FINANCE NEW ORLEANS

FINANCIAL STATEMENTS AND SCHEDULES

DECEMBER 31, 2023

WITH INDEPENDENT AUDITORS' REPORT THEREON

FINANCE NEW ORLEANS

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EisnerAmper LLP
One Galleria Blvd.
Suite 2100
Metairie, LA 70001
T 504.837.5990
F 504.834.3609
www.eisneramper.com

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Finance New Orleans

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the proprietary fund and fiduciary fund of Finance New Orleans (FNO) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise FNO's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary fund and fiduciary fund of FNO as of December 31, 2023, and the respective changes in their financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FNO and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about FNO's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FNO's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FNO's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise FNO's basic financial statements. The accompanying Schedule of Compensation, Benefits, and Other Payments to Agency Head is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2024, on our consideration of FNO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of FNO's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FNO's internal control over financial reporting and compliance.

EisnerAmper LLP

EISNERAMPER LLP
Metairie, Louisiana
June 28, 2024

The Management's Discussion and Analysis of the Finance Authority of New Orleans, doing business as Finance New Orleans (FNO), presents a narrative overview and analysis of FNO's financial activities for the year ended December 31, 2023. This document focuses on the current period's activities, resulting changes, and currently known facts in comparison with the prior period's information. Please read this document in conjunction with FNO's financial statements, which begin on page 10.

The financial statements include the totals of the accounts of each of FNO's bond programs and the Operating Fund, NOHMA Development Corporation, Unrestricted Fund, Pathways to Homeownership New Orleans, Inc., the Market Rate Program and the PILOTs Program which are all collectively reported under the proprietary fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements, and supplementary information.

Government-wide Financial Statements – Enterprise Fund

FNO's principal activities of promoting the development of residential housing (single or multi-family dwellings) in the City of New Orleans, Louisiana, primarily for persons of low and moderate incomes are accounted for in a single proprietary fund – the enterprise fund. Enterprise funds are used to report business activities. Since the enterprise fund is FNO's single activity, its financial statements are presented as FNO's government-wide financial statements.

The financial statements provide both long-term and short-term information about FNO's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the information in the financial statements.

FNO's financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred in the Statement of Revenues, Expenses, and Changes in Net Position. All assets and liabilities associated with the operation of FNO are included in the Statement of Net Position.

The Statement of Net Position presents financial information on all of FNO's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of FNO is improving or deteriorating.

Fund Financial Statements – Fiduciary Fund

The fiduciary fund is used to account for resources held for the benefit of parties outside the government. The fiduciary fund is not reflected in the government-wide financial statements because the resources of that fund are not available to support FNO's own programs. FNO's only custodial fund is the City of New Orleans Fiduciary Fund, which is used to account for assets held by FNO as an agent for the City of New Orleans.

FINANCIAL HIGHLIGHTS

FNO's assets exceeded its liabilities as of December 31, 2023 by $8,903. Operating expenses have remained consistent with prior year, but the decline in investment earnings has resulted in a deficiency in revenues under expenses of $714 at year end.

FINANCIAL ANALYSIS OF FNO

Net Position

The statements of net position as of December 31, 2023 and 2022 are as follows (in thousands):

	2023	2022
Cash and cash equivalents	$ 7,230	$ 7,857
Mortgage-backed securities	4,049	4,375
Notes and other receivables - net	126	69
Other assets	599	633
Total assets	$ 12,004	$ 12,934
Other liabilities	$ 15	$ 55
Bonds and notes outstanding	3,087	3,262
Total liabilities	3,102	3,317
Net position:		
Net investment in capital assets	589	626
Restricted	755	692
Unrestricted	7,558	8,299
Total net position	8,902	9,617
Total liabilities and net position	$ 12,004	$ 12,934

FNO's total net position at December 31, 2023 decreased to $8,902, a decrease of 7%, from December 31, 2022. Total assets and total liabilities remained consistent year over year.

Net investment in capital assets represents property and equipment, principally real estate held by the Pathways to Homeownership Program. Restricted net position represents those assets that are not available for general use due to the terms of the various bond trust indentures under which assets are held and pledged as security for the bonds of FNO's Mortgage Revenue Bond Programs less the related liabilities. Conversely, unrestricted net position represents those assets for which there are no such limitations.

Changes in Net Position

The summary of changes in net position are as follows:

	2023	2022
	(in thousands)	
Operating revenues, net of investment losses	$ 1,211	$ 43
Operating expenses	1,925	1,839
Deficiency in revenues under expenses	$ (714)	$ (1,796)

Operating revenues increased by $1,168 or 2716%, in 2023 compared to 2022, primarily due to the increase in grant revenue and increase in investment income compared to prior year market losses. Operating expenses increased by $86, or 4.7%, in 2023 compared to 2022, due primarily to an increase in partnership and program development costs.

Capital Assets

Capital assets decreased by $37 during the year ended December 31, 2023. This decrease is related to current year depreciation on FNO's capital assets during the year. Note 5 to the financial statements summarizes activity in capital assets during the year.

Debt Administration

Finance New Orleans had $3,087 in bonds and notes outstanding as of December 31, 2023, compared to $3,262 at the end the prior fiscal period, a decrease of 5.4%.

The decreased debt level as of December 31, 2023 resulted primarily from the payment of bonds in FNO's Single Family Program Funds. The notes to the financial statements disclose the details of debt activity for the year ended December 31, 2023.

Substantially all of FNO's single family bond issues had an AAA rating at December 31, 2023 due to the GNMA and FNMA securities pledged as collateral for FNO's bond issues.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

FNO remains committed to providing capital and financing options to support safe, affordable, and resilient housing options for single-family homes, multi-family housing developments, commercial buildings, municipal properties, and rental assistance initiatives. The following were considered in developing the budget for 2024.

New Orleans and surrounding communities continue to face affordability challenges. In addition, the City faces climate challenges unlike any city in the United States. In New Orleans, resiliency is a need in the community, not a want. With sea levels potentially rising over 10 feet within the next 100 years, the city must be proactive about ensuring a sustainable New Orleans for future generations.

One of the biggest challenges New Orleans faces in solving this issue is the lack of a financing platform tailored to investing in climate resilience. New Orleans has experienced limited private sector investment into climate resilience since Hurricane Katrina. It is critical that the public sector assume the leadership role for financing climate resilience to stimulate more investment from the private sector.

In 2020, FNO began its transition to address this need by changing its business model to a hybrid green bank and housing finance agency (HFA) with the support of two grants: one from the Mississippi River Cities and Towns Initiative to research Environmental Impact Bonds and the other from C40 Cities to create a plan to support sustainable financing in New Orleans. Simultaneously, the agency started the groundwork for its new programs under its new hybrid model through the signing of a Cooperative Endeavor Agreement (CEA) with the City of New Orleans and the Louisiana Housing Corporation (LHC), and beginning a series of working meetings.

Through the CEA with the City and LHC, FNO launched the Sustainable Developer Financing Program, a public financing platform for affordable and innovative housing developers to apply for a Payment-In-Lieu-Of-Taxes (Tax abatement), Housing Bonds, Tax Credits, and Green Bonds.

Payment-In-Lieu-Of-Taxes (PILOT) is a financial incentive designed to encourage the development of affordable housing real estate opportunities in and around one of the City-defined Mandatory Inclusionary Zoning ("MIZ") zones by "freezing" property taxes at the predevelopment level for a predetermined period of time. To date, FNO has closed (10) PILOTs for affordable housing projects totaling over $307 million and adding approximately 843 total units (823 affordable) since inception with an active pipeline of approximately thirty-seven (37) projects with an average total development cost of $35 million. In addition, several municipal and commercial building and sustainable energy generation projects are being introduced by the City and other partners. Beyond the multifamily pipeline to increase affordable housing in New Orleans, Finance New Orleans is relaunching it Green Mortgage Program to provide down payment assistance and incentives for homebuyers under 140% to purchase or retrofit their homes in an energy efficient manner. This program hopes to finance at least 25 families and will launch at the end of Q2 2024.

In 2020, FNO also became a member of the American Green Bank Consortium (Coalition for Green Capital) among other green banks around the United States. The American Green Bank Consortium is a membership organization for green banks, capital providers, developers and other clean energy supporters to work together to expand and accelerate innovative clean energy investment across the United States.

FNO's Board of Trustees endorsed the organization's 10-year Strategic Plan in 2021. The Strategic Plan is a transformative goal designed to allow Finance New Orleans to continue its vision to "Create a Resilient New Orleans with Opportunity for All."

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

The Board also endorsed the Resilient New Orleans Finance Plan ("RNOFP"), which is the culmination of research and planning led by C40 Cities and a multi-agency working group that includes: The City of New Orleans, New Orleans Redevelopment Authority, The New Orleans Business Alliance, The Sewage and Water Board of New Orleans, The Housing Authority of New Orleans, The Greater New Orleans Foundation, The Louis Armstrong New Orleans International Airport, The New Orleans Regional Transit Authority, Orleans Parish School Board, The Downtown Development District, and Finance New Orleans. The RNOFP lays out strategic finance framework options for the City of New Orleans to bring innovative climate resilience projects to life. The plan lays out strategic priorities and actions, reviews the barriers to green finance mobilization, and outlines investment opportunities to aid and measure the City's progress towards net-zero by 2050.

In April of 2024, FNO's long term partners, Coalition for Green Capital, along with Climate United Fund and Power Forward Communities, were selected by the U.S. Environmental Protection Agency (EPA) to receive a total of $14 billion from the Greenhouse Gas Reduction Fund's (GGRF) National Clean Investment Fund (NCIF). This selection comes after the Biden-Harris Administration announced $20 billion in grants to mobilize private capital and deliver clean energy and climate solutions to communities across America. Finance New Orleans was involved in working with these applicants to ensure that low-income communities and those that have been left out of the energy transition will have access to the capital needed to benefit and be a part of this transition.

Finance New Orleans will collaborate closely with the GGRF selected partners and maintain focus on growing its core service areas of financing sustainable housing, green infrastructure, renewable energy, clean transportation, and other projects that advance the sustainability of New Orleans. FNO has also been working in alignment with the City of New Orleans Climate Action Plan and the Resilient New Orleans Finance Plan to reduce greenhouse gas emissions and to reach its net zero goal.

Most recently, in June 2024, Finance New Orleans launched the Resilient New Orleans Innovation Challenge - a collaborative initiative to integrate innovative climate technologies into affordable and resilient housing solutions. The Challenge aims to fund the development and retrofit of 13 sites in Gentilly, Pontchartrain Park and Central City neighborhoods, and advance innovation in building materials, building performance, and creative labor solutions, thus reducing the cost of high performing homes. The initial $2M fund, combined with Finance New Orleans' Green Mortgage Program, will finance resilient homes responsive to local climate, budget and context, incorporating sustainable technology in design, construction and operation.

These efforts come at a time when the financial and housing markets have experienced significant shifts due to several macroeconomic factors. The Federal Reserve Bank's ongoing quantitative tightening measures, implemented to combat rising inflation, have led to a considerable increase in market interest rates from their historically low levels. These changes have had wide-reaching effects on the housing sector and the broader financial environment.

In response, FNO's management has actively engaged with financial partners to reassess and refine its strategic approaches. The agency remains focused on leveraging the current market environment to its advantage.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

FNO continues to uphold a prudent operating budget while advancing long-term capital investment plans. These plans prioritize the integration of diverse funding sources, including public-private partnerships and innovative financing mechanisms. These projects span housing, economic development, and climate resilience, aligning with the agency's comprehensive 10-year strategic plan.

Management remains committed to maintaining financial stability and adaptability in the face of evolving economic conditions, ensuring that the agency is well-equipped to meet future challenges and achieve its strategic objectives.

CONTACTING FINANCE NEW ORLEANS' MANAGEMENT

This financial report is designed to provide New Orleans citizens and taxpayers, as well as FNO's customers and creditors with a general overview of Finance New Orleans finances and to show FNO's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Damon Burns
Executive Director
618 Baronne Street
New Orleans, LA 70113-1004
Phone: (504) 524-5533
Fax: (504) 524-0133

FINANCE NEW ORLEANS

STATEMENT OF NET POSITION
PROPRIETARY FUND

December 31, 2023
(in thousands)

Assets

Current assets:	
Cash and cash equivalents	$ 6,637
Investments:	
Mortgage-backed securities	800
Receivables:	
Accrued interest	114
Other loans and assets	12
Total receivables	126
Prepaid expenses and other assets	10
Total current assets	7,573
Noncurrent assets:	
Cash and cash equivalents, restricted	593
Mortgage-backed securities, restricted	3,249
Capital assets, net	589
Total noncurrent assets	4,431
Total assets	$ 12,004

Liabilities and Net Position

Current liabilities:	
Accrued interest and other	$ 15
Total current liabilities	15
Long-term liabilities:	
Bonds and notes payable	3,087
Total liabilities	3,102
Net position:	
Net investment in capital assets	589
Restricted	755
Unrestricted	7,558
Total net position	8,902
Total liabilities and net position	$ 12,004

See accompanying notes to financial statements.

FINANCE NEW ORLEANS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUND

FOR THE YEAR ENDED DECEMBER 31, 2023
(in thousands)

Revenues:		
Investment earnings	$	361
Grant revenue		285
Program revenue		565
Total revenues		1,211
Expenses:		
Interest expense on revenue bonds and notes		80
Program expenses		1,793
Depreciation expense		43
Bad debt expense		9
Total expenses		1,925
Deficiency in revenues over expenses		(714)
Net Position - Beginning of year		9,617
Net Position - End of year	$	8,903

See accompanying notes to financial statements.

FINANCE NEW ORLEANS

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

FOR THE YEAR ENDED DECEMBER 31, 2023
(in thousands)

Cash flows from operating activities:	
Collection of interest income	$ 423
Payments of interest and program expense	(1,087)
Payments to employees and other suppliers of services	(841)
Other operating receipts	565
Collection of grant income	285
Net cash used in operating activities	(655)
Cash flows from noncapital and related financing activities:	
Principal payments on bonds	(175)
Net cash used in noncapital financing activities	(175)
Cash flows from capital and related financing activities:	
Purchases of capital assets	(6)
Net cash used in capital financing activities	(6)
Cash flows from investing activities:	
Maturities of investments	209
Net cash provided by investing activities	209
Net decrease in cash and cash equivalents	(627)
Cash and cash equivalents at beginning of the year	7,857
Cash and cash equivalents at end of the year	$ 7,230
Reconciliation of cash and equivalents to the Statement of Net Position:	
Current assets - cash and cash equivalents	$ 6,637
Noncurrent assets - cash and cash equivalents, restricted	593
Total cash and cash equivalents	$ 7,230
Reconciliation of net operating loss to net cash used in operating activities are as follows:	
(Deficiency in) excess of revenue over expenses	$ (714)
Unrealized loss on investments	116
Bad debt expense	9
Depreciation expense	43
Adjustments to reconcile deficiency in revenues over expense to net cash used in operating activities:	
(Increase) decrease in receivables	(66)
(Increase) decrease in prepaid expenses and other assets	(3)
Increase (decrease) in accrued liabilities	(40)
Net cash used in operating activities	$ (655)

See accompanying notes to financial statements.

FINANCE NEW ORLEANS

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2023
(in thousands)

	Custodial Funds
ASSETS	
Cash and cash equivalents	$ 64
LIABILITIES	$ -
NET POSITION	
Restricted for:	
Other governments	64
TOTAL LIABILITIES AND NET POSITION	$ 64

See accompanying notes to financial statements.

FINANCE NEW ORLEANS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

DECEMBER 31, 2023
(in thousands)

	Custodial Funds
ADDITIONS	
Deposits	$ 2
Total additions	2
DEDUCTIONS	
Total deductions	-
Net increase in fiduciary net position	2
Net position - beginning	62
Net position - ending	$ 64

See accompanying notes to financial statements.

1) Organization and Summary of Significant Accounting Policies

Organization

Finance New Orleans (FNO) is a public trust originally created by a trust indenture dated October 11, 1978, pursuant to Chapter 2A of Title 9 of the Louisiana Revised Statutes of 1950, as amended. FNO was created to provide funds, through the issuance of bonds, to promote the development of residential housing (single or multi-family dwellings) in the City of New Orleans, Louisiana, primarily for persons of low and moderate incomes. In 1995, the powers of FNO were expanded to include all those provided to a public trust under Revised Statutes 9:2341 et seq. In accordance with the respective indentures, the proceeds from FNO's bond issues are used to acquire mortgage-backed securities.

FNO is managed by a Board of Trustees appointed by the Council of the City of New Orleans. The Bank of New York Trust Company, N.A. serves as the trustee of the single family program funds. FNO's staff serves as the mortgage loan administrator of the various whole loan portfolios. Various local financial institutions originate and service FNO's single family program mortgage loans.

FNO's basic financial statements consist of the government-wide statements which include the proprietary fund (the enterprise fund) and the fund financial statements which includes the fiduciary fund (City of New Orleans Fiduciary Fund).

The operations of FNO are accounted for in the following fund types:

Proprietary Fund Type

The proprietary fund is used to account for FNO's ongoing operations and activities, which are similar to those found in the private sector. The proprietary fund is accounted for using a flow of economic resources measurement focus under which all assets and deferred outflows and all liabilities and deferred inflows associated with the operation of these funds are included in the statements of net position.

The financial statements of FNO include the following subsidiaries that are 100% owned by FNO. These entities share the same governance and management from FNO, and as a result, are considered part of FNO and not component units.

- ***NOHMA Development Corporation***

  NOHMA Development Corporation (the NOHMA Corporation) was formed in the fiscal year 1994. The NOHMA Corporation's mission is to provide increased home ownership among "primarily" low income families via a joint operating agreement with FNO through a variety of services.

- ***Pathways to Homeownership New Orleans, Inc.***

  Pathways to Homeownership New Orleans, Inc. (the Pathways Corporation) was formed on March 31, 2005, and was funded in the year ended March 31, 2007. The Pathways Corporation's mission is to provide increased homeownership among low and moderate income families through a variety of services.

1) Organization and Summary of Significant Accounting Policies (continued)

Programs

Sustainable Homeownership Program

During 2015, FNO introduced a market rate mortgage program that provides mortgages and down payment assistance grants to borrowers with incomes up to 140% of the New Orleans Area Median Income. This program serves as a complement to our traditional tax-exempt bond mortgage program. The first mortgages offered in this program are FHA, VA or Freddie Mac sponsored with down payment assistance provided through a second mortgage funded with proceeds from premiums priced into the previously mentioned first mortgages. Down payment assistance ranges from 3-5% of the value of the first mortgage.

FNO collects an issuer fee for each origination and also has the option to purchase the mortgage-backed securities created from the individual mortgages originated through the program. The Market Rate Program and our traditional tax-exempt bond mortgage program falls under what is now known as the Sustainable Homeownership Program. The Sustainable Homeownership Program enhances the current programs by adding financial solutions that create access to sustainable and affordable housing opportunities for homebuyers including: green mortgages for first-time homebuyers, green mortgages for existing homeowners, and green improvement loans for all home homeowners.

Sustainable Developer Program

The Sustainable Developer Program was developed to offer affordable financial products including tax-exempt bonds, payments in lieu of taxes (PILOTs), and green infrastructure loans to developers building affordable, climate resilient housing. In May 2020, FNO announced a partnership with the Louisiana Housing Corporation (LHC) to provide more affordable housing in the City of New Orleans. The Cooperative Endeavor Agreement (CEA) between the City, FNO, and LHC is designed to build public agency coordination that will increase affordable housing development in New Orleans.

Payment-in-Lieu-of-Taxes (PILOT) Program

Finance New Orleans' Payment-in-Lieu-of-Taxes (PILOT) Program is a financial incentive designed to encourage the development of affordable housing real estate opportunities in and around one of the City-defined Mandatory Inclusionary Zoning ("MIZ") zones by "freezing" property taxes at the predevelopment level for a predetermined period of time. The eligible amount of time for a PILOT to be in place is determined by use, cost, as well as other criteria (Appendix I). PILOTs are not entitlements. In order to qualify for a PILOT, the project must (i) be in a MIZ zone; or (ii) qualify for low-income housing tax credits or bond financing through the Louisiana Housing Corporation.

During the year ended December 31, 2023, one-time upfront fees and recurring administrative fees associated with the PILOT program were approximately $160 and were recorded in the accompanying statements as program revenue.

The financial statements of each of these entities is included in the proprietary fund of FNO. All significant inter-entity accounts and transactions have been eliminated in the basic financial statements.

1) Organization and Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The statement of revenues, expenses, and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Operating revenues include all charges for services, investment income or loss, grant revenue, program income and other miscellaneous charges. FNO's principal operating revenues are interest and appreciation (depreciation) related to investment and mortgages/mortgage-backed securities. Grant revenues are recorded when FNO has a right to reimbursement under the related grant, or when otherwise earned under the terms of the grant. Operating expenses include the costs associated with providing services to promote the development of residential housing. FNO did not have non-operating revenues or expenses in 2023.

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net position should be displayed in three components - net investment in capital assets, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets; restricted distinguishing between major categories of restrictions and consisting of restricted assets reduced by liabilities and deferred inflows of resources related to those assets; and unrestricted consisting of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

FNO first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available.

FNO adopted GASB Statement No. 84, Fiduciary Activities, which establishes standards of accounting and financial reporting for fiduciary activities.

This Statement establishes criteria for fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, as applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

FNO's determined that the City of New Orleans Fiduciary Fund, which is used to account for assets held by FNO as an agent for the City of New Orleans meets the criteria for reporting as a custodial fund. The funds held and current amounts payable are reported in the statement of fiduciary net position.

1) Organization and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

FNO considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Other Receivables

FNO determines past-due amounts based on contractual terms and does not charge interest on the accounts. FNO charges off receivables if management considers the collection of the outstanding balance to be doubtful For fiscal year ended December 31, 2023, management determined that there were no accounts that needed to be written off or allowance set up for receivables.

Investments

Investments are recorded at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties and has generally been based upon quoted values. This method of accounting causes fluctuations in reported investment values based on fluctuations in the investment market. Fluctuations in the fair value of investments are recorded as income or expense in the statements of revenues, expenses and changes in net position.

The sale of certain investments by FNO is subject to certain restrictions as described in the individual bond indentures.

Capital Assets

Capital assets are recorded at cost less accumulated depreciation. Depreciation is calculated on the straight-line method over the estimated lives (buildings - 40 years; equipment - 5 to 10 years; building improvements - 15 years) of the related assets.

Grant Revenues

Revenues from federal and state grants are recorded when FNO has a right to reimbursement under the related grant, generally corresponding to the incurring of grant related costs by FNO, or when otherwise earned under the terms of the grants. FNO had grant revenues of $285 in 2023.

Use of Estimates

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

(in thousands)

2) Cash and Cash Equivalents

In compliance with state laws, those deposits not covered by depository insurance are required to be secured by bank owned securities specifically pledged to FNO and held in joint custody by an independent custodian bank. Custodial credit risk is the risk that in the event of a bank failure FNO's deposits may not be returned to it. As of December 31, 2023, FNO had approximately $2,386 in demand deposits that were covered by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The remaining amount of FNO's cash balances were comprised of cash equivalents that were invested in money market funds, of which the underlying assets are guaranteed investments in securities issued by the U.S. Government.

3) Investments

FNO categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. FNO's mortgage backed securities are valued using quoted prices for similar securities in active markets (Level 2 inputs).

FNO's measurements of fair value are made on a recurring basis for assets and liabilities recorded at fair value on December 31, 2023 are as follows:

	Fair Value Measurements - December 31, 2023			
	Level 1	Level 2	Level 3	Total
Mortgage backed securities	$ -	$ 4,049	$ -	$ 4,049
Total	$ -	$ 4,049	$ -	$ 4,049

Credit Risk

Louisiana State statutes authorize FNO to invest in the following types of investment securities:

1) Fully-collateralized certificates of deposit issued by qualified commercial banks, federal credit unions, and savings and loan associations located within the State of Louisiana.

2) Direct obligations of the U.S. government, including such instruments as treasury bills, treasury notes, treasury bonds and obligations of U.S. government agencies that are deliverable on the Federal Reserve System.

3) Repurchase agreements in U.S. government securities made with the primary dealers that report to and are regulated by the Federal Reserve Bank of New York.

4) Guaranteed investment contracts with companies having good credit ratings.

4) Investments (continued)

FNO has no investment policy that would further limit its investment choices beyond the restrictions imposed by the State of Louisiana. At December 31, 2023, substantially all of FNO's investments in Government National Mortgage Association (GNMA) and Federal National Mortgage Association (FNMA) securities are at least rated AAA by Standard and Poor's or AAA by Moody's Investors Services. FNO has no limit on the amount it may invest in any one issuer so long as the State of Louisiana's restrictions are followed.

Interest Rate Risk

Interest rate risk is the risk applicable to debt instruments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates of debt instruments. FNO's investment policy does limit investment maturities for the bond programs to securities that approximate the terms of the related debt. Therefore, FNO balances its interest rate risk against the related debt. By using this method, FNO believes that it will mitigate its interest rate risk.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, FNO would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. FNO's investments are held by the custodial bank as an agent for FNO, in FNO's name, and are thereby not exposed to custodial credit risk.

At December 31, 2023, FNO's total investments of approximately $4,049 included approximately $800 of GNMA and FNMA mortgage-backed securities bearing interest from 2.50% to 7.50% maturing through the year 2035, and additional $3,249 of mortgage-backed securities, described below.

Mortgage-backed securities, restricted

Several of the single-family bond issues were structured to provide funds to purchase 30 year fixed rate mortgages which would then be immediately sold and assigned to a master servicer and exchanged for mortgage-backed securities. The securities are backed by the mortgage loans and guaranteed as to timely payment of principal and interest by GNMA or FNMA. Interest on the GNMA and FNMA securities is stated at 3.00% and 3.75%, respectively, which is higher than the interest rate on the respective mortgage loans with final maturity dates ranging from 2024 through 2044.

The individual single family issues structured in this manner and the values of the mortgage-backed securities held as of December 31, 2023, are as follows (in thousands):

Single Family Program Fund	Interest Rate	Carrying Amount of Securities
GSE Series of 2009	3.00-3.75%	$ 3,249

5) Capital Assets

Capital asset activity for the year ended December 31, 2023 is as follows (in thousands):

		Beginning Balance		Additions		Retirements		Ending Balance
Land	$	152	$	-	$	-	$	152
Building		893		-		-		893
Equipment		304		6		-		310
Total acquisition cost		1,349		6		-		1,355
Less: accumulated depreciation								
Building		428		30		-		458
Equipment		295		13		-		308
Total accumulated depreciatio		723		43		-		766
Capital assets, net	$	626	$	(37)	$	-	$	589

6) Bonds Payable

The outstanding bonds payable and transactions of FNO as of and for the year ended December 31, 2023, are as follows (in thousands):

	Issued	Interest Rate	Final Maturity Date	Outstanding December 31, 2022	Bonds Issued	Payments on Principal	Outstanding December 31, 2023
Single Family 2009 GSE Revenue Bonds	$ 25,000	2.32%	12/1/2041	$ 3,262	$ -	$ 175	$ 3,087

During 2009, FNO issued $25,000 of GSE Revenue Bonds. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA and FNMA certificates and other amounts derived by FNO from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA or FNMA. The initial proceeds were invested in an investment agreement with US Bank. The initial interest rate was equal to the rate of interest earned on the fund's investments. Effective, February 22, 2012 the rate converted to a permanent rate of 2.32% through December 1, 2041. The bonds are subject to redemption on or prior to December 1, 2041.

Following is a schedule of the future principal and interest payments of FNO's debt based on the stated maturity dates of the debt. Actual repayment dates will likely occur earlier since substantially all of the debt is subject to early redemption provisions. These early redemption provisions relate to payments received on the mortgage-backed securities and mortgage loans receivable and certain other factors. These early redemptions will also reduce future interest payments.

6) Bonds Payable (continued)

Scheduled principal and interest payments for the years ending December 31, are as follows, assuming that all bonds are held to maturity (in thousands):

	Principal	Interest	Total
2024	$ -	$ 197	$ 197
2025	-	197	197
2026	-	197	197
2027	-	197	197
2028	-	197	197
2029-2034	-	985	985
2035-2039	-	985	985
2040-2041	3,087	394	3,481
	$ 3,087	$ 3,349	$ 6,436

7) Board Member Per Diem

For the year ended December 31, 2023, FNO's Board members did not receive any per diem for all committee and board meetings attended.

SUPPLEMENTAL INFORMATION

FINANCE NEW ORLEANS

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD

YEAR ENDED DECEMBER 31, 2023

Agency Head Name: Damon Burns, Chief Executive Officer

Purpose	Amount ($)
Salary	$ 200,000
Benefits Health Insurance	1,789
Benefits Retirement	10,000
Benefits FICA and Medicare	12,832
Cell phone	1,155
Dues	3,355
Per diem	3,751
Conference travel	28,589
	$ 261,471

See accompanying independent auditors' report.

EisnerAmper LLP
One Galleria Blvd.
Suite 2100
Metairie, LA 70001
T 504.837.5990
F 504.834.3609
www.eisneramper.com

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

To Board of Trustees of
Finance New Orleans

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the proprietary fund and fiduciary fund of Finance New Orleans (FNO), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise FNO's basic financial statements, and have issued our report thereon dated June 28, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered FNO's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FNO's internal control. Accordingly, we do not express an opinion on the effectiveness of FNO's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether FNO's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

EisnerAmper LLP

EISNERAMPER LLP
Metairie, Louisiana
June 28, 2024

FINANCE NEW ORLEANS

SCHEDULE OF FINDINGS AND RESPONSES

A. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal Control over Financial Reporting: Material weakness(es) identified?	_____ Yes	__X__ No
• Significant deficiency(ies) identified that are Not considered to be material weaknesses?	_____ Yes	__X__ None reported
Noncompliance material to financial statements Noted?	_____ Yes	__X__ No

B. Findings – Financial Statement Audit

None.

FINANCE NEW ORLEANS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

2022-001 Accounting and Financial Reporting

Criteria: FNO should have systems of internal accounting control which ensures the financial statements are presented in accordance with U.S. generally accepted accounting principles ("US GAAP") on a timely basis.

Condition: As part of the audit process, we assist management in drafting the financial statements and related notes for the year-end audit. We noted, as part of the audit process, adjustments necessary to adjust payables, receivables and investments. Because our involvement is so key to that process, there is an indication that the internal controls over year-end GAAP consolidated financial statements of FNO is not sufficient.

Cause: While management has improved the record keeping and reporting of FNO since prior years, we did note during our audit that a few accounts still required reconciliation after year end. We noted that FNO did not prepare payable and interest income account reconciliations and analysis of certain accounts on an on-going basis throughout the year. The resulting reconciliations and analysis when completed resulted in adjustments to its accounting records.

Effect: In order to present the financial statements in accordance with US GAAP, a number of material adjustments were required and recorded significantly after year-end.

Recommendation: FNO should evaluate its accounting and financial reporting function. Specifically, FNO should consider the following:

- Continue to develop and implement policies, procedures, and related controls over account reconciliations and preparation of the financial statements to ensure that accounts are reconciled timely. This process should include timely review of account reconciliations and analysis by someone other than the preparer to verify that there are no errors or significant unidentified variances.
- Major accounts should be reconciled to supporting documentation with minimal or no variances or unresolved differences at least monthly. All remaining accounts should be reconciled to supporting documentation with minimal or no variances or unresolved differences at least quarterly. This includes reviewing asset and liability accounts that did not change since the prior period to determine if adjustments are required.
- Adjustments identified as a result of these account reconciliations should be recorded on a timely basis.

2022-001 **Accounting and Financial Reporting** (continued)

View of Responsible Officials: Management concurs with this finding.

Current Status: Resolved.

EisnerAmper LLP
One Galleria Blvd.
Suite 2100
Metairie, LA 70001
T 504.837.5990
F 504.834.3609
www.eisneramper.com

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To: Board of Finance New Orleans and the Louisiana Legislative Auditor

We have performed the procedures enumerated in Schedule A on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) of Finance New Orleans for the fiscal period January 1, 2023 through December 31, 2023. Finance New Orleans' management is responsible for those C/C areas identified in the SAUPs.

Finance New Orleans (FNO) has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of performing specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal period January 1, 2023 through December 31, 2023. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed, and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

We were engaged by FNO to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs of FNO for the fiscal period January 1, 2023 through December 31, 2023. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of FNO and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

EisnerAmper LLP

EISNERAMPER LLP
Metairie, Louisiana
June 28, 2024

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read *"no exception noted" or for step 13 "we performed the procedure and discussed the results with management".* If not, then a description of the exception ensues.

1) Written Policies and Procedures

A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

i. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

No exception noted.

ii. ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

No exception noted.

iii. ***Disbursements***, including processing, reviewing, and approving

No exception noted.

iv. ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

No exception noted.

v. ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

No exception noted.

vi. ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

No exception noted.

vii. ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

No exception noted.

viii. ***Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

No exception noted.

ix. ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

No exception noted.

x. ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

No exception noted.

xi. ***Information Technology Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

No exception noted.

xii. ***Prevention of Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

No exception noted.

2) Board or Finance Committee

A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

i. Observe whether the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exception noted.

ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget- to-actual comparisons, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

No exception noted.

iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

No exception noted.

iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

No exception noted.

3) Bank Reconciliations

A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

A listing of bank accounts was provided and included a total of 14 bank accounts. Management identified the entity's main operating account. No exceptions were noted as a result of performing this procedure.

From the listing provided, we selected 5 bank accounts (1 main operating and 4 randomly) and obtained the bank reconciliations for the month ending month day, March 2023, resulting in 5 bank reconciliations obtained and subjected to the below procedures.

i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

No exception noted.

ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated, electronically logged); and

No exception noted.

iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No exception noted.

4) Collections (excluding electronic funds transfers)

A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

A listing of deposit sites was provided and included a total of 1 deposit site. No exceptions were noted as a result of performing this procedure.

From the listing provided, we selected the 1 deposit site and performed the procedures below.

B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

A listing of collection locations for the deposit site selected in procedure #4A was provided and included a total of 1 collection location. No exceptions were noted as a result of performing this procedure.

From each of the listings provided, we selected the 1 collection location for each deposit site. Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

i. Employees responsible for cash collections do not share cash drawers/registers;

No exception noted.

ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit;

No exception noted.

iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and

No exception noted.

iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or custodial fund additions, is (are) not also responsible for collecting cash, unless another employee verifies the reconciliation.

No exception noted.

C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.

No exception noted.

D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

We randomly selected 2 deposit dates from the 5 bank accounts selected in procedure #3A. We obtained supporting documentation for each of the 2 deposits and performed the procedures below.

i. Observe that receipts are sequentially pre-numbered.

No exception noted.

ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exception noted.

iii. Trace the deposit slip total to the actual deposit per the bank statement.

No exception noted.

iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than $100 and the cash is stored securely in a locked safe or drawer).

No exception noted.

v. Trace the actual deposit per the bank statement to the general ledger.

No exception noted.

5) Non-payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)

A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

A listing of locations that process payments for the fiscal period was provided and included a total of 1 disbursement location. No exceptions were noted as a result of performing this procedure.

From the listing provided, we selected the 1 location and performed the procedures below.

B. For each location selected under #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:

The listing of employees involved with non-payroll purchasing and payment functions for each payment processing location selected in procedure #5A was provided. No exceptions were noted as a result of performing this procedure.

Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;

No exception noted.

ii. At least two employees are involved in processing and approving payments to vendors;

No exception noted.

iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;

No exception noted.

iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and

No exception noted.

v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

No exception noted.

C. For each location selected under #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and

A listing of non-payroll disbursements for each payment processing location selected in procedures #5A was provided related to the reporting period. No exceptions were noted as a result of performing this procedure.

From each of the listings provided, we randomly selected 5 disbursements and performed the procedures below.

i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice, and that supporting documentation indicates that deliverables included on the invoice were received by the entity, and

No exceptions noted.

ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

No exception noted.

D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

No exception noted.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

A listing of cards was provided. No exceptions were noted as a result of performing this procedure.

B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and

A listing of credit cards for the fiscal period was provided and included a total of 1 credit card. No exceptions were noted as a result of performing this procedure. We randomly selected one monthly statement for the 1 credit card and performed the procedures noted below.

i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported; and

No exception noted.

ii. Observe that finance charges and late fees were not assessed on the selected statements.

No exception noted.

C. Using the monthly statements or combined statements selected under procedure #6B above, <u>excluding fuel cards</u>, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

We randomly selected 10 transactions, or all transactions if less than 10 from each statement and obtained supporting documentation for the transactions. For each transaction, observed that it was supported by (1) an original itemized receipt that identified precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). No exceptions noted.

7) *Travel and Travel-Related Expense Reimbursements (excluding card transactions)*

A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

The listing of travel and travel-related expense reimbursements was provided for the fiscal period. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 5 reimbursements and performed the procedures below.

i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);

No exception noted.

ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;

No exception noted.

iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by “Written Policies and Procedures”, procedure #1A(vii); and

No exception noted.

iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exception noted.

8) Contracts

A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period.

Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and

An active vendor list for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 5 contracts and performed the procedures below.

i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;

No exception noted.

ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter);

No exception noted.

iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and

No exception noted.

iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exception noted.

9) Payroll and Personnel

A. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

A listing of employees/elected officials employed during the fiscal year was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 5 employees/officials and performed the specified procedures.

B. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and

We randomly selected 1 pay period during the fiscal period and performed the procedures below for the 5 employees/officials selected in procedure #9A.

i. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);

No exception noted.

ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;

No exception noted.

iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and

No exception noted.

iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

No exception noted.

C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

A listing of employees/officials receiving termination payments during the fiscal period was provided and included a total of 1 employee. No exceptions were noted as a result of performing this procedure.

From the listing provided, we selected the 1 employee/official and performed the specified procedures.

D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

No exceptions noted.

10) *Ethics*

A. Using the 5 randomly selected employees/officials from procedure "Payroll and Personnel" procedure #9A, above obtain ethics documentation from management, and

i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and

No change noted.

ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Not applicable. The entity did not have any changes to the ethics policy during the fiscal period.

B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

No exception noted.

11) Debt Service

A. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued as required by Article VII, Section 8 of the Louisiana Constitution.

Not applicable. The entity did not have any new debt issued during the fiscal year.

B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

A listing of bonds/notes outstanding at the end of the fiscal period was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 1 bond/note and performed the specified procedures.

12) Fraud Notice

A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

Management asserted that the entity did not have any misappropriations of public funds and assets during the year. No exceptions were noted as a result of performing this procedure.

B. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exception noted.

13) Information Technology Disaster Recovery/Business Continuity

A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

We performed the procedure and discussed the results with management.

ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

We performed the procedure and discussed the results with management.

iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedure and discussed the results with management.

B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in Payroll and Personnel procedure #9C. Observe evidenced that the selected terminated employees have been removed or disabled from the network.

A listing of employees/officials receiving termination during the fiscal period was provided and included a total of 1 employee.

From the listing provided, we selected the 1 employee/official and no exceptions were noted as a result of performing this procedure.

C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267[1]. The requirements are as follows:

- Hired before June 9, 2020 - completed the training; and
- Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

Management asserted that the entity did not complete cybersecurity training during the fiscal year. Exception was noted as a result of performing this procedure.

14) Prevention of Sexual Harassment

A. Using the 5 randomly selected employees/officials from "Payroll and Personnel" procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

[1] While it appears to be a good practice for charter schools to ensure its employees are trained to keep their information technology assets safe from cyberattack, charter schools do not appear required to comply with 42:1267. An individual charter school, though, through specific provisions of its charter, may mandate that all employees/officials receive cybersecurity training.

No exception noted.

B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

No exception noted.

C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:

i. Number and percentage of public servants in the agency who have completed the training requirements;

No exception noted.

ii. Number of sexual harassment complaints received by the agency;

No exception noted.

iii. Number of complaints which resulted in a finding that sexual harassment occurred;

No exceptions noted.

iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

No exceptions noted.

v. Amount of time it took to resolve each complaint.

No exceptions noted.

Management has reviewed and will address the exceptions noted above.

FINANCE NEW ORLEANS

Corrective Action Plan for the Statewide Agreed Upon Procedures for the year ended December 31, 2023

Submitted to:

EisnerAmper
1 Galleria Blvd, Suite 2100
Metairie, LA 70001

Finance New Orleans respectively submits the following corrective action plan for the year ended December 31, 2023 for the corrective action implemented.

RESPONSE TO EXCEPTIONS IN STATEWIDE AUP RESULTS:

We have done a preliminary review of the recommendations provided in the AUP results. We are in agreement with the report as provided by EisnerAmper. Finance New Orleans will ensure cybersecurity training is included in its comprehensive training schedule with an automated enrollment and tracking system, and establish a communication plan to inform employees on an annual basis.

Signature:

Title: Chief Business Officer