses should be reviewed quarterly by the Board of Directors and revised accordingly. By maintaining an adequate reserve, the financial statements will be more meaningful.

4. Accounting System

Finding

A review of the accounting system noted that the prior years audit adjustments for 1994 and 1995 were not recorded on the general ledger.

Recommendation

The prior years audit adjustments should be recorded to assure the accuracy and completeness of the financial statements.

5. Real Estate Held For Sale

Finding

The real estate held for sale maintained by the corporation were reflected as a fixed asset of the corporation and depreciated. They were not adjusted for 1994 sales and dispositions.

Recommendation

All real estate held for sale should be reviewed quarterly to assure their existence, and the accuracy of the financial statements.

6. Accounts Payable

Finding

As of December 31, 1994, the accounts payable balances consist of 1994 payables. The accounts payable listing should be reviewed monthly for old outstanding items to assure they are properly stated.

Recommendation

Accounts payable should be reviewed monthly, and adjusted accordingly. The financial statements should reflect only items that represent valid payables, and any old items should be reviewed thoroughly to assure their accuracy.

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 program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My 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 be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, I believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of management, the audit committee, the City of New Orleans, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.



New Orleans, Louisiana
December 16, 1997

Justin J. Scanlon, C.P.A.

DEFINITE PUBLIC ACCOUNTANT
4704 87th ROAD 4704 NEW ORLEANS, LOUISIANA 70118
TELEPHONE (504) 885-0000

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
New Orleans Affordable Homeownership, Inc.

I have audited the financial statements of New Orleans Affordable Homeownership, Inc. (a non-profit corporation) as of and for the year ended December 31, 1996, and have issued my report thereon dated December 14, 1997.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I 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 New Orleans Affordable Homeownership, Inc. is the responsibility of New Orleans Affordable Homeownership, Inc.'s management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of New Orleans Affordable Homeownership, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests disclosed the following instance of noncompliance that is required to be reported herein under Government Auditing Standards for which the ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in New Orleans Affordable Homeownership, Inc.'s 1996 financial statements.

Audit Requirements

The State of Louisiana requires nonprofit organizations to complete the examination of its financial statements within six months after the year-end.

I considered the instance of noncompliance in forming my opinion on whether New Orleans Affordable Homeownership, Inc.'s 1996 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect my report dated December 14, 1997, on these financial statements.

This report is intended for the information of management, the audit committee, the City of New Orleans, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.



New Orleans, Louisiana
December 18, 1997

12/18/97

Justin J. Scanlan, CPA
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4701 ST. ROCH AVE. NEW ORLEANS, LOUISIANA 70114
TELEPHONE: (504) 384-0000

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE
TO FEDERAL AWARDS PROGRAMS**

Board of Directors
New Orleans Affordable Homeownership, Inc.

I have audited the financial statements of New Orleans Affordable Homeownership, Inc. (a non-profit corporation) as of and for the year ended December 31, 1996, and have issued my report thereon dated December 18, 1997.

I have applied procedures to test New Orleans Affordable Homeownership, Inc.'s compliance with the following requirements applicable to its federal award programs, which are identified in the accompanying Schedule of Federal Awards, for the year ended December 31, 1996.

The general requirements are as follows:

- Political activity
- Civil rights
- Affordable Costs/Cost Principles
- Administrative requirements

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

Material instances of noncompliance consist of failures to follow the general requirements that caused me to conclude that the misstatements resulting from these failures are material to the financial statements. The results of my tests of compliance disclosed the material instances of noncompliance that are described in the accompanying Schedule of Findings and Questioned Costs.

With respect to the home award, New Orleans Affordable Homeownership, Inc. complied with the requirements listed in the second paragraph, except as described in the attached schedule. However, the extent of noncompliance noted in my testing indicates that, with respect to items that were not tested by me, there is more than a relative low risk that New Orleans Affordable Homeownership, Inc. may not have complied with the requirements referred to in the second paragraph. These matters were considered by us in evaluating whether the financial statements are presented fairly in conformity with generally accepted accounting principles.

This report is intended for the information of management, the audit committee, the City of New Orleans, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

New Orleans, Louisiana
December 18, 1997

Justin J. Walker, CPA

Justin J. Scanlan, CPA

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4709 ST. MICHAEL'S, NEW ORLEANS, LOUISIANA 70115
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL AWARD PROGRAMS

Board of Directors
New Orleans Affordable Homeownership, Inc.

I have audited the financial statements of New Orleans Affordable Homeownership, Inc. (a non-profit corporation) as of and for the year ended December 31, 1996, and have issued my report thereon dated December 18, 1997.

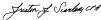
I have also audited New Orleans Affordable Homeownership, Inc.'s compliance with the requirements governing type of services allowed or unallowed, stipending, reporting, and claims for reimbursements that are applicable to each of its major federal award programs, which are identified in the accompanying Schedule of Federal Awards, for the year ended December 31, 1996. The management of New Orleans Affordable Homeownership, Inc. is responsible for the corporation's compliance with these requirements. My responsibility is to express an opinion on compliance with these requirements based on my audit.

I conducted my 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-111, "Standards of Institutions of Higher Education and Other Nonprofit Institutions". These standards and OMB Circular A-111 require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to in the second paragraph occurred. An audit includes examining, on a test basis, evidence about the corporation's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures for Major Program Project No-Cost disclosed that New Orleans Affordable Homeownership, Inc. did not comply with the requirements that the Corporation maintain adequate supporting documentation. In my opinion, the Corporation's supporting documentation for the program noted above is necessary for the Corporation to comply with the requirements applicable to Major Program Project No-Cost.

In my opinion, except for these instances of noncompliance with the requirements applicable to Major Program Project No-Cost referred to in the fourth paragraph of this report and identified in the accompanying Schedule of Findings and Questioned Costs, New Orleans Affordable Homeownership, Inc. complied, in all material respects, with the specific requirements referred to in the second paragraph that are applicable to each of its major federal award programs for the year ended December 31, 1996.

This report is intended for the information of management, the audit committee, the City of New Orleans, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.



New Orleans, Louisiana
December 18, 1997

MEMBER

American Institute of Certified Public Accountants • Society of Louisiana Certified Public Accountants

NEW ORLEANS AFFORDABLE HOUSING/WORKSHEP, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 1996

GENERAL REQUIREMENTS	QUESTIONED COSTS
<p>1. Administrative Requirements</p> <p>Statement of Condition: Documentation was not provided relative to the procurement of professional services in accordance with rules established by the City of New Orleans.</p> <p>Criteria: Professional services are subject to City of New Orleans bid rules.</p> <p>Effect of Condition: Corporation was not in compliance with City of New Orleans bid rules.</p> <p>Cause of Condition: Corporation did not comply with the procurement procedures established by the local government.</p> <p>Recommendation: The Corporation should obtain written bids for the procurement of professional services.</p>	
<p>2. Allowable Costs/Cost Allocation</p> <p>Statement of Condition: Accounting costs allocated to programs that were inactive. The accounting costs appear excessive since there was no competitive bidding.</p> <p>Criteria: The costs must be necessary and reasonable for the performance of the program. The accounting costs for the year ended December 31, 1996 totaled \$11,088.</p> <p>Effect of Condition: Unable to determine the benefit to the program.</p> <p>Questioned Costs: Accounting costs charged to the following programs:</p>	
<p>Urban Homeowner's Corporation Property Acquisition and Demolition Urban Homeowner's Program</p>	<p>\$ 1,458 1,208</p>

NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended December 31, 1996

		QUESTIONED COSTS
1.	<u>Allocable Costs/Cost Allocation</u>	
	NOEP Stage III	\$ 1,208
	Project No-Cost	13,773
	ROOH-Ancillary Loan	16,025

Cause of Condition:
 Accounting costs charged to inactive programs and non-tenants.

Recommendation:
 The allocation should be only to active programs, and in accordance with contractual terms. The costs should be necessary and reasonable.

SPECIFIC REQUIREMENTS

Project No-Cost

3. Inadequate supporting documentation

Statement of Condition:
 The supporting documentation for accounts payable to a painting contractor was inadequate.

Criteria:
 Costs charged to a program must be properly documented.

Effect of Condition:
 Improperly documented costs may be disallowed.

	Dollars
Population and Sample Size:	
Population (Dollars)	\$ 93,064
Sample (24 items)	81,013
Not in compliance (2 items)	6,798

Questioned Costs:
 Project No-Cost **\$ 6,798**

NEW ORLEANS AFFORDABLE HOUSING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended December 31, 1996

	QUESTIONED COSTS
3. Inadequate supporting documentation	
Cause of Condition: Corporate failed to maintain adequate documentation.	
Recommendation: Proper documentation should be maintained for all transactions.	
	<hr/>
Total questioned costs	<u>\$ 1,241</u>

NEW ORLEANS AFFORDABLE HOUSING/PROGRAM, (INC.)

STATUS OF PRIOR YEAR AUDIT FINDINGS

For the year ended December 31, 1994

	<u>Reportable Condition</u>	<u>Resolved</u>	<u>Unresolved</u>	<u>Current Finding</u>
1.	Cash balances exceed FDIC limit	X		
2.	Loan balances were not in agreement with subsidiary records. No loan committee or procedures.		X	2.
3.	Misses prior to 1994		X	-
4.	Accounting system		X	3.
5.	Cash disbursements and supporting documentation	X		
6.	Grants receivable		X	1.
	Disallowed Costs			
1.	Financial reporting - \$115,821		X	
2.	Allowable costs - all programs \$142,770	X		
3.	Allowable Cost (BOPB) III Project - \$1,158	X		
4.	Allowable Costs/Costs Allocation - \$13,280	X		
5.	Committing of Funds	X		
6.	Amortized Loan Program Eligibility - \$457,777	X		
1.	Allowable costs/Costs Allocation - accounting fees \$17,156		X	1.

NEW ORLEANS AIRPORT FIREPOWER, INCORPORATED

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MANAGEMENT'S RESPONSE TO AUDIT FINDINGS

Finding #1, page 18

The corporation did not maintain a subsidiary ledger of outstanding grants receivable as of December 31, 1996.

In reviewing the above finding, we are not in agreement with the auditor's finding. The subsidiary ledger was included with all other documentation requested by the auditor. See Attachment 1 (Schedule of Current Assets).

Finding #2, page 18

The intercompany receivables/payables were not in agreement as of December 31, 1996.

We do not agree with the auditor's finding. The auditor included account 85160 (Due from Homeowner) as part of the intercompany receivables. However, this account represents a 1994 audit adjustment (J5#24) that was not booked when all of the other adjustments were booked in December 1995 because we needed further clarification as to it. Subsequently, when clarification was received the entry was booked via the 1997 books. The additional balance that remained in the account after the adjustment was booked represented an amount that was due from a purchaser of one of the corporation's properties.

Finding #3 page 18

(5) The subsidiary loan ledger was not in agreement with the general ledger.

We are in agreement with the auditor's finding. However, we did not receive a loan subsidiary ledger from the agency responsible for maintaining the corporation's loans.

Finding #4, page 18

The prior year audit adjustments for 1994 and 1995 were not recorded in the general ledger.

We are not in agreement with this finding. The 1994 audit adjustments were recorded in December 1995, prior to issuing the financial data to the auditor for that period, with the exception of the entry as explained in finding #2. Subsequent to issuing the 1996 requested audit information in a timely manner, we had not received the 1995 audit adjustment from that period/auditor despite several unsuccessful attempts.

Finding #5, page 19

The real-estate held for resale maintained by the corporation were reflected as a fixed asset of the corporation and depreciated. They were not adjusted for 1996 sales and donations.

We are in agreement with the auditor's finding. We will research property purchases and adjust the books to reflect the validity of the corporation's ownership.

Finding #6, page 19

As of December 31, 1996, the accounts payable balances consists of 1994 payables.

We are in agreement with the auditor's finding. We will review all old accounts payable balances for its validity and adjust the general ledger accordingly.

Finding #7, page 22

A review of the December 31, 1996 loan balances noted the following:
The corporation does not maintain a written loan policy and procedural manual. The delinquency rate for the loan portfolio totaled 33%. The subsidiary loan ledger was not in agreement with the general ledger.

A loan committee has been formed. The loan committee is in the process of establishing loan policies and procedures to proceed with foreclosures, forgiveness or write-off interest to delinquent loan balances. The collection agent issues monthly report that identify which loans are delinquent. The report also reflects principal balances, accrued interests, delinquency status, and other relevant information. The loan balance control account has been adjusted to agree with the subsidiary records. The committee is addressing actions to be taken regarding accrued interest recorded for non-performing loans.

Finding #8, page 28

Allowable Costs/Cost Allocation

The auditor states that accounting costs were charged to grants that had no other costs charged. However, each of the programs cited had other costs charged at some point during the year, according to the general ledger. In one instance, costs were charged to a particular program; however, since advance funding had been received and amounts charged to the program were not budgeted they were not included on the cost control statement. In addition, several of the programs have open and active cash accounts which require reconciliations on a monthly basis. Each of the programs also have intercompany activity to be accounted for.

Attachment I

New Orleans Affordable Homeownership, Inc.
Schedule of Current Assets
December 31, 2006

RECEIVABLES

GRANT RECEIVABLE:	YOUTHBUILD	\$ 21,831.41
GRANT RECEIVABLE:	T.H.E.M.	\$ 1,825.50
GRANT RECEIVABLE:	VILLA	\$ 11,879.64
GRANT RECEIVABLE:	NU-COAT PAINT	\$131,080.01
GRANT RECEIVABLE:	TREME	\$ 1,180.00
GRANT RECEIVABLE:	UNIC PROP ACQ.	\$128,949.50
GRANT RECEIVABLE:	HOPE II	\$ 1,193.55
GRANT RECEIVABLE:	SEIF HOPE 1 MATCH	\$ 72,863.05
GRANT RECEIVABLE:	MAYOR'S TEAM	\$118,751.33
UNREIMBURSED EXPENSES		\$ 10,943.80
DEALLOWED COST		\$ 361.42
Total RECEIVABLES		<u>\$509,285.06</u>