

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, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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.

JUL 26 2000

Release Date _____

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CHARMAINE PHILIPS-PLATENBURG
Certified Public Accountant

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, 1999 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, 1999, 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 June 26, 2000 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

New Orleans, LA
June 26, 2000

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, 1999

Assets		
Cash and Cash Equivalents		\$ 12,422
Receivables		
Grants Receivable	934,708	
Due from FANO	20,152	
Other Receivables	<u>56</u>	954,916
Loans		
Notes Receivable	1,577,386	
Less: Allowance for Doubtful Accounts	<u>(329,480)</u>	1,247,906
Real Estate Held for Resale		735,169
Fixed Assets		
Buildings and Land	1,099,728	
Furniture, Fixtures and Equipment	20,613	
Less: Accumulated Depreciation	<u>(240,044)</u>	880,297
Other Assets		
Deposits		<u>14,000</u>
Total Assets		<u><u>\$ 3,844,710</u></u>
 Liabilities & Net Assets		
Accounts Payable		\$ 459,211
Line of Credit		130,816
Payroll Taxes		32,491
Capital Lease Payable		11,425
Due to the City of New Orleans		<u>1,463,186</u>
Total Liabilities		<u>2,097,129</u>
Net Assets:		
Unrestricted		227,332
Temporarily Restricted		<u>1,520,249</u>
Total Net Assets		<u>1,747,581</u>
Total Liabilities & Net Assets		<u><u>\$ 3,844,710</u></u>

See Accompanying Auditor's Report and Notes.

NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.

Statement of Activities

For the Year Ended December 31, 1999

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Grant Appropriations	\$ -	\$ 2,455,454	\$ 2,455,454
Other Income	45,072	136,750	181,822
Net Assets released from restrictions	<u>2,794,013</u>	<u>(2,794,013)</u>	<u>-</u>
 Total Revenues	 2,839,085	 (201,809)	 2,637,276
Expenses:			
Contractors	1,784,263	-	1,784,263
Subrecipients	154,038	-	154,038
Salaries	147,710	-	147,710
Professional Fees - Accounting & Legal	104,948	-	104,948
Depreciation Expense	68,000	-	68,000
Exhibit Costs	31,627	-	31,627
Capital Outlay	29,481	-	29,481
Security Services	27,000	-	27,000
Insurance	24,281	-	24,281
Bad Debt Expense	18,714	-	18,714
Advertising	16,729	-	16,729
Utilities	16,533	-	16,533
Acquisition/Rehabilitation/Maintenance	11,470	-	11,470
Interest Expense	11,346	-	11,346
Payroll Taxes	10,324	-	10,324
Paint & Other Supplies	8,440	-	8,440
Telephone	8,136	-	8,136
Fringe Benefits	8,081	-	8,081
Cost of Properties Sold	7,248	-	7,248
Printing & Reproduction	5,591	-	5,591
Catering Expense	5,282	-	5,282
Travel & Conferences	4,945	-	4,945
Travel & Conferences	3,114	-	3,114
Other Costs	<u>16,703</u>	<u>-</u>	<u>16,703</u>
 Total Expense	 <u>2,524,004</u>	 <u>-</u>	 <u>2,524,004</u>
 Increase/(Decrease) in Net Assets	 315,081	 (201,809)	 113,272
 Net Assets, Beginning Balance	 <u>(87,749)</u>	 <u>1,722,058</u>	 <u>1,634,309</u>
 Net Assets, Ending Balance	 <u>\$ 227,332</u>	 <u>\$ 1,520,249</u>	 <u>\$ 1,747,581</u>

NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.
Statement of Cash Flows
For the Year Ended December 31, 1999

Cash Flows from Operating Activities:	
Increase in Net Assets	\$ 113,272
Adjustments to reconcile increase net assets to net cash used in operating activities:	
Depreciation Expense	68,000
Increase in Grants Receivable	(406,089)
Decrease in Other Receivables	6,800
Increase in Accounts Payable & Payroll Tax Liabilities	370,490
Decrease in Due from the City of New Orleans	<u>(54,590)</u>
Net Cash Used In Operations	97,883
Cash Flows from Investing Activities:	
Purchase of Real Estate Held for Resale	(305,256)
Proceeds from Sale of Real Estate	68,607
Purchase of Furniture, Fixtures and Equipment	<u>(20,613)</u>
Net Cash Used In Investing Activities	(257,262)
Cash Flows from Financing Activities:	
Withdrawals on Line of Credit, net of principal payments	6,215
Principal Payments on Notes Receivable	<u>153,201</u>
Net Cash Provided by Financing Activities	<u>159,416</u>
Net Increase In Cash and Cash Equivalents	37
Cash and Cash Equivalents at Beginning of Year	<u>12,385</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 12,422</u></u>

NOTES TO THE FINANCIAL STATEMENTS
New Orleans Affordable Homeownership Inc
December 31, 1999

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements is as 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, 98% of the corporation's support for the year ended December 31, 1999 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, 1999

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.

Financing Authority of New Orleans 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 loans are uncertain, the level of future provisions generally cannot be predicted.

NOTES TO THE FINANCIAL STATEMENTS
New Orleans' Affordable Homeownership Inc
December 31, 1999

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, 1999 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, 1999 consists of the following:

City of New Orleans-Division of Housing and Neighborhood Development	\$934,708
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NOTES TO THE FINANCIAL STATEMENTS
New Orleans Affordable Homeownership Inc
December 31, 1999

NOTE C – RESERVE FOR LOAN LOSSES

A summary of the activity in the Reserve for Loan Losses for the year ended December 31, 1999 follows:

Balance at beginning of year	\$ 310,766
Loans charge of to bad debt expense	<u>18,714</u>
Balance as of December 31, 1999	<u>\$ 329,480</u>

NOTE D – FIXED ASSETS

Fixed assets at December 31, 1999 consists of the following:

Building	\$ 101,115
Equipment	20,613
Improvements	983,613
Less accumulated depreciation	<u><240,044></u>
Subtotal	865,297
Land	<u>15,000</u>
	<u>\$ 880,297</u>

NOTE E – DUE TO CITY OF NEW ORLEANS

The amount due to the City of New Orleans as of December 31, 1999, consists of mortgage 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, 1999

NOTE G – DEPOSITS

As of December 31, 1999, the Organization had entered into an agreement to purchase blighted property. The Organization decided to pay a refundable deposit on the property to secure the agreement.

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, 1999.

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 J – 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, 1999, the outstanding balance of the line of credit was \$130,816.

NOTE K – CONTRIBUTIONS AND DONATIONS

The Organization received funds from various contributors. The additional funds were classified as unrestricted and were used for administrative items for the Organization.

SUPPLEMENTAL INFORMATION

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 SPC-13E	PROJECT NU-COAT PAINT	NU - ROOF	PROGRAM INCOME	MANAGEMENT & GENERAL		
Salaries & Fringe Benefits									
Salaries	-	102,912	-	44,798	-	-	-	-	147,710
Payroll Taxes	-	10,324	-	-	-	-	-	-	10,324
Fringe Benefits	-	4,654	-	3,427	-	-	-	-	8,081
Total Salaries & Fringes	-	117,890	-	48,225	-	-	-	-	166,115
Other Operating Expenses									
Contractors	29,690	8,891	3,000	1,742,477	-	205	-	-	1,784,263
Subrecipients	-	-	154,038	-	-	-	-	-	154,038
Professional Fees - Accounting & Legal	800	4,200	34,198	38,375	-	27,375	-	-	104,948
Depreciation Expense	-	-	-	-	-	-	68,000	-	68,000
Exhibit Costs	-	-	26,310	-	-	500	4,817	-	31,627
Capital Outlay	-	-	10,227	8,721	-	1,150	9,383	-	29,481
Security Services	-	-	26,346	459	-	195	-	-	27,000
Insurance	-	-	8,610	14,284	-	1,387	-	-	24,281
Bad Debt Expense	-	-	-	-	-	-	18,714	-	18,714
Advertising	-	-	5,782	7,547	3,400	-	-	-	16,729
Utilities	-	-	8,593	-	-	240	-	-	16,533
Acquisition/Rehabilitation/Maintenance	2,837	7,083	7,700	1,550	-	-	11,346	-	11,470
Interest Expense	-	-	-	-	-	68	-	-	11,346
Paint & Other Supplies	1,098	7,274	-	-	-	-	-	-	8,440
Telephone	-	8,136	-	-	-	-	-	-	8,136
Cost of Properties Sold	-	-	-	7,248	-	-	-	-	7,248
Printing & Reproduction	-	5,591	-	-	-	240	5,042	-	5,591
Catering Expense	-	4,945	-	-	-	-	-	-	5,282
Travel & Conferences	-	-	-	-	-	-	3,114	-	4,945
Commissions - Art Sales	-	-	-	-	-	-	1,558	-	3,114
Other Costs	1,199	9,627	617	2,608	82	1,012	-	-	16,703
Total Other Operating Expenses	35,624	141,615	223,094	1,799,728	3,482	32,372	121,974	-	2,357,889
Total Expenses	35,624	259,505	223,094	1,847,953	3,482	32,372	121,974	-	2,524,004

Note <1>:

Construction and acquisition costs were capitalized as improvements and properties held for resale.

NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 1999

<u>PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY'S 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			
Project Nu-Coat	14.218	CD #10-081(99)	\$ 1,907,681
SP-NOAH, SPG-13E	14.218	SP - 7291	513,819
Treme Arts Development Center	14.218	CD-#10-056(98)	273,679
HISNG, Youthbuild	14.218	CD #10-068(96)	95,352
Project Nu-Roof	14.218	CD #10-081(99)	<u>3,482</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>\$2,794,013</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$2,794,013</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. The Schedule of Federal Awards was prepared on the accrual basis of accounting.

CHARMAINE PHILIPS-PLATENBURG
Certified Public Accountant

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 year ended December 31, 1999, and have issued my report thereon dated June 26, 2000. 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 an instance of noncompliance that is required to be reported under Governmental Auditing Standards and which are described in the accompanying schedule of Findings and Questioned Costs as item 99-1.

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 99-1 and 99-2.

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. I noted no matters that I considered to be material weaknesses. However, I noted other matters involving the internal control over financial reporting, which I have reported to management in a separate letter dated June 26, 2000.

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

New Orleans, LA
June 26, 2000

CHARMAINE PHILIPS-PLATENBURG
Certified Public Accountant

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, 1999. 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 99-1 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 "Youthbuild" and "Treme Arts Development Center". 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, 1999.

Internal Control Over Compliance

New Orleans Affordable Homeownership, Inc.'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 99-1 and 99-2.

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, I believe none of the reportable conditions described above is a material weakness.

I also noted other matters involving the internal control structure and its operation that I have reported to management of the Organization in a separate letter dated June 26, 2000.

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

New Orleans, LA
June 26, 2000

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, 1999

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 none of the 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 none of the 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, 1999 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, 1999

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

Reportable Conditions

99-1 Retention of Records

Statement of Condition:

The Organization failed to maintain copies of monthly cost control statements for Youthbuild and Tremé Arts Development Center for the year ended December 31, 1999.

Criteria:

In accordance with the agreement between the City of New Orleans and New Orleans Affordable Homeownership, Inc., the Organization is required to maintain all reports and related documents as required by the City of New Orleans and the Federal government.

Effect of Condition:

The Organization failed to comply with the retention and custodial of records requirement as set forth in the grant agreement with the City of New Orleans.

Questioned Costs:

None

Cause of Condition:

The Organization has not implemented internal control procedures to assure that all reports and other documentation are properly maintained and safeguarded against loss and theft.

Recommendation:

The Organization should implement procedures to insure that the all required reports and necessary source documents are properly maintained.

Response:

See corrective action plan.

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

For the year ended December 31, 1999

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

99-3. Duplication of Expenses

Statement of Condition:

Management requested reimbursement for the same expense items on two separate occasions.

Nu-Coat

\$ 5,288

Criteria:

As stated in the agreement between the City of New Orleans and the Organization, "The Contractor shall request funds for eligible and allowable cost items."

Effect of Condition:

The Organization was received excess reimbursement.

Questioned Costs:

\$5,288

Cause of Condition:

The Organization did not reconcile reimbursed costs to requested costs.

Recommendation:

Management should review and reconcile all reimbursements requests for payments.

Response:

See corrective action plan.

NEW ORLEANS AFFORDABLE HOMEOWNERSHIP, INC.

STATUS OF PRIOR YEAR FINDINGS

For the year ended December 31, 199

	<u>Reportable Conditions</u>	<u>Resolved</u>	<u>Unresolved</u>	<u>Current Findings</u>
1.	Prior Year Audit Adjustments	X		
2.	Grant Reccivable	X		
3.	Loans	X		
4.	Provision for Loan Losses	X		
5.	Real Estate Held For Resale	X		
6.	Accounts Payable	X		
7.	Audit Requirements	X		
8.	Accounts payable were overstated.	X		

CHARMAINE PHILIPS-PLATENBURG
Certified Public Accountant

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

In planning and performing my audit of the financial statements of New Orleans Affordable Homeownership, Inc. (the Organization) for the year ended December 31, 1999, 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

Filing System

During the audit, I noted that management appeared to have a problem locating requested information (source documents). Management should devise a filing system that would insure that the necessary documentation is properly filed and maintained in an orderly fashion.

Bank Reconciliation

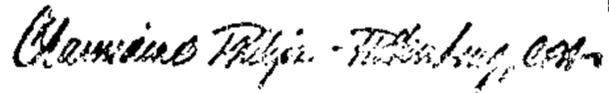
It was discovered during the testing of cash disbursements that two (2) transactions were erroneously voided from the financial statements. The error caused the affected cash accounts to be overstated as of the year ended December 31, 1999. To reduce the risk of omitting transactions and keypunching errors, management should require that all reconciliations are performed by an automated system. In addition, 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.

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. Stacy Jackson and her staff for their 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

New Orleans, LA

June 26, 2000

CHARMAINE PHILIPS-PLATENBURG

Certified Public Accountant

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New Orleans, LA 70112



New Orleans Affordable Homeownership, Inc.

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2000 JUL -6 AM 10:30

Stacey L. Jackson
Executive Director

CORRECTIVE ACTION PLAN

Filing System

The Corporation currently has a filing system which requires paid invoices to be filed monthly. However, as suggested by Audit Firm, we have discovered it necessary to create individual vendor files in addition to the monthly filing. Therefore, the Corporation has established a catalog system which include monthly filing as well as vendor filing, which will ensure all source documents will be maintained in an orderly fashion.

Bank Reconciliation

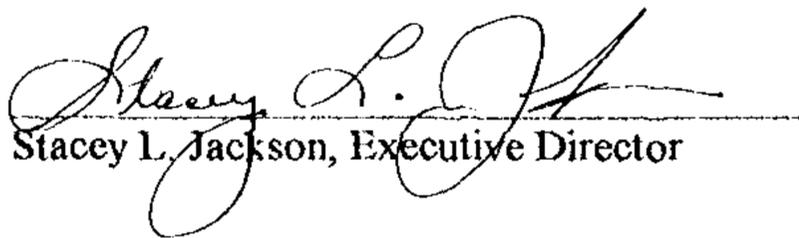
The Corporation will establish an automated reconciliation process which will create additional systems that will enhance the overall administrative operations of performing bank reconciliations. This system will reduce/eliminate the risk associated with omitting transactions, keypunching errors etc. As recommended by Audit Firm, management will review supplementary reports and reconcile such reports to the financial statement before the financial statements are approved.

Duplication of Expenses

The overpayment amount \$5,288.15 has been recovered from contractor. This amount has been reimbursed to the appropriate grant source. Although the overpayment error occurred only once, the implementation of the automated bank reconciliation process, along with the present payment process such errors will be eliminated or at a minimum reduced.

Retention of Records

To reduce the risk of loss or theft of all supporting documentation internal control procedures have been implemented which includes all files to be kept in locked file cabinets. The Corporation has the required Youthbuild Reports on file for review.


Stacey L. Jackson, Executive Director

New Orleans Affordable Homeownership Board of Directors

Ronald P. McClain, President - Edward Shanklin, Vice President - Tracey Carmentia, Secretary
Robert "Bob" Brown, Alberta Pate, Thomas Perkins, Gregory Rattler, Sheila Williams