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**CHARMAINE PHILIPS-PLATENBURG**  
*Certified Public Accountant*

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*Audited Financial Statements*

*of*

*New Orleans Affordable Homeownership, Inc.*

*As of and For the Year Ended*

*December 31, 1998*

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 OCT 06 1999

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**CHARMAINE PHILIPS-PLATENBURG**  
*Certified Public Accountant*

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
New Orleans Affordable Homeownership, Inc.

I have audited the accompanying statement of financial position of New Orleans Affordable Homeownership, Inc. (a non-profit corporation) as of December 31, 1998 and the related statements of activities, functional expenses 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 audits.

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. 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 referred to above present fairly, in all material respects, the financial position of New Orleans Affordable Homeownership, Inc. as of December 31, 1998, and the changes in its net assets and its cash flows for the year then ended in conformity with the generally accepted accounting principles.

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 is not a required part of the basic financial statements of New Orleans Affordable Homeownership, Inc. The Schedule of Expenditures of Federal Awards is required by the U. S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profits Organizations." 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 August 26, 1999, on my consideration of New Orleans Affordable Homeownership, Inc.'s internal control structure over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts and grants.

*Charmaine Philips-Platenburg, CPA*

Charmaine Philips-Platenburg, CPA

New Orleans, LA  
August 26, 1999

**CHARMAINE PHILIPS-PLATENBURG**

*Certified Public Accountant*

1340 Poydras Street • Suite 2130  
New Orleans, LA 70112

**NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.**

**Statement of Financial Position**

**As of December 31, 1998**

<b>Assets</b>		
Cash and Cash Equivalents		\$ 12,385
Receivables		
Grants Receivable	528,619	
Interest and Fees	22,202	
Other	4,806	555,627
Loans		
Notes Receivable	1,725,490	
Less: Allowance for Doubtful Accounts	(310,766)	1,414,724
Real Estate Held for Resale		443,913
Fixed Assets		
Buildings and Land	1,085,554	
Furniture, Fixtures and Equipment	8,829	
Less: Accumulated Depreciation	(172,044)	922,339
Total Assets		<u>\$ 3,348,988</u>
<b>Liabilities &amp; Net Assets</b>		
Accounts Payable		\$ 118,038
Line of Credit		124,601
Payroll Taxes		3,174
Due to the City of New Orleans		1,517,776
Total Liabilities		<u>1,763,589</u>
Net Assets:		
Unrestricted		(136,659)
Temporarily Restricted		1,722,058
Total Net Assets		<u>1,585,399</u>
Total Liabilities & Net Assets		<u>\$ 3,348,988</u>

See Accompanying Auditor's Report and Notes.

**NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.**

**Statement of Activities**

**For the Year Ended December 31, 1998**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues:</b>			
Grant Appropriations	\$ -	\$ 1,916,558	\$ 1,916,558
Other Income	-	155,524	155,524
Net Assets released from restrictions	<u>1,724,291</u>	<u>(1,724,291)</u>	<u>-</u>
 Total Revenues	 1,724,291	 347,791	 2,072,082
<b>Expenses:</b>			
Professional Fees - Contractors	1,254,747	-	1,254,747
Paint & Supplies	134,274	-	134,274
Professional Fees - Accounting & Legal	87,291	-	87,291
Depreciation Expense	68,000	-	68,000
Acquisition/Rehabilitation/Maintenance	43,662	-	43,662
Payroll Expenses	38,899	-	38,899
Insurance	26,969	-	26,969
Security Services	15,305	-	15,305
Advertising	11,197	-	11,197
Utilities	8,032	-	8,032
Other Costs	<u>35,915</u>	<u>-</u>	<u>35,915</u>
 Total Expense	 <u>1,724,291</u>	 <u>-</u>	 <u>1,724,291</u>
 Increase in Net Assets	 -	 347,791	 347,791
 Net Assets, Beginning Balance	 <u>(136,659)</u>	 <u>1,374,267</u>	 <u>1,237,608</u>
 Net Assets, Ending Balance	 <u>\$ (136,659)</u>	 <u>\$ 1,722,058</u>	 <u>\$ 1,585,399</u>

**NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 1998**

<b>Cash Flows from Operating Activities:</b>	
Increase in Net Assets	\$ 347,791
Adjustments to reconcile increase net assets to net cash used in operating activities:	
Depreciation Expense	68,000
Increase in Grants Receivable	(211,197)
Increase in Interest, Fees & Other	(18,155)
Decrease in Accounts Payable & Accrued Liabilities	(208,575)
Decrease in Due from the City of New Orleans	<u>(25,724)</u>
Net Cash Used In Operations	(47,860)
<b>Cash Flows from Investing Activities:</b>	
Purchase of Real Estate Held for Resale	(366,185)
Purchase of Furniture, Fixtures and Equipment	<u>(8,829)</u>
Net Cash Used In Investing Activities	(375,014)
<b>Cash Flows from Financing Activities:</b>	
Withdrawals on Line of Credit, net of repayments	124,601
Principal Payments on Notes Receivable	<u>157,138</u>
Net Cash Provided by Financing Activities	<u>281,739</u>
Net Decrease In Cash and Cash Equivalents	(141,135)
Cash and Cash Equivalents at Beginning of Year	<u>153,520</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 12,385</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**  
***New Orleans Affordable Homeownership Inc***  
***December 31, 1998***

**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:

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 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, 91% of the corporation's support for the year ended December 31, 1998 came from government grants.

Financial Statement Presentation

The financial statements are presented in accordance with requirements established by the Financial Accounting Standards Board (FASB) as set forth in the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organization,". This statement requires reporting, the Organization's financial position and activities according to three classes of net assets: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. There are no permanently restricted net assets.

Revenue Recognition

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 to unrestricted net assets and reported in the statement of activity as "net assets released from restrictions".

Grants Receivables

The Organization considers grants receivable to be fully collectible since the balance consists principally of payments due under governmental contracts.



**NOTES TO THE FINANCIAL STATEMENTS**  
***New Orleans Affordable Homeownership Inc***  
***December 31, 1998***

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 Organization's loan portfolio to determine the existence of and extent of which notes 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 borrowers' financial condition is such that collection of interest is doubtful.

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 1, 1995, the corporation adopted SFAS No. 114, as amended by SFAS No. 118 "Accounting by Creditors for Impairment of a Loan – Income Recognition and Disclosures." In accordance with SFAS No. 114, the 1995 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. Provision for loan losses is recognized by a charge to expense or a reduction 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 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
***New Orleans Affordable Homeownership Inc***  
***December 31, 1998***

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Building 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, 1998 totaled \$68,000.

Maintenance and repairs are charged to expense as incurred: major renewals and betterments are capitalized when the acquisition cost exceeds \$5,000. 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.

Real Estate Held for Resale

Real Estate Held for Resale is carried at cost not to exceed estimates of net realizable value determined on an individual project basis. The real estate has been acquired to be rehabilitated in accordance with government contracts.

Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

Use of Estimates

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

**NOTE B – GRANT RECEIVABLE**

Grant receivable at December 31, 1998 consists of the following:

City of New Orleans-Division of Housing and Neighborhood Development	\$528,619
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**NOTES TO THE FINANCIAL STATEMENTS**  
**New Orleans Affordable Homeownership Inc**  
**December 31, 1998**

**NOTE C – RESERVE FOR LOAN LOSSES**

A summary of the activity in the Reserve for Loan Losses for the year ended December 31, 1998 follows:

Balance at beginning and end of year	<u>\$ 310,766</u>
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**NOTE D – LAND AND BUILDING**

Land and building at December 31, 1998 consists of the following:

Building and Land	\$ 101,115
Improvements	969,439
Less accumulated depreciation	<u>&lt;172,044&gt;</u>
	898,510
Land	<u>15,000</u>
	<u>\$ 913,510</u>

**NOTE E – DUE TO CITY OF NEW ORLEANS**

The amount due to the City of New Orleans as of December 31, 1998, consists of loans, net of the reserve for possible loan losses, and accrued interest and fees.

**NOTE F- INCOME TAXES**

The New Orleans Affordable Homeownership, Inc. is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code.

**NOTES TO THE FINANCIAL STATEMENTS**  
***New Orleans Affordable Homeownership Inc***  
***December 31, 1998***

**NOTE G – ADMINISTRATIVE SUPPORT**

The Organization received administrative support for the year ended December 31, 1998 from the City of New Orleans. The support is not reflected in the financial statements.

**NOTE H – 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, 1998.

**NOTE I – SIGNIFICANT CONCENTRATION**

The Organization receives a majority of its revenue 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 Organization 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 Organization will receive in the next fiscal year.

**NOTE K – LINE OF CREDIT**

The Organization established an unsecured line of credit with a local financial institution in the amount of \$200,000 with an original interest rate of 8.5% during the year. As of December 31, 1998, the outstanding balance of the line of credit was \$124,601.

**SUPPLEMENTAL INFORMATION**

**NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the year ended December 31, 1998**

<u>PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>EXPEDITURES</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Passed through the City of New Orleans		
Community Development Block Grant Program Entitlement Grants		
Treme Arts Development Center	14.218	\$ 80,840
Project Nu-Coat	14.218	994,900
HSNG, Youthbuild	14.218	134,478
SP-NOAH, SPG-13E	14.218	<u>706,340</u>
	TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	<u>\$1,916,558</u>
	TOTAL FEDERAL AWARDS	<u>\$1,916,558</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

1. The Schedule of Federal Awards was prepared on the accrual basis of accounting.
2. As of December 31, 1998, the Community Development Block Grant Program titled "ROOR Amortized Loan" has loans outstanding totaling \$1,725,490.

**NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.**  
**Combined Statement of Expenditures**  
**For the Year Ended December 31, 1998**

	PROGRAM SERVICES					SUPPORTING SERVICES	TOTAL
	YOUTHBUILD	TREME ARTS DEV. CENTER	SP-NOAH SPG-13E	AMORTIZED LOAN	PROJECT NU-COAT PAINT		
<b>Salaries &amp; Fringe Benefits</b>							
Salaries	-	-	-	-	-	36,136	36,136
FICA Taxes	-	-	-	-	-	2,763	2,763
<b>Total Salaries &amp; Fringes</b>	-	-	-	-	-	38,899	38,899
<b>Other Operating Expenses</b>							
Professional Fees - Contractors	185,071	19,829	30,331	15,109	1,004,407	-	1,254,747
Paint & Supplies	-	-	4,904	51,857	129,370	-	186,131
Professional Fees - Accounting & Legal	-	4,800	26,134	-	4,500	-	35,434
Depreciation Expense	-	-	-	-	-	68,000	68,000
Acquisition/Rehabilitation/Maintenance	21,466	-	-	-	-	-	21,466
Insurance	-	14,042	-	12,927	-	-	26,969
Security Services	-	13,011	1,440	854	-	-	15,305
Advertising	-	5,058	-	-	6,139	-	11,197
Utilities	-	6,102	-	1,930	-	-	8,032
Other Costs	7,363	33,643	4,224	12,517	364	-	58,111
<b>Total Other Operating Expenses</b>	213,900	96,485	67,033	95,194	1,144,780	68,000	1,685,392
<b>Total Expenses</b>	213,900	96,485	67,033	95,194	1,144,780	106,899	1,724,291

Note <1>:  
The payroll expenses listed under Management & General pertain to the Treme Arts Development Center.

**CHARMAINE PHILIPS-PLATENBURG**  
*Certified Public Accountant*

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of  
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 fiscal year ended December 31, 1998, and have issued my report thereon dated August 26, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether New Orleans Affordable Homeownership, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Governmental Auditing Standards and which are described in the accompanying schedule of Findings and Questioned Costs as item 98-7.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered New Orleans Affordable Homeownership, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect New Orleans Affordable Homeownership Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 98-1, 98-2, 98-3, 98-4, 98-5, and 98-6.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 the employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting 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. However, of the reported conditions described above, I consider item 98-5 to be a material weakness.

This report is intended solely for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Charmaine Philips-Platenburg, CPA*

Charmaine Philips-Platenburg, CPA

New Orleans, LA

August 26, 1999

**CHARMAINE PHILIPS-PLATENBURG**

*Certified Public Accountant*

1340 Poydras Street • Suite 2130  
New Orleans, LA 70112

**CHARMAINE PHILIPS-PLATENBURG**  
*Certified Public Accountant*

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL STRUCTURE  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of  
New Orleans Affordable Homeownership, Inc.

Compliance

I have audited the compliance of New Orleans Affordable Homeownership, Inc. with the types of compliance requirements described in the "U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the fiscal year ended December 31, 1998. New Orleans Affordable Homeownership, Inc. major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements, laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of New Orleans Affordable Homeownership, Inc.'s management. My responsibility is to express an opinion on the Organization's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New Orleans Affordable Homeownership, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of New Orleans Affordable Homeownership, Inc.'s compliance with those requirements.

As described in item 98-7 in the accompanying schedule of findings and questioned costs, New Orleans Affordable Homeownership, Inc. did not comply with the requirements regarding Reporting and Specific Test, that are applicable to its major federal program titled "Project Nu Coat". Compliance with such requirements is necessary, in my opinion, for the Organization to comply with requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, New Orleans Affordable Homeownership, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended December 31, 1998.

## Internal Control Over Compliance

New Orleans Affordable Homeownership's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgement, could adversely affect New Orleans Affordable Homeownership, Inc.'s ability to administer a federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 98-1, 98-2, 98-3, 98-4, 98-5, and 98-6.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major 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 over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider item 98-5-7 to be a material weakness.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.

*Charmaine Philips-Platenburg, CPA*

Charmaine Philips-Platenburg, CPA

New Orleans, LA  
August 26, 1999

**CHARMAINE PHILIPS-PLATENBURG**

*Certified Public Accountant*

1340 Poydras Street • Suite 2130  
New Orleans, LA 70112

**NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the year ended December 31, 1998**

**A. SUMMARY OF AUDIT RESULTS.**

1. An unqualified opinion was issued on the financial statements of the auditee.
2. Reportable conditions in internal control were disclosed by the audit of the financial statements and some conditions were deemed to be material weaknesses.
3. The audit disclosed instances of noncompliance. However, none of the instances were deemed to be material to the financial statements of the audits.
4. Reportable conditions in internal control over major programs were disclosed by the audit and such conditions were deemed material weaknesses.
5. A qualified opinion was issued on compliance for major program.
6. The audit findings required to be reported under Section 510(a) of Circular A-133 are reported in Part C of this schedule.
7. The major programs for the year ended December 31, 1998 consists of the following:

Project Nu-Coat	CFDA No. 14.218
SP-NOAH, SPG-13E	CFDA No. 14.218
8. The dollar threshold to distinguished between Type A and Type B programs was \$300,000.
9. The auditee did not qualify as a low-risk auditee.

**NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**

**For the year ended December 31, 1998**

**B. FINDINGS-FINANCIAL STATEMENTS AUDIT**

**Reportable Conditions**

**98-1. Prior Year Audit Adjustments**

Statement of Condition:

The prior year audit adjustments were not recorded in the general ledger.

Criteria:

Prior year audit adjustments should be recorded to assure the accuracy and completeness of the financial statements.

Effect of Condition:

Failure to record prior year audit adjustments will result in misleading financial statements.

Questioned Costs:

None

Cause of Condition:

Former outside accountant did not post the prior year audit adjustments to the general ledger.

Recommendation:

Prior year audit adjustments should be recorded to assure the accuracy and completeness of the financial statements.

Response:

See corrective action plan.

**NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**

**For the year ended December 31, 1998**

**98-2. Grant Receivable**

Statement of Condition:

Grants receivable were not properly stated in the financial statements.

Criteria:

Grant receivable should reflect the monies due from its funding source.

Effect of Condition:

Failure to assure the accuracy of the grant receivable will result in misleading financial statements.

Questioned Costs:

None

Cause of Condition:

Grants receivable are not reviewed monthly to assure accuracy and collectibility.

Recommendation:

The grants receivable listing should be reviewed monthly for accuracy and collectibility.

Response:

See corrective action plan.

**NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**

**For the year ended December 31, 1998**

**98-3. Loans**

Statement of Condition:

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

Criteria:

Subsidiary loan ledger should agree to the general ledger account.

Effect of Condition:

Failure to maintain accurate loan balances will result in misleading financial statements.

Questioned Costs:

None

Cause of Condition:

Subsidiary loan ledger was not reconciled to general ledger account.

Recommendation:

To assure the accuracy of the financial statements, the subsidiary loan ledger should be reconciled to the general ledger control account. All reconciling items should be identified, and adjusted accordingly.

Response:

See corrective action plan.

**NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**

**For the year ended December 31, 1998**

**98-4. Provision For Loan Losses**

Statement of Condition:

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.

Criteria:

Loan losses should be reviewed quarterly by the Board of Directors and revised accordingly.

Effect of Condition:

The financial statements will be misleading.

Questioned Costs:

None

Cause of Condition:

Provision for loan losses is not reviewed by the Board of Directors for its adequacy.

Recommendation:

To assure the Corporation maintain an adequate provision for loan losses, the adequacy of the 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.

Response:

See corrective action plan.



**NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**

**For the year ended December 31, 1998**

**98-5. Real Estate Held for Resale**

Statement of Condition:

The Organization did not properly account for acquisitions and sales of real estate during the 1998 fiscal year.

Criteria:

All acquisitions and sales must be properly recorded in the general ledger.

Effect of Condition:

Failure to properly record real estate transactions will result in misleading financial statements.

Questioned Costs:

None

Cause of Condition:

Real estate sales and acquisitions were not properly recorded.

Recommendation:

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

Response:

See corrective action plan.

**NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**

**For the year ended December 31, 1998**

**98-6. Accounts Payable**

Statement of Condition:

The accounts payable consists of several old payables.

Criteria:

The accounts payable should consist of only valid current payables.

Effect of Condition:

The financial statements would be misleading.

Questioned Costs:

None

Cause of Condition:

Accounts payable listing is not being reviewed to assure that only valid current accounts payable are contained in the account payable listing.

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 that represent valid payables, and any old items should be reviewed thoroughly to assure their accuracy.

Response:

See corrective action plan.

**NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**

**For the year ended December 31, 1998**

**ADMINISTRATIVE REQUIREMENTS**

**98-7. Audit Requirements**

Statement of Condition:

The Organization did not have an audit of their financial statements completed in a timely manner.

Criteria:

State of Louisiana requires the audit to be completed by June 30, 1999.

Effect of Condition:

Organization not in compliance with audit requirements established by the State of Louisiana's Office of Legislative Auditor .

Questioned Costs:

None

Cause of Condition:

Financial documents were not readily available for examination.

Recommendation:

Audit of financial statements should be performed in accordance with regulations established by regulatory agencies.

Response:

See corrective action plan.

**NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**

**For the year ended December 31, 1998**

**C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**98-1. Prior Period Audit Adjustments**

Statement of Condition:

The prior year audit adjustments were not recorded on the general ledger.

Criteria:

Prior year audit adjustments should be recorded to assure the accuracy and completeness of the financial statements.

Effect of Condition:

Failure to record prior year audit adjustments will result in misleading financial statements.

Questioned Costs:

None

Cause of Condition:

Prior year audit adjustments were not recorded.

Recommendation:

Prior year audit adjustments should be recorded to assure the accuracy and completeness of the financial statements.

Response:

See corrective action plan.

**NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**

**For the year ended December 31, 1998**

**98-2. Grant Receivable**

Statement of Condition:

Grants receivable were not properly stated in the financial statements.

Criteria:

Grant receivable should reflect the monies due from its funding source.

Effect of Condition:

Failure to assure the accuracy of the grant receivable will result in misleading financial statements.

Questioned Costs:

None

Cause of Condition:

Grants receivable are not reviewed monthly to assure accuracy and collectibility.

Recommendation:

The grants receivable listing should be reviewed monthly for accuracy and collectibility.

Response:

See corrective action plan.

**NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**

**For the year ended December 31, 1998**

**98-3. Loans**

Statement of Condition:

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

Criteria:

Subsidiary loan ledger should agree to the general ledger account.

Effect of Condition:

Failure to maintain accurate loan balances will result in misleading financial statements.

Questioned Costs:

None

Cause of Condition:

Subsidiary loan ledger was not reconciled to general ledger account.

Recommendation:

To assure the accuracy of the financial statements, the subsidiary loan ledger should be reconciled to the general ledger control account. All reconciling items should be identified, and adjusted accordingly.

Response:

See corrective action plan.

**NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**

**For the year ended December 31, 1998**

**98-4. Provision For Loan Losses**

Statement of Condition:

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.

Criteria:

Loan losses should be reviewed quarterly by the Board of Directors and revised accordingly.

Effect of Condition:

The financial statements will be misleading.

Questioned Costs:

None

Cause of Condition:

Provision for loan losses is not reviewed by the Board of Directors for its adequacy.

Recommendation:

To assure the Corporation maintain an adequate provision for loan losses, the adequacy of the 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.

Response:

See corrective action plan.

**NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**

**For the year ended December 31, 1998**

**98-5. Real Estate Held for Resale**

Statement of Condition:

The Organization did not properly account for acquisitions and sales of real estate during the 1998 fiscal year.

Criteria:

All acquisitions and sales must be properly recorded in the general ledger.

Effect of Condition:

Failure to properly record real estate transactions will result in misleading financial statements.

Questioned Costs:

None

Cause of Condition:

Real estate sales and acquisitions were not properly recorded.

Recommendation:

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

Response:

See corrective action plan.



**NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**

**For the year ended December 31, 1998**

**98-6. Accounts Payable**

Statement of Condition:

The accounts payable consists of several old payables.

Criteria:

The accounts payable should consist of only valid current payables.

Effect of Condition:

The financial statements would be misleading.

Questioned Costs:

None

Cause of Condition:

Accounts payable listing is not being reviewed to assure that only valid current accounts payable are contained in the account payable listing.

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 that represent valid payables, and any old items should be reviewed thoroughly to assure their accuracy.

Response:

See corrective action plan.

**NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**

**For the year ended December 31, 1998**

**98-7 Reporting Requirement**

Statement of Condition:

The Organization failed to prepare and submit Monthly Reporting Requirement Reports for the year ended December 31, 1998 to the City of New Orleans.

Criteria:

In accordance with the agreement between the City of New Orleans and New Orleans Affordable Homeownership, the Organization is required to submit monthly reports that describe goals met during the reporting period.

Effect of Condition:

The Organization failed to comply with the reporting requirements set forth in the grant agreement.

Questioned Costs:

None

Cause of Condition:

The Organization had not established internal control procedures to assure that all reporting requirements were performed in a timely manner.

Recommendation:

The Organization should implement procedures to insure that the all required reports are submitted to the City of New Orleans on a timely basis

Response:

See corrective action plan.

**NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.**

**STATUS OF PRIOR YEAR FINDINGS**

**For the year ended December 31, 1998**

	<u>Reportable Conditions</u>	<u>Resolved</u>	<u>Unresolved</u>	<u>Current Findings</u>
1.	Prior Year Audit Adjustments		X	98-1
2.	Grant Receivable		X	98-2
3.	Loans		X	98-3
4.	Provision for Loan Losses		X	98-4
5.	Real Estate Held For Resale		X	98-5
6.	Accounts Payable		X	98-6
7.	Audit Requirements		X	98-7
8.	Accounting costs exceeded contract amount.	X		
9.	Cash balances exceeded FDIC insurance limits.	X		
10.	Inadequate supporting documentation	X		
11.	Accounts payable were overstated.		X	98-6
12.	Program income was not properly reported.	X		
	<u>Questioned Costs</u>			
1.	Accounting Costs - \$14,850	X		
2.	Inadequate supporting documentation - \$1,477		X	
3.	Overstatement of Accounts Payable - \$4,000		X	



New Orleans Affordable Homeownership Inc. (NOAH)  
 2400 Canal Street, Suite 315  
 New Orleans, LA 70119  
 (504)826-1960  
 (504)826-1984 fax

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SEP 16 1999

Stacey L. Jackson  
 Executive Director

**CORRECTIVE ACTION PLAN**

Ronald P. McClain  
 President

Edward Shanklin  
 Vice President

**BOARD MEMBERS**

Rev. Joseph Gaines

Alberta Pate

Thomas Perkins

Gregory Rattler

Sheila Williams

**PROGRAMS:**

Mayor's Project NuCoat

Mayor's Project NuRoof

N.O. African American Museum  
 of Art, Culture and History

Tremé Special Purpose Project

N. O. Youthbuild

Mayor's Challenge Fund

98-1. Audit Adjustments

The prior certified public accountant that the organization engaged to complete the 1998 accounting records failed to record the December 31, 1997 audit adjustments. All audit adjustments for the 1998 year will be recorded upon receipt.

98-2 Grants Receivable

A grant receivable schedule will be maintained monthly, and agreed to the general ledger.  
 All reconciling items will be identified, and adjusted accordingly.

98-3 Loans

The subsidiary loan ledger will be reconciled to the general ledger quarterly, and the reconciling items will be adjusted accordingly. A third party has been engaged to collect all note payments and remit monthly reports to the organization.

98-4 Provision for Loan Losses

The Board of Directors will adopt a policy that will formulate the calculation of the Provision for Loan Losses. The Provision for Loan Losses will consist of a 3% general reserve and a 100% specific reserve for all loan balances in arrears for more than 60 days. The delinquent notes will be complied by the third party engaged in the collection of all notes.

98-5 Real Estate Held For Resale

A subsidiary ledger will be maintained on a monthly basis of all real estate held by the corporation. This ledger will be agreed to the general ledger control

account on a monthly basis, and the reconciling items adjusted accordingly.

98-6 Accounts Payable

The schedule of accounts payable will be reviewed monthly to assure that all payables are valid and current. Any old payables will be voided, and the general ledger adjusted accordingly.

98-7 Audit Requirements

With the termination of the prior accountant, the accounting records will be completed timely. The audit should be performed in a timely manner to assure the corporation complies with the State of Louisiana audit requirement.

98-8 Program Reports

A report tracking system will be formulated to assure all program reports will be filed timely. The system should be completed by September 30, 1999.

**CHARMAINE PHILIPS-PLATENBURG**  
*Certified Public Accountant*

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SEP 16 1999

To the Board of Directors of  
New Orleans Affordable Homeownership

In planning and performing my audit of the financial statements of New Orleans Affordable Homeownership (the Organization) for the year ended December 31, 1998, I considered the Organization's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control structure.

However, during my audit, I noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. My comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control structure and/or enhance in other operating efficiencies. I will be pleased to discuss these comments in further detail at your convenience, to perform any additional studies of these matters, or to assist you in implementing the recommendations. My comments are summarized as follows:

Current Year Findings

The Year 2000 Issue

The Year 2000 Issue results from the inability of a computer program to year-date data accurately beyond the year 1999. Except for recently introduced year 2000 compliant programs, computer programs have consistently included abbreviated dates with the assumption that those two digits would always be 19. Unless corrected, that shortcut may create widespread problems on January 1, 2000. On that date, some computer programs may recognize the date as January 1, 1900, and either process data incorrectly or stop processing it altogether.

I recommend that you begin to take immediate steps to identify, modify and test all systems that may be impacted by the Year 2000 Issue. In addition, you should monitor your progress to ensure compliance before the system begins to fail, which may be evident before January 1, 2000. If the Organization fails to take timely and appropriate action, it may experience costly and significant computer program failures, which could prevent it from performing its routine activities. Depending on the extent of the system failures, noncompliance could be detrimental to the Organization.

Financial Statements

The combined financial statements did not agree to the divisional financial statements or the general ledger. Management should compare all corresponding reports and request a thorough explanation of any adjustment(s) and/or discrepancy(s). In addition to management's review, the independent accountant should review the financial statements with management and explain all entries in the

## Financial Statements (continued)

financial statements. Management should be fully aware (knowledgeable) of the activity reported in the financial statements of the Organization.

## Bank Reconciliation

It was discovered that during the testing of cash disbursements that transactions were erroneously excluded from the financial statements. In addition, the balance of one of the bank reconciliations did not agree to the balance in the general ledger. To reduce the risk of keypunching errors going undetected, the accountant should prepare the bank reconciliations by utilizing an automated process. Management should review supplementary reports and agree such reports to the financial statements before the financial statements are approved. All large and unusual reconciling items should be thoroughly explained and accompanied with adequate supporting documentation.

## Grant Compliance

The Organization did not engage an auditor and complete an audit on the Organization within 6 months of the close its fiscal year. Management should establish and incorporate a solicitation process to assure that such audits are performed in a timely manner. It was noted that cost control statements were not prepared and submitted in a timely manner. Management should communicate the importance of filing the required reports to its independent accountant and take the necessary actions to eliminate the above stated problems if they continue. Furthermore, management is fully responsible for the fiscal and programmatic operations of the Organization.

## Organizational Structure

The size of the organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff was large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the organization to provide oversight and independent review functions.

I would like to thank Ms. Stacey Jackson for her support and assistance during my audit.

This report is intended solely for the information and use of the Board of Directors, management, City of New Orleans' Department of Housing and Neighborhood Development and U. S. Department of Housing and Urban Development.

*Charmaine Philips-Platenburg, CPA*

Charmaine Philips-Platenburg, CPA

New Orleans, LA  
August 26, 1999

**CHARMAINE PHILIPS-PLATENBURG**

**Certified Public Accountant**

1340 Poydras Street • Suite 2130  
New Orleans, LA 70112



New Orleans Affordable Homeownership Inc. (NOAH)  
2400 Canal Street, Suite 315  
New Orleans, LA 70119  
(504)826-1960  
(504)826-1984 fax

## CORRECTIVE ACTION PLAN

**Stacey L. Jackson**  
Executive Director

### Year 2000 Issue

A local consulting (computer) firm was hired to update and test all computers that are utilized by our corporation to ensure that they are Y2K compliant. Therefore, we do not anticipate any major problems with our computers upon the arrival of the year 2000. We also backup all computerized files on a weekly basis, in addition to maintaining a hard copy.

### Financial Statements

We have hired a new certified public accountant (CPA) in an effort to enhance the reporting of the corporation's financial information. As part of the agreement between the corporation and the current CPA, the CPA will present all of the financial reports to the Executive Director before issuing the final reports. This process will include procedures to assure that all balances are properly stated in the financial reports.

### Bank Reconciliation

The corporation recently hired a CPA that prepares automated bank reconciliations. The automated process has systematic review functions that will assist in the detecting of errors. Since the automated process utilizes the same financial data to prepare bank reconciliations and the general ledger, all adjustments will be automatically recorded in the general ledger. Therefore, the balance in the general ledger and on the bank reconciliation will be the same amount.

### Grant Compliance

With the hiring of a new accountant, the accounting records will be completed in a timely manner which will allow the auditors sufficient time to complete audit. We will also start the solicitation process during November of 1999 to assure that the corporation complies with the State of Louisiana audit requirement.

### Organizational Structure

As indicated in the "Minutes of the Board of Directors Meeting", all significant projects are presented to the board of directors for approval before the corporation engages in any major activity. The board of directors is also informed about other matters of the corporation as well.

Ronald P. McClain  
President

Edward Shanklin  
Vice President

#### BOARD MEMBERS

Rev. Joseph Gaines

Alberta Patc

Thomas Perkins

Gregory Rattler

Sheila Williams

#### PROGRAMS:

Mayor's Project NuCoat

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N.O. African American Museum  
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