

NEW ORLEANS BUILDING CORPORATION
(A Component Unit of the City of New Orleans, Louisiana)

FINANCIAL STATEMENTS

DECEMBER 31, 2020

NEW ORLEANS BUILDING CORPORATION

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INDEPENDENT AUDITOR'S REPORT

June 29, 2021

To the Board of Directors of
New Orleans Building Corporation

We have audited the accompanying financial statements of the business-type activities of the New Orleans Building Corporation (the Corporation), a component unit of the City of New Orleans, Louisiana, as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the New Orleans Building Corporation as of December 31, 2020 and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The schedule of compensation, benefits, and other payments to executive director is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to executive director 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. Such 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 executive director 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 19, 2021, on our consideration of the Corporation'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 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 the Corporation'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 the Corporation's internal control over financial reporting and compliance.

Duplantier, Sharpness, Hogan and Parker, LLP

New Orleans, Louisiana

NEW ORLEANS BUILDING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(Unaudited)

This report offers readers of these financial statements an overview and analysis of the financial activities of the New Orleans Building Corporation (the Corporation). This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in the Corporation's financial position, identify any material deviations from the approved budget documents, and identify other issues or concerns.

FINANCIAL HIGHLIGHTS

The COVID 19 pandemic and the subsequent government order to close businesses significantly impacted several tenants' ability to pay rent. The Board of Directors agreed to provide temporary relief in the form of rent deferrals and renegotiated those leases in a manner that allows for recapture of lost revenues. Other tenants were able to meet their development and rent obligations.

In March of 2020 a lease amendment was signed with Riverwalk Marketplace (New Orleans), LLC that resolved a long-standing dispute over the calculation of percentage rent and provided clarity regarding allowable deductions in the calculation of rents moving forward.

In April 2020 the Corporation entered into the 2nd Amended and Restated Lease with Jazz Casino Company LLC. Terms of the lease allow for significant upgrades to the property including the addition of a 14-story hotel tower. The lease further provided for an immediate one-time payment of \$42,000,000 to the City and an increase in minimum and gross non-gaming payments upon opening of the hotel in 2024.

On May 7, 2015 the Corporation signed a lease with Two Canal Owner, LLC to develop the World Trade Center building into a 350-room Four Seasons hotel with 91 residences and a cultural attraction. After a delay due to litigation, construction began on the project June 28, 2018. The reduced rent rate for the construction period ended in March 2020 and full rent commenced in April 2020. Work continued on the project throughout the COVID-19 shutdown of the city and substantial completion expected in the second quarter of 2021.

The Corporation signed a lease with Two Canal Garage Owner, LLC on July 14, 2017 to develop the property at 100 Poydras Street. The facility is used as a parking garage previously leased to the New Orleans Hilton. Two Canal Garage Owner, LLC paid a non-refundable \$1,000,000 lease payment upon signing the lease and subsequently paid prepaid rent of \$4,000,000 on December 29, 2017. On March 29, 2018 Two Canal Garage Owner, LLC paid \$25,000,000 in prepaid rent. Two Canal Garage Owner, LLC assumed the right to receive all revenue generated from use of the garage and in October 2019 the Corporation continues recognizing revenue through amortization of the prepaid rent.

In addition to the revenue collected from Harrah's, the Corporation provided an additional \$100,000 to the City of New Orleans (the City) for completion of the Spanish Plaza renovations. The Corporation's transfers to the City's General Fund totaled \$11,999,297 in 2020.

NEW ORLEANS BUILDING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and notes to the financial statements. The financial statements provide both long-term and short-term information about the Corporation'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 Corporation's financial statements are prepared on an accrual basis 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, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statement of Revenues, Expenses, and Changes in Net Position. All assets and liabilities associated with the operation of the Corporation are included in the Statement of Net Position.

COMPARATIVE FINANCIAL STATEMENTS

The following provides condensed information from the Statements of Net Position as of December 31, 2020 and 2019:

Condensed Statements of Net Position

	<u>2020</u>	<u>2019</u>	<u>\$ Variance</u>	<u>% Variance</u>
Current assets	\$ 27,943,057	\$ 25,229,886	\$ 2,713,171	10.8 %
Restricted cash equivalents	1,000,000	1,000,000	-	-
Capital assets, net	58,375,203	60,405,884	(2,030,681)	(3.4)
Total assets	<u>\$ 87,318,260</u>	<u>\$ 86,635,770</u>	<u>\$ 682,490</u>	0.8
Current liabilities	\$ 2,224,237	\$ 3,500,911	\$ (1,276,674)	(36.5)
Long-term liabilities	29,919,763	31,858,635	(1,938,872)	(6.1)
Total liabilities	<u>\$ 32,144,000</u>	<u>\$ 35,359,546</u>	<u>\$ (3,215,546)</u>	(9.1)
Net Position:				
Net investment in capital assets	\$ 58,375,203	\$ 60,405,884	\$ (2,030,681)	(3.4)
Restricted	1,000,000	1,000,000	-	-
Unrestricted	(4,200,943)	(10,129,660)	5,928,717	58.5
Total net position	<u>\$ 55,174,260</u>	<u>\$ 51,276,224</u>	<u>\$ 3,898,036</u>	7.6

The Corporation's net position at December 31, 2020 consists primarily of cash, investments in capital assets (land, buildings & improvements and equipment), and restricted cash relating to its operation of New Orleans Union Passenger Terminal (NOUPT). Overall, the Corporation's net position increased by \$3,898,036 primarily due to an increase in cash due to the use of available trustee account funds for debt

NEW ORLEANS BUILDING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(Unaudited)

COMPARATIVE FINANCIAL STATEMENTS (CONTINUED)

service, inflow of cash from insurance proceeds without corresponding expenses and Harrah's prepayment of January 2020 rent in December 2019. Current assets increased as a result of an increase in cash. Current liabilities decreased due to the application of Harrah's 2019 rent prepayment to January 2020 rents.

The following provides condensed information from the Statements of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2020 and 2019:

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>\$ Variance</u>	<u>% Variance</u>
Operating Revenues:				
Rental income	\$ 20,768,995	\$ 20,673,015	\$ 95,980	0.5 %
Other operating income	31,759	148,402	(116,643)	(78.6)
Total operating revenues	<u>20,800,754</u>	<u>20,821,417</u>	<u>(20,663)</u>	<u>(0.1)</u>
Operating Expenses:				
Contractual services	1,612,552	1,887,593	(275,041)	(14.6)
Depreciation	2,134,065	2,361,833	(227,768)	(9.6)
Payroll	531,661	520,975	10,686	2.1
Other operating expenses	956,150	868,450	87,700	10.1
Total operating expenses	<u>5,234,428</u>	<u>5,638,851</u>	<u>(404,423)</u>	<u>(7.2)</u>
Operating income	15,566,326	15,182,566	383,760	2.5
Net non-operating income (expense)	<u>431,007</u>	<u>(409,028)</u>	<u>840,035</u>	<u>205.4</u>
Changes in net position before transfers out	15,997,333	14,773,538	1,223,795	8.3
Transfers out	<u>12,099,297</u>	<u>23,241,162</u>	<u>(11,141,865)</u>	<u>(47.9)</u>
Changes in net position after transfers out	3,898,036	(8,467,624)	12,365,660	146.0
Net position - beginning of year	<u>51,276,224</u>	<u>59,743,848</u>	<u>(8,467,624)</u>	<u>(14.2)</u>
Net position - end of year	<u>\$ 55,174,260</u>	<u>\$ 51,276,224</u>	<u>\$ 3,898,036</u>	<u>7.6</u>

Net position increased by \$3,898,036. Operating revenue decreased \$20,663. Operating expenses decreased \$404,423 as a result of using available funds in a trustee account to service debt instead of the Corporation's cash. Transfers to the City related to Harrah's Casino revenues were \$11,999,297 in 2020 and 13,241,162 in 2019. Other transfers to the City during 2020 were \$100,000 to fund the additional work on the Spanish Plaza renovations. In 2019, the Corporation transferred surplus funds in the amount of \$10,000,000 to the City.

NEW ORLEANS BUILDING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(Unaudited)

CAPITAL ASSETS

The Corporation's reported capital assets at December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
Land	\$ 6,753,637	\$ 6,753,637	\$ -
Buildings	31,915,809	33,314,420	(1,398,611)
Building improvements	19,513,775	20,245,277	(731,502)
Office furniture & equipment	50,179	16,957	33,222
Construction in progress	141,803	75,593	66,210
Total	<u>\$ 58,375,203</u>	<u>\$ 60,405,884</u>	<u>\$ (2,030,681)</u>

The Corporation's capital assets presented above are net of accumulated depreciation in the amount of \$37,898,439 and \$35,764,374 as of December 31, 2020 and 2019, respectively.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Corporation expects to finalize a lease amendment with Chifci Enterprises, Inc. d/b/a Deanie's Seafood for the restaurant space in the former DH Holmes Annex. The new rent structure is designed to allow the Corporation to realize lost revenue due to COVID-19 over the remaining life of the lease.

The Corporation also negotiated new leases with Premium Parking for the operation of lots at the Piazza d'Italia and Union Passenger Terminal (UPT) which extended the terms of the original agreements to allow for rent relief and a quick return to pre COVID revenue levels.

Both the Deanie's amendment and the Premium Parking leases are subject to signature of the parties and approval by the New Orleans City Council, likely in the third quarter of 2021.

COVID-19 and the partial collapse of the partially constructed Hard Rock Hotel located across the street from the Saenger Theatre will continue impact ticket sale revenues in 2021. The theatre remains closed but full capacity live shows will begin in July 2021. Work to begin repairing the damage caused by the collapse should be complete in September 2021. NOBC received insurance proceeds of \$760,324 in 2020. An additional \$972,583 was received for damage discovered after the initial adjuster's determination. The amount held as depreciation value is expected to be released once the project is complete.

Upgrades and replacement of the mechanical systems at the Union Passenger Terminal (UPT) are underway and are expected to be complete in late 2021. The Corporation continues to develop plans for significant upgrades to the platforms and canopies at the terminal. The platform work will be paid in part by a State of Good Repair Grant from the Federal Railroad Administration and in part by the City of New Orleans. Plans are being made to begin the various projects in 2022.

NEW ORLEANS BUILDING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(Unaudited)

CONTACTING NEW ORLEANS BUILDING CORPORATION

The financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the administration at 1111 Canal Street, Suite 400, New Orleans, Louisiana, 70112 or 504-658-0920.

NEW ORLEANS BUILDING CORPORATION
STATEMENT OF NET POSITION
DECEMBER 31, 2020

ASSETS

CURRENT ASSETS:

Cash	\$ 25,018,048
Cash equivalents	1,314,174
Accounts receivable, net	1,089,543
Prepaid insurance and other assets	132,922
Due from City of New Orleans	388,370
Total current assets	27,943,057

NONCURRENT ASSETS:

Restricted cash equivalents	1,000,000
Capital assets not being depreciated	6,895,440
Capital assets, net of accumulated depreciation	51,479,763
Total noncurrent assets	59,375,203

TOTAL ASSETS	\$ 87,318,260
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 119,058
Advances on lease payments	2,105,179
Total current liabilities	2,224,237

NONCURRENT LIABILITIES:

Customer deposits	30,833
Advances on lease payments	29,888,930
Total noncurrent liabilities	29,919,763

TOTAL LIABILITIES	32,144,000
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NET POSITION:

Net investment in capital assets	58,375,203
Restricted	1,000,000
Unrestricted	(4,200,943)
Total net position	55,174,260

TOTAL LIABILITIES AND NET POSITION	\$ 87,318,260
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The accompanying notes are an integral part of these financial statements.

NEW ORLEANS BUILDING CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

OPERATING REVENUES:	
Rent - tenants	\$ 20,768,995
Miscellaneous income	31,759
Total operating revenues	<u>20,800,754</u>
OPERATING EXPENSES:	
Contractual services	1,612,552
Depreciation	2,134,065
Insurance	340,494
Lease expense	312,612
Miscellaneous	69,044
Payroll	531,661
Repairs & maintenance	82,986
Utilities	151,014
Total operating expenses	<u>5,234,428</u>
OPERATING INCOME	<u>15,566,326</u>
NON-OPERATING INCOME (EXPENSES):	
Debt service	(392,448)
Insurance proceeds	760,324
Interest income	63,131
Total non-operating income (expenses)	<u>431,007</u>
Change in net position before transfers	15,997,333
Transfers to the City of New Orleans	<u>(12,099,297)</u>
Change in net position after transfers	3,898,036
NET POSITION - BEGINNING OF YEAR	<u>51,276,224</u>
NET POSITION - END OF YEAR	<u>\$ 55,174,260</u>

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

NEW ORLEANS BUILDING CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Rents received from customers	\$ 5,689,902
Payments to suppliers of goods and services	(3,191,658)
Other cash receipts	31,759
Net cash provided by operating activities	<u>2,530,003</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Debt service payments	<u>(392,448)</u>
Net cash used by non-capital financing activities	<u>(392,448)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Purchases of capital assets	(103,384)
Proceeds from insurance	760,324
Net cash provided by capital financing activities	<u>656,940</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Receipt of interest	<u>63,131</u>
Net cash provided by investing activities	<u>63,131</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,857,626
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>24,474,596</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 27,332,222</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 15,566,326
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	2,134,065
Non-cash transfers to City of New Orleans	(12,099,297)
Changes in operating assets and liabilities:	
Accounts receivable	89,481
Prepaid expenses and other assets	(39,289)
Due from City of New Orleans	94,263
Accounts payable	(146,269)
Cash advances on lease payments	(3,069,277)
Net cash provided by operating activities	<u>\$ 2,530,003</u>
RECONCILIATION TO STATEMENT OF NET POSITION:	
Cash and cash equivalents include:	
Cash	\$ 25,018,048
Cash equivalents	1,314,174
Restricted cash equivalents	1,000,000
Total cash and cash equivalents	<u>\$ 27,332,222</u>

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

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

INTRODUCTION:

New Orleans Building Corporation (the Corporation) is a nonprofit, public benefit corporation, incorporated in the State of Louisiana on May 4, 2000. The Corporation was formed for the purpose of owning, leasing, developing, and operating properties owned by the City of New Orleans or by the Corporation and stimulating business development in the Central Business District. These purposes include, but are not limited to, planning, renovating, constructing, leasing, subleasing, managing, and promoting such properties, which activity is declared to constitute a public purpose. The Corporation is governed by an eleven-person Board of Directors composed of the President of the Council of the City of New Orleans, an annually rotating district City Councilmember, and nine directors appointed by the Mayor of the City of New Orleans, with the approval of the Council of the City of New Orleans.

The New Orleans Union Passenger Terminal (NOUPT) was created by the State of Louisiana to enable the City of New Orleans to form a unique partnership with private railroads to finance, build, and operate the facility. The City acquired the 60-acre downtown site and transferred use of it to the NOUPT until 2005 with an option to extend for another 50 years. With this arrangement in place, the railroads provided revenue bond financing for construction of a \$21 million terminal and support facility on the downtown site. The NOUPT began service in 1954, consolidating 30 weekly train arrivals and departures at five, widely scattered stations into the new downtown terminal. The City also granted the NOUPT the use of six miles of grade separated right-of-way created by city, state, federal, and private railroad funding, in excess of \$19 million, to eliminate time consuming and hazardous grade crossings over the tracks servicing the NOUPT. In 1977, the City and private railroads transferred passenger rail operating responsibility of the NOUPT to the National Railroad Passenger Corporation - Amtrak. The City continued other aspects of its partnership agreement with the private railroads constituting the NOUPT prior to Amtrak's assumption of national passenger service from these railroads in the 1970s. The result was a unique governing body for the NOUPT consisting of a committee composed of representatives of the City, Public Belt Railroad Commission, Amtrak, and several railroads. On May 25, 2002, the Corporation assumed control of the NOUPT located in downtown New Orleans.

In April 2013, the Corporation entered into a Cooperative Endeavor Agreement with the City of New Orleans to allow the Corporation to manage, operate, and/or lease the newly renovated St. Roch Market to a third-party tenant. The Cooperative Endeavor Agreement has a term of five years with an additional five-year extension at the end of the initial term. On September 29, 2014, the Corporation entered into a lease agreement with Bayou Secret, LLC to operate the Market. The initial term is 10 year with two five-year renewal options. The Market opened to the public on April 10, 2015.

On February 22, 2017, a Joint Merger Agreement was entered into pursuant to the provisions of Section 243 of the Louisiana Nonprofit Corporation Law, La. R.S. 12:201 by and between the majorities of the directors and approved by the sole shareholders to merge New Orleans Building Corporation ("Surviving Corporation") and Canal Street Development Corporation ("Assimilated Corporation").

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

INTRODUCTION: (Continued)

Upon the consummation of the merger: (1) New Orleans Building Corporation and Canal Street Development Corporation became one corporation, the New Orleans Business Corporation; (2) the separate existence of the Canal Street Development Corporation ceased; (3) the New Orleans Building Corporation possessed all the rights, privileges, and franchises previously possessed by the New Orleans Building Corporation and those possessed by the Canal Street Development Corporation; (4) all of the property and assets of whatever kind or description of the Canal Street Development Corporation, and all debts due on whatever account to it, were taken and deemed to be transferred to and vested in the New Orleans Building Corporation without further act or deed; and (5) the New Orleans Building Corporation became responsible for all the liabilities and obligations of the Canal Street Development Corporation. On February 27, 2017, the New Orleans Building Corporation completed the merger with the Canal Street Development Corporation through filing with the Louisiana Secretary of State's Office.

As a result of the merger with Canal Street Development Corporation, the Corporation owns and leases the D. H. Holmes building and the Saenger Theatre and is operator of the Piazza d'Italia and surrounding properties.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Corporation conform to accounting principles generally accepted in the United States of America, as applicable to governmental agencies. The following is a summary of significant accounting policies:

The Financial Reporting Entity:

The Governmental Accounting Standards Board establishes standards for defining and reporting on the financial entity. The standards indicate that the focal point for identifying the financial reporting entity is the primary government, which is considered to be any state government or general purpose local government or special government that meets all of the following criteria: a) has a separate elected governing body, b) is legally separate, and c) is fiscally independent of other state and local governments.

For financial reporting purposes, the Corporation is a discretely presented component unit of the City of New Orleans. As such, the financial statements of the Corporation are included in the financial statements of the City of New Orleans. All activities of the Corporation are included in this report.

Proprietary Fund Type:

The proprietary fund is used to account for the Corporation's ongoing operations and activities which are similar to those often found in the private sector. The proprietary fund is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. Net position is segregated into amounts invested in capital assets (net

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Proprietary Fund Type: (Continued)

of related debt), restricted to fund environmental remediation, and unrestricted. The Corporation's restricted assets are expendable for their purposes. The Corporation utilizes available restricted assets before utilizing unrestricted assets. The operating statements present increases (revenues) and decreases (expenses) in net position.

The Corporation maintains one proprietary fund type - the enterprise fund. The enterprise fund is used to account for operations: a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance.

Basis of Accounting:

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Use of Estimates:

The preparation of the 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, liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

Cash and cash equivalents include amounts in demand deposit accounts and money market funds. For purposes of the statement of cash flows, unrestricted cash and restricted cash equivalents are included. The Corporation does not have a formal investment policy.

Accounts Receivable:

Accounts receivable are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. As of December 31, 2020, all accounts receivable was considered fully collectible; therefore, no allowance was recorded.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Prepaid Expenses:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Capital Assets:

The Corporation's capitalization policy requires that all single assets costing \$1,000 or more be capitalized and depreciated over their useful lives. The straight-line method of depreciation is used for all classes of capital assets. The Corporation established the following estimated useful lives for each asset class:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Office Equipment	5 - 10 years
Buildings	8 - 39 years
Building Improvements	5 - 39 years

All capital assets acquired are reported at cost. Donated assets are reported at fair market value at the donation date. The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend the useful life of an asset are recorded as expenditures.

Revenue Recognition:

All leases on properties are classified as operating leases and the related rental income is recognized on a straight-line basis over the terms of the related leases. Percentage rents are recognized as rental income when the thresholds upon which they are based have been met. Recoveries from tenants for taxes, insurance, and other operating expenses are recognized as revenues in the period the corresponding costs are incurred. Parking revenue is recorded on the accrual basis as amounts are earned.

2. CASH AND CASH EQUIVALENTS:

Cash Deposits:

At December 31, 2020, cash includes demand deposits in the amount of \$25,018,048 (book balance). The securities are held in the Corporation's name. The bank balances are collateralized at December 31, 2020 as follows:

Total bank balances	<u>\$ 25,039,361</u>
Federal depository insurance	\$ 250,000
Pledged securities	<u>25,285,149</u>
Totals	<u>\$ 25,535,149</u>
Excess collateral	<u>\$ 495,788</u>

NEW ORLEANS BUILDING CORPORATION
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. CASH AND CASH EQUIVALENTS: (Continued)

Cash Equivalents:

Cash equivalents are invested exclusively in a government money market mutual fund. Investments in government money market mutual funds are considered cash equivalents and are reported at fair value.

At December 31, 2020, the Corporation reported cash equivalents totaling \$2,314,174 of which \$1,314,174 is unrestricted and \$1,000,000 is restricted.

Restricted Cash Equivalents:

The Environmental Escrow Account Agreement provides that after 10 years, and in the event no claim has been made against the Environmental Escrow Account, the Corporation may withdraw from the Environmental Account the entire balance except \$1,000,000 for certain expenses. After 20 years, the Corporation may withdraw the entire balance of the Environmental Account. The Environmental Escrow Account Agreement terminates on May 22, 2022. Restricted cash equivalents, as presented in the Statement of Net Position, are restricted for the benefit of NOUPT, as described in the Environmental Escrow Account Agreement. These funds were placed in escrow on May 22, 2002.

3. FAIR VALUE MEASUREMENTS:

The Corporation categorizes its fair value measurements within the fair value hierarchy as established by generally accepted accounting principles. Fair value measurements are categorized as follows:

- 1) Level 1 – investments that have readily available quoted prices in active markets where significant transparency exists in the executed/quoted price.
- 2) Level 2 – investments that have quoted prices with data inputs which are observable either directly or indirectly, but do not represent quoted prices from an active market.
- 3) Level 3 – investments for which prices are based on significant unobservable inputs.

The Corporation has the following recurring fair value measurements as of December 31, 2020.

	Fair Value Measurements Using		
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:			
Unrestricted & restricted cash equivalents:			
Government Money Market Funds	\$ -	\$ 2,314,174	\$ -

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. FAIR VALUE MEASUREMENTS: (Continued)

The following methods and assumptions were used to estimate fair value of each class of financial instruments:

- 1) Money market mutual funds consist of investments in government money market funds. Money market mutual fund investments were measured based on quoted prices for identical assets in active markets.
- 2) The Corporation's investment in government money market funds were rated Aaa-mf by Moody's and carried a weighted average maturity of 53 days. The money market funds are not subjected to custodial credit risk.

Louisiana Revised Statutes authorize the Corporation to invest in United States bonds, treasury notes, certificates or other obligations of the United States of America, or time certificates of deposits of state banks organized under Louisiana laws and national banks having principal offices in the state. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it under state law. All deposits are secured by Federal Depository Insurance or the pledge of securities owned by the fiscal agent bank. These securities are held in the name of pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

4. ACCOUNTS RECEIVABLE:

At December 31, 2020, accounts receivable in the amount of \$1,089,543 consisted of amounts due from tenants as follows:

<u>Tenant</u>	<u>Amount</u>
Saenger	\$ 2,815
Billboard	1,330
Piazza	565,586
NOUPT	461,860
Deanies	37,160
Riverwalk	20,792
Total	<u>\$ 1,089,543</u>

5. CAPITAL ASSETS:

The following is a summary of capital assets for the year ended December 31, 2020:

	Balance January 1, <u>2020</u>	<u>Additions</u>	Disposals / <u>Transfers</u>	Balance December 31, <u>2020</u>
Land	\$ 6,753,637	\$ -	\$ -	\$ 6,753,637
Buildings	66,921,921	-	-	66,921,921
Building improvements	22,362,127	-	-	22,362,127
Office equipment	56,980	37,174	-	94,154
Construction in progress	75,593	66,210	-	141,803
Subtotal	<u>96,170,258</u>	<u>103,384</u>	-	<u>96,273,642</u>
Less: accumulated depreciation	(35,764,374)	(2,134,065)	-	(37,898,439)
Total capital assets	<u>\$ 60,405,884</u>	<u>\$ (2,030,681)</u>	<u>\$ -</u>	<u>\$ 58,375,203</u>

Depreciation expense for the year ended December 31, 2020 was \$2,134,065.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

6. ADVANCES ON LEASE PAYMENTS:

As of December 31, 2020, lease payments made in advance by tenants consisted of the following:

<u>Tenant</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Two Canal Garage Owner (garage)	\$ 313,862	\$ 29,293,792	\$ 29,607,654
Two Canal Owner (hotel)	1,625,001	595,138	2,220,139
Riverwalk	22,000	-	22,000
NOUPT	125,807	-	125,807
800 Iberville	10,509	-	10,509
Saenger Theater	8,000	-	8,000
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 2,105,179</u>	<u>\$ 29,888,930</u>	<u>\$ 31,994,109</u>

7. OPERATING LEASE REVENUE:

A) New Orleans Union Passenger Terminal (NOUPT):

The Corporation leases the NOUPT facility to approximately 20 tenants, including Greyhound, Premium Parking and Amtrak, on either month-to-month agreements or long-term operating lease agreements with maturities ranging from July 2021 to May 2029. Premium parking rental income was deferred due to COVID-19. The deferred amount of \$144,414 is recorded in accounts receivable and rental income for the year ended December 31, 2020.

The following is a schedule of the minimum future rental income on non-cancelable operating leases for NOUPT as of December 31, 2020:

<u>Year</u>	<u>Amount</u>
2021	\$ 1,573,285
2022	1,552,300
2023	1,550,665
2024	750,784
2025	475,965
2026-2029	676,214
Total	<u>\$ 6,579,213</u>

Rental income from NOUPT of \$2,121,601 is reported on the Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2020.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. OPERATING LEASE REVENUE: (Continued)

B) 2 Canal Street – World Trade Center:

Tenant - Two Canal Garage Owner (TCGO):

On July 14, 2017, the Corporation entered into a lease agreement with TCGO to operate the parking garage at 2 Canal Street. In accordance with the lease agreement, TCGO was to pay in advance the sum of \$30,000,000 to the Corporation as capitalization of rent payable for the entire term of the lease ending May 1, 2114. The advance sum was due by March 30, 2018. On June 14, 2017, TCGO paid \$1,000,000 towards the advanced rent. On December 29, 2017, TCGO paid \$4,000,000 towards the advance rent. On March 29, 2018, TCGO paid the remaining amount of the advance rent in the amount of \$25,000,000.

As detailed in the lease agreement with TCGO, the lease commencement date of October 2019 began the termination of the existing lease with New Orleans Hilton. Rental income in the amount of \$313,862 was recorded for year ended December 31, 2020 within the Statement of Revenues, Expenses, and Changes in Net Position.

Tenant - Two Canal Owner, LLC (TCO):

On May 7, 2015, the Corporation entered into a 99-year lease agreement with TCO for redevelopment of the building and surrounding property at 2 Canal Street. As part of the lease agreement, TCO paid an initial deposit of \$1,000,000 and an additional deposit of \$4,000,000 of which the initial deposit and additional deposit can be used toward interim rent. The additional deposit of \$4,000,000, was being held in escrow until expiration of the financing contingency period, in accordance with the terms of the lease agreement. In 2017, the additional deposit of \$4,000,000 was released from the escrow account to NOBC and was recorded as deferred revenue at December 31, 2017.

On May 30, 2018, TCO paid an additional \$1,000,000 to the Corporation for failure to meet the commencement construction deadline date of May 30, 2018. This amount granted TCO an extension period of 180 days to commence construction. On June 28, 2018, TCO met all requirements to commence construction and requested the extension payment of \$1,000,000 be used towards interim rent. NOBC granted their request and recorded \$161,111 of the \$1,000,000 extension payment as lease extension revenue and the remaining amount of \$838,888 is recorded as advances on lease payments.

Commencing upon the earlier of the commencement of construction or the commencement deadline through the date preceding the full rent commencement date, TCO shall pay interim rent equal to \$100,000 per month. TCO shall be entitled to a credit of each such monthly installment up to \$5,838,888 in advance deposits.

Beginning on the full rent commencement date on March 30, 2020 and throughout the remainder of the lease term TCO shall pay base rent and percentage rent as defined in the lease agreement subject to a credit of the remaining amount of the deposit.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. OPERATING LEASE REVENUE: (Continued)

B) 2 Canal Street – World Trade Center: (Continued)

Tenant -Two Canal Garage Owner (TCGO): (Continued)

For the year ended, December 31, 2020, rental income from 2 Canal Street consisted of interim rent of \$300,000 and base rent of \$2,437,500, which are reported on the Statement of Revenues, Expenses, and Changes in Net Position.

The following is a schedule of the minimum future lease income on non-cancelable leases for 2 Canal Street as of December 31, 2020:

<u>Year</u>	<u>Amount</u>
2021	\$ 1,938,862
2022	2,968,723
2023	3,563,862
2024	3,563,862
2025	3,563,862
2026-2030	18,319,311
2031-2035	18,319,311
2036-2040	18,319,311
2041-2045	18,319,311
2046-2050	18,319,311
2051-2055	18,319,311
2056-2060	18,319,311
2061-2065	18,319,311
2066-2070	18,319,311
2071-2075	18,319,311
2076-2080	18,319,311
2081-2085	18,319,311
2086-2090	18,319,311
2091-2095	18,319,311
2096-2100	18,319,311
2101-2105	18,319,311
2106-2110	18,319,311
2111-2115	18,110,065
2116-2117	4,687,500
Total	<u>\$ 349,825,023</u>

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. OPERATING LEASE REVENUE: (Continued)

C) Riverwalk, North Arcade, and Spanish Plaza:

On July 18, 2013, the Ernest N. Morial New Orleans Exhibition Hall Authority (NOEHA) assigned the following leases to the Corporation:

1) City Leases:

- a) Lease by the City to NOEHA dated July 3, 1984, to include the property known as and identified as the Spanish Plaza, Canal Street Wharf Riparian Land, the Lower Julia Street Wharf Riparian Land, and the Lower Julia Street Air Rights.
- b) Lease by the City to NOEHA of property known as and identified as the Bienville Façade (North Arcade) Riparian Land.
- c) Subsequent to the assignment of the leases, the Corporation and Riverwalk Marketplace (New Orleans), LLC amended the Rouse Lease as follows:
 - i. Third Amendment dated July 18, 2013.
 - ii. Fourth Amendment dated October 21, 2013.
 - iii. Fifth Amendment dated March 9, 2020.

2) Mississippi River Bridge Authority (MRBA) Lease:

- a) Lease between MRBA and NOEHA for a portion of the Bienville Façade not included in the City lease containing approximately 2,336 square feet.

3) Riverwalk Leases:

- a) Lease by the NOEHA to Rouse-New Orleans (Rouse lease) dated July 3, 1984, of property known as and identified as the Spanish Plaza, Canal Street Wharf Riparian Land, the Lower Julia Street Wharf Riparian Land, and the Lower Julia Street Air Rights as amended by:
 - i. First Amendment to lease dated November 5, 1984.
 - ii. Second Amendment to lease dated December 30, 1986.
- b) Lease by NOEHA to the New Orleans Riverwalk Associates (as successor in interest of Rouse-New Orleans and now Riverwalk Marketplace (New Orleans), LLC) dated November 10, 1987 of property known as the North Arcade (Bienville Façade) Riparian Land.
- c) Lease agreement by and between NOEHA and the New Orleans Riverwalk Limited Partnership (as successor in interest to Rouse-New Orleans, Inc. and now Riverwalk Marketplace (New Orleans), LLC) dated August 14, 1986 for approximately 2,336 square feet of property known and identified as the North Arcade (Bienville Façade).

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. OPERATING LEASE REVENUE: (Continued)

C) Riverwalk, North Arcade, and Spanish Plaza: (Continued)

The following is a schedule of the minimum future lease income on non-cancelable leases for Riverwalk, North Arcade, and Spanish Plaza as of December 31, 2020:

<u>Year</u>	<u>Amount</u>
2021	\$ 115,481
2022	115,481
2023	115,481
2024	115,481
2025	115,481
2026-2030	577,405
2031-2035	577,405
2036-2040	577,405
2041-2045	412,005
2046-2047	7,432
Total	<u>\$ 2,729,057</u>

Rental income from the Riverwalk, North Arcade, and Spanish Plaza of \$205,469 is reported on the Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2020.

D) St. Roch Market:

In April 2013, the Corporation entered into a Cooperative Endeavor Agreement with the City of New Orleans to allow the Corporation to manage, operate, and/or lease the newly renovated St. Roch Market to a third-party tenant. The Cooperative Endeavor Agreement has a term of five years with an additional five-year extension at the end of the initial term.

On September 29, 2014, the Corporation entered into a lease agreement with Bayou Secret, LLC to operate the Market. The initial term is 10 years with two five-year renewal options. The Market opened to the public on April 10, 2015. The following is a schedule of the minimum future lease income on non-cancelable leases for St. Roch Market as of December 31, 2020:

<u>Year</u>	<u>Amount</u>
2021	\$ 66,000
2022	78,000
2023	78,000
2024	52,000
Total	<u>\$ 274,000</u>

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. OPERATING LEASE REVENUE: (Continued)

D) St. Roch Market: (Continued)

Rental income from St. Roch Market of \$60,000 is reported on the Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2020.

E) D. H. Holmes Property:

The property, on which the project is constructed, designated as the "D. H. Holmes Property," was donated to the Corporation September 25, 1989. This property was subsequently leased to Historic Restoration, Inc. ("HRI") originally under one lease and later amended into separate leases, for the purpose of developing residential apartments, a first-class hotel, and a parking garage to serve the public. The original lease, the hotel's eight lease amendments, and the apartment's eight lease amendments have been approved by the Council of the City of New Orleans.

The separate leases signed by and between the Corporation (Landlord) and HRI and/or its affiliates include: (1) Seventh Amendment and Restatement of Apartments Lease Agreement dated March 30, 1994 and Eight Amendment and Restatement of Apartments Lease Agreement dated January 1, 2014; (2) the Sixth Amendment and Restatement of Hotel Lease dated September 15, 1993, as amended by First Amendment to Sixth Amendment and Restatement of Hotel Lease Agreement dated May 6, 1997, Second Amendment to Sixth Amendment and Restatement of Hotel Lease dated August 30, 2000, Seventh Amendment and Restatement of Hotel Lease Agreement dated October 23, 2007, and Eighth Amendment and Restatement of Hotel Lease Agreement dated September 2, 2011; (3) the Hotel Parking Lease dated September 15, 1993, as amended by First Amendment to Hotel Parking Lease dated May 6, 1997, Amended and Restated Hotel Parking Lease Agreement dated October 23, 2007, and Second Amended and Restated Hotel Parking Lease Agreement dated September 2, 2011; and (4) the Apartments Parking Lease dated September 15, 1993, as amended by First Amendment and Restatement of Apartments Parking Lease dated March 30, 1994.

On March 30, 1994, HRI assigned and transferred its interest in the Seventh Amendment and Restatement of Apartments Lease Agreement to 800 Iberville Street Limited Partnership ("Iberville").

HRI assigned and transferred its interest in the Sixth Amendment and Restatement of Hotel Lease (hereinafter referred to as the "Hotel Lease") to the 800 Canal Street Limited Partnership ("800 Canal") September 15, 1993. The 800 Canal Street Limited Partnership assigned its interest in the Seventh Amendment and Restatement of Hotel Lease to Guitar Partners, LLC ("Guitar Partners"), wholly owned by 800 Canal. Immediately following the Guitar Partners Assignment, Guitar Partners assigned its interest in the Seventh Amendment and Restatement of Hotel Lease to CWI-HRI French Quarter Hotel Property, LLC. Additionally, 800 Canal assigned and transferred its interest in the First Amendment to the Hotel Parking Lease to Sonesta Louisiana Hotel Corporation, who then assigned its interest in the lease to HRI Parking Corporation. In connection with the 2007 Chateau Sonesta Hotel Restructuring, said

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. OPERATING LEASE REVENUE: (Continued)

E) D. H. Holmes Property: (Continued)

assignments of the First Amendment of the Hotel Parking Lease were terminated and 800 Canal assigned and transferred its interest in the Amended and Restated Hotel Parking Lease to HRI Lodging Incorporated, who then assigned and transferred its interest in the lease to HRI Parking Corporation. Subsequently, 800 Canal assigned its interest in the 2007 Hotel Parking Lease to Guitar Partners, LLC. Immediately following the Guitar Partners Assignment, Guitar Partners assigned its interest in the 2007 Hotel Parking Lease to CWI- HRI French Quarter Hotel Property, LLC.

The Corporation also leases a portion of the D.H. Holmes Property not included in the hotel, apartments, and garage leases to Chifoci Enterprises, LLC d/b/a Deanie's Seafood Restaurant. The original lease was signed in 2000 with lease amendments in 2007 and 2021.

The terms of the individual leases on the D.H. Holmes Property are as follows:

Tenant - 800 Iberville – Apartments Lease:

The Apartments Lease commenced December 1, 1989. The Eighth Amendment and Restatement of the Apartments Lease Agreement was entered into on October 10, 2014, but made effective as of January 1, 2014. The term of the lease is 99 years and ends December 31, 2113. Additional terms of the amended and restated lease are as follows:

1) Fixed Rent:

- a) Prior to January 1, 2014, Fixed Rent was as follows:
 - i. Year one commencing December 1, 1994 - \$32,400 annually.
 - ii. Years two through the expiration or termination of the lease, Fixed Rent shall be adjusted annually (but not decreased) commencing December 1, 1995, in accordance with the CPI and Fixed Rent Appraisal provisions of the Apartments Lease.
 - iii. Years sixteen (16) and every ten (10) year thereafter, Fixed Rent is tied to Market Value by appraisal.
- b) January 1, 2014 through December 31, 2015 - \$205,000 per year.
- c) January 1, 2016 through the expiration or earlier termination of the lease – Fixed Rent shall be adjusted annually (but not decreased) by the increase in CPI during the previous year. The maximum annual CPI adjustment will be seven percent (7%) unless the increase in CPI and the average apartment rent per square foot charged by the Tenant exceed 7%. If this occurs, that increase will be the maximum allowed.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. OPERATING LEASE REVENUE: (Continued)

E) D. H. Holmes Property: (Continued)

Tenant - 800 Iberville -Apartments Lease: (Continued)

1) Fixed Rent: (Continued)

Tenant 800 Iberville is entitled to a reduction in annual fixed rent equal to the Air Rights Rent paid to NOBC. Fixed rental income of \$207,595 is reported on the Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2020.

2) Percentage Rent:

- a) Prior to January 1, 2014, Percentage Rent was due in the amount of six percent (6%) of gross income as defined in the Apartments Lease, in excess of \$1,125,000 (the "Percentage Rent Threshold Level"). If Fixed Rent exceeds \$67,800 due to the market value appraisal, the "Percentage Rent Threshold" is increased annually by the quotient of Fixed Rent divided by six percent (6%).
- b) Commencing January 1, 2014, Percentage Rent is calculated at six percent (6%) of gross income in excess of \$3,416,667. The threshold is calculated on an annual basis by dividing the Fixed Rent in effect for such a year by six percent (6%).

Percentage rental income of \$-0- is reported on the Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2020.

3) Additional Rent:

- a) Prior to January 1, 2014, the Corporation received two-thirds (2/3) of all monies received as percentage rent from third parties.
- b) Commencing January 1, 2014, Additional Rent is calculated as two-thirds (2/3) of all monies received as percentage rent from LFBP #1, LLC and V Restaurant Group and 41% of all monies received as percentage rent from all other commercial tenants.

Additional rental income of \$53,658 is reported on the Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2020.

4) Base Commercial Rent Participation:

- a) Commencing March 1, 2005, thirty percent (30%) of base or fixed commercial rent paid by G.W. Fins and fifty percent (50%) of any rents paid by Deanie's is due to the Corporation.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. OPERATING LEASES: (Continued)

E) D. H. Holmes Property: (Continued)

Tenant - 800 Iberville -Apartments Lease: (Continued)

Base commercial rent participation income of \$29,604 is reported on the Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2020.

5) Air Rights Rent:

- a) The Corporation is entitled to receive, in advance, Landlord Air Rights Rent in the amount of \$5,700 per annum, commencing on the Rental Commencement Date (December 1, 1994). Beginning December 1, 2000, the rent will increase by 15% every five year.

Air rights rent income of \$10,094 is reported on the Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2020.

6) Landlord Administrative Expense (LAE):

- a) The Landlord shall receive a certain minimum amount of annual revenue for Landlord Administrative Expenses. LAE shall not be payable in addition to any rent unless the sum of such annual rent payments total less than \$12,000 per year, or unless there is an event of foreclosure.

For the year ended December 31, 2020, no landlord administrative expense reimbursements were received.

Tenant - CWI-HRI French Quarter Hotel Property, LLC - Hotel Lease:

A summary of Eighth Amendment and Restatement of Hotel Lease Agreement by and between the Corporation and CWI-HRI French Quarter Hotel Property, LLC dated September 2, 2011 (the "Lease") is as follows:

1) Parties:

- a) Landlord: New Orleans Building Corporation
b) Tenant: CWI-HRI French Quarter Hotel Property, LLC.

2) Leased Premises:

- a) Certain fee simple and leasehold estates owned or leased by the Corporation, situated in Square 67, Second Municipal District, New Orleans, Louisiana.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. OPERATING LEASE REVENUE: (Continued)

E) D. H. Holmes Property: (Continued)

Tenant - CWI-HRI French Quarter Hotel Property, LLC - Hotel Lease: (Continued)

2) Leased Premises: (Continued)

- a) described more particularly in Schedule "1" of the Lease, together with all improvements and constructions thereon, and all appurtenances thereunto appertaining, and the Air Space described on Schedule "16" to the Lease. The Leased Premises includes the Corporation's leasehold estate under the Salmen Lease.

3) Term:

- a) Primary term: ninety-nine (99) years, from September 2, 2011 to September 2, 2110.
- b) Option: none.

4) Rent (Section 7):

a) Types of Rent:

- i. Base Rent is payable monthly, in advance of the first of each month, as follows:
- a. Year one - \$300,000 for the year.
- b. Year two through the expiration or earlier termination of the lease, base rent shall be annually adjusted commencing on the first anniversary of the effective date, but not decreased. Annual adjustment based upon the greater of (i) 3% or (ii) the extent to which the CPI has increased during the previous year.
- c. CWI-HRI French Quarter Hotel Property, LLC shall be entitled to a reduction in the monthly base rent payable to the Corporation equal to the monthly air rights rent paid.

Base rental income of \$375,867 is reported on the Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2020.

- ii. Percentage Rent is payable within 90 days following the end of each calendar year - by March 31st (March 30th in leap year) as follows:

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. OPERATING LEASE REVENUE: (Continued)

E) D. H. Holmes Property: (Continued)

Tenant - CWI-HRI French Quarter Hotel Property, LLC - Hotel Lease: (Continued)

4) Rent (Section 7): (Continued)

- a. 4.5% of Gross Income in excess of the annual threshold. The percentage rent threshold level shall be calculated on an annual basis by dividing the sum of (i) Base Rent (ii) rent under the Salmen lease paid by Tenant, and (iii) rent under the Comer Lot lease paid by Tenant, in effect for such year by 4.5%.
- b. Definition of "Gross Income" modified to exclude garage revenue (but not Hotel Valet Parking Revenue) and telephone charges (but not telephone commissions) collected from guests on behalf of the telephone company. Gross Income is defined in Section 7A of the Lease.

Percentage rental income of \$-0- is reported on the Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2020.

iii. Additional Rent:

- a. 41% of all monies actually received by CWI-HRI French Quarter Hotel Property, LLC for any percentage rental from third party tenants payable within 30 days of receipt by CWI-HRI French Quarter Hotel Property, LLC. CWI-HRI French Quarter Hotel Property, LLC must use commercially reasonable efforts to collect all percentage rent and other rent due from any third party.

iv. Base Commercial Rent Participation:

- a. 41% of any base commercial rent paid to CWI-HRI French Quarter Hotel Property, LLC and hotel operator by any commercial subtenant (excluding base commercial rent paid by hotel operator to CWI-HRI French Quarter Hotel Property, LLC); payable within 30 days of receipt by CWI-HRI French Quarter Hotel Property, LLC.

Base commercial rent participation income and additional rental income of \$113,855 is reported on the Statement of Revenues, Expenses, and Changes in Net position for the year ended December 31, 2020.

v. Air Rights Rent:

- a. \$663.75 per month effective December 1, 2018; 15% increase every 5 year (next increase effective December 1, 2023).

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. OPERATING LEASE REVENUE: (Continued)

E) D. H. Holmes Property: (Continued)

Tenant - CWI-HRI French Quarter Hotel Property, LLC - Hotel Lease: (Continued)

4) Rent (Section 7): (Continued)

Air rights rental income of \$7,965 is reported on the Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2020.

Tenant - CWI-HRI French Quarter Hotel Property, LLC - Hotel Parking Lease:

A summary of Second Amended and Restated Hotel Parking Lease by and between the Corporation and CWI-HRI French Quarter Hotel Property, LLC effective as of September 2, 2011 (the "Lease") is as follows:

1) Parties:

- a) Landlord: New Orleans Building Corporation
- b) Tenant: CWI-HRI French Quarter Hotel Property, LLC

2) Leased Premises:

- a) Former D.H. Holmes Parking Garage (contains approximately 340 parking spaces) and all improvements, located in part on land owned by Mercier Realty & Investment Co., and in part on land owned by the Corporation (the "Garage"), together with entrance and exit ramp facilities and the non-exclusive right and license to use certain lobby and elevator facilities appurtenant thereto (the "Leased Premises").

3) Term:

- a) Primary term: ninety-nine (99) years, from September 2, 2011 to September 2, 2110.
- b) Option Term(s): Following the initial 30-year period of the Term (the "Initial" period), which Initial period shall include the period from September 2, 2011 through December 31, 2042, the Corporation and CWI-HRI French Quarter Hotel Property, LLC will negotiate the rent and other terms of the Lease for each successive 10 year period (each an "Option Period").
 - i. CWI-HRI French Quarter Hotel Property, LLC shall deliver the proposed terms and conditions to the Corporation not less than 90 days prior to the end of the Initial period or then-current Option period. The terms and conditions for the next Option period shall be negotiated in good faith by the parties prior to the expiration of the Initial Period or then current Option period.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. OPERATING LEASE REVENUE: (Continued)

E) D. H. Holmes Property: (Continued)

Tenant - CWI-HRI French Quarter Hotel Property, LLC - Hotel Parking Lease: (Continued)

3) Term: (Continued)

ii. The Corporation must timely exercise each option granted under the Mercier Ground Lease, provided that CWI-HRI French Quarter Hotel Property, LLC furnishes the Corporation with notice of exercise not less than 60 days prior to the last day on which the Corporation may exercise.

c) Termination: Notwithstanding options granted, Lease will automatically terminate concurrently with the expiration, termination, or cancellation of the Hotel Lease. If Mercier Ground Lease is terminated or expires, Lease shall terminate as of same date, subject to any non-disturbance and attornment or similar rights granted directly by Mercier to CWI-HRI French Quarter Hotel Property, LLC or its Mortgagee. The Corporation has the right to terminate, or to make equitable adjustment to, the Lease if the Corporation's right under the Mercier Ground Lease are substantially reduced as a result of circumstances reasonably beyond the Corporation's control.

4) Rent:

a) Types of Rent:

i. Fixed Minimum Rent is payable monthly, in advance on the first of each month, as follows:

a. During the first five (5) year period of the Initial period, plus the period from September 2, 2011 through December 31, 2011: \$209,570 per annum, plus the amount of any Mercier increases, payable in equal monthly installments of \$17,464, plus the amount of any Mercier increases.

b. During the second five (5) year period of the Initial period, the Fixed Minimum Rent shall be \$250,000 per annum, plus the amount of any Mercier increases, payable in equal monthly installments of \$20,833, plus the amount of any Mercier increases.

c. During the last twenty (20) year period of the Initial period, the Fixed Minimum Rent shall be increased annually by the greater of (i) three percent (3%) of the Fixed Minimum Rent in effect for the immediately preceding Lease year or (ii) the amount by which the CPI has increased during the previous year, subject to certain limitations as set forth in Section 4(a) of the lease.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. OPERATING LEASE REVENUE: (Continued)

E) D. H. Holmes Property: (Continued)

Tenant - CWI-HRI French Quarter Hotel Property, LLC - Hotel Parking Lease: (Continued)

4) Rent: (Continued)

Fixed rental income of \$304,265 is reported on the Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2020.

- ii. Percentage Rent (Section 4(b)) is payable on or before the 10th of each month, as follows:
 - a. Percentage rent shall be an amount equal to fifty percent (50%) multiplied by the difference between (i) Gross Garage Revenue after subtracting Hotel Valet Parking Income and (ii) to the extent paid by Tenant, the sum of CWI-HRI French Quarter Property, LLC's proportionate share of operating costs, operating expenses, insurance premiums, the Monthly Capital Improvement Fund Deposit, and Fixed Minimum Rent (including Mercier increases, which include real estate taxes payable under the Mercier Lease).
 - b. On or before the tenth (10th) day following the end of each calendar month, CWI-HRI French Quarter Property, LLC shall furnish the Corporation with a written statement certified to be correct by CWI-HRI French Quarter Property, LLC showing the Percentage Rent due from the beginning of the Lease Year to the end of the preceding calendar month or portion thereof and setting forth the (i) the amount of Gross Garage Revenues generated in, at, or from the Leased premises; (ii) Hotel Valet Parking Income; (iii) CWI-HRI French Quarter Property, LLC's proportionate share of operating costs; (iv) Operating expenses; (v) Insurance premiums paid by CWI-HRI French Quarter Property, LLC; (vi) the Monthly Capital Improvement Fund deposit; and (vii) Fixed Minimum Rent (separately identifying any amounts paid to Mercier on the Corporation's behalf as rent and for payment of real estate taxes - such statement is the "Monthly Statement").
 - c. Within thirty (30) days following the end of each Lease Year in which Percentage Rent is due to the Corporation, CWI-HRI French Quarter Property, LLC shall compute the amount of Percentage Rent due to the Corporation for such Lease year. If the amount computed is such that CWI-HRI French Quarter Property, LLC has underpaid any Percentage Rent, CWI-HRI French Quarter Property, LLC shall pay the Corporation the deficiency within ten (10) days following the date of such reconciliation. If, on the other hand, CWI-HRI French Quarter

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. OPERATING LEASE REVENUE: (Continued)

E) D. H. Holmes Property: (Continued)

Tenant CWI-HRI French Quarter Hotel Property, LLC - Hotel Parking Lease: (Continued)

4) Rent: (Continued)

Property, LLC has overpaid the amount of Percentage Rent due to the Corporation for such Lease Year, then CWI-HRI French Quarter Property, LLC shall be entitled to offset the excess amount so paid out of the installment(s) of Fixed Minimum Rent next due to the Corporation, until repaid, except in the final Lease Year, in which the Corporation shall promptly pay such excess to CWI-HRI French Quarter Property, LLC following expiration of the final Lease Year.

Percentage rental income of \$1,729 is reported on the Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2020.

- iii. Capital Improvement Fund Deposits: Tenant pays the lesser of (1) \$2,000 or (2) Net Garage Revenues less Fixed Minimum Rent and expenses incurred by CWI-HRI French Quarter Property, LLC in the operation and maintenance of the garage (but not management fees paid to garage operator).

Capital improvement fund deposits of \$24,000 is reported on the Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2020.

5) Tenant Improvements:

- a) CWI-HRI French Quarter Property, LLC may reimburse itself for the tenant improvements, as defined, from the capital improvements fund for the entire cost of the improvements. In addition, the Partnership may use Percentage Rent (see above) if the capital improvement funds are insufficient.

6) Operating Costs and Insurance Premiums:

- a) In addition to fixed minimum rent and percentage rent, CWI-HRI French Quarter Property, LLC shall pay monthly to the Corporation its proportionate share, as defined, of all costs incurred by the Corporation in maintaining, repairing, operating, and insuring the leased premises.

7) Utilities:

- a) CWI-HRI French Quarter Property, LLC shall pay all utilities required, used, or consumed in the leased premises.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. OPERATING LEASE REVENUE: (Continued)

E) D. H. Holmes Property: (Continued)

Tenant - Chifici Enterprises, Inc. d/b/a Deanie's Seafood:

In early 2000, the Corporation entered into a lease with Chifici Enterprises, Inc., d/b/a Deanie's Seafood for the operation of a restaurant with ancillary bar, and catering facility, which lease was amended by the Amendment to Lease dated effective as of April 1, 2007. The primary terms of the lease is for 10 year to commence the earliest of (i) 120 days following the Tenant's receipt of permits for Tenants Improvements, or (ii) the date the Tenant opens for business (determined by the date of the Tenant's Certificate of Occupancy or actual opening, whichever first occurs), or (iii) 180 days after the effective date of the lease (February 17, 2000). The latter option applied and lease became effective on August 15, 2000. Deanie's has three options to extend the term for five years each and a fourth option to extend the term for two additional years. The term will include all renewal or extension terms that become effective by reason of the Tenant's exercise of an option.

The lease was amended on May 25, 2021 to exercise the third option, retroactive to January 1, 2020. The amended lease expires December 31, 2024. In accordance with the terms included within the lease compromise agreement, both parties agreed that from April 1, 2020 until the COVID-19 period termination date, Deanie's Seafood shall not be obligated to pay the Corporation any fixed rent, but during that period Deanie's Seafood shall instead pay monthly percentage rent equal to a percentage of Deanie's Seafood monthly Gross Sales. After the COVID-19 period termination date, annual fixed rent payments will be \$473,664. The lease is pending City Council approval expected in the third quarter of 2021.

Rental income of \$113,826 is reported on the Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2020. Security deposits in the amount of \$10,000 are reported on the Statement of Net Position as of December 31, 2020.

Reimbursable Operating Costs and Real Estate Taxes:

The tenant reimburses the landlord for a proportionate share of all operating costs incurred by the Landlord for management, operation, maintenance, or insurance of the building. The Tenant will also reimburses the landlord for a proportionate share of expenses for real estate taxes paid, including, but not limited to, all real property taxes, rates, duties, and assessments, local improvement taxes, import charges, or levies, whether general or special, that are levied, charged, or assessed against the building by any lawful taxing authority, whether federal, state, county, municipal, school, or otherwise.

Reimbursements received from tenants of \$5,299 are reported on the Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2020.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. OPERATING LEASE REVENUE: (Continued)

E) D. H. Holmes Property: (Continued)

Following is a schedule of the minimum future lease income on non-cancelable leases for D.H. Holmes Property as of December 31, 2020:

<u>Year</u>	<u>Amount</u>
2021	\$ 1,160,081
2022	1,396,903
2023	1,397,003
2024	1,398,098
2025	1,398,241
2026-2030	5,229,342
2031-2035	4,772,911
2036-2040	4,792,704
2041-2045	4,815,468
2046-2050	4,841,645
2051-2055	4,871,750
2056-2060	4,906,370
2061-2065	4,946,182
2066-2070	4,991,967
2071-2075	5,044,620
2076-2080	5,105,171
2081-2085	5,174,804
2086-2090	5,254,882
2091-2095	4,473,218
2096-2100	3,248,236
2101-2105	3,318,378
2106-2110	3,281,496
2111-2113	1,036,143
Total	\$ 86,855,613

NEW ORLEANS BUILDING CORPORATION
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. OPERATING LEASE REVENUE: (Continued)

F) Saenger Theatre:

Tenant – Saenger Theatre Redevelopment Company, LLC:

The Corporation entered into a lease agreement with Saenger Theatre Redevelopment Company (the "Developer") commencing on December 29, 2011, for a term of 52 years. The developer's lease is for Saenger Theatre (including the Iberville Street Property) and 1101 Canal Street to renovate the Saenger Theatre to allow Broadway Presentations to be presented at the Saenger. The terms of the lease are as follows:

1) Ticket-based Rent:

The Developer shall pay the following amount per paid ticket sold to ticket presentations. Paid ticket shall mean a ticket having a face value in excess of \$5.00 to a presentation at the Saenger Theatre. The price per ticket amount on the opening date is \$1.50. The price per ticket shall be increased by 30% on January 1, 2022 to \$1.95 and shall be increased on the first day of each fifth calendar year thereafter by 15% to \$2.24 based on the threshold of number of paid tickets below:

<u>Number of Paid Tickets Sold</u>	<u>Rent per Paid Ticket</u>
0 – 200,000	\$1.00
200,001 – 300,000	\$0.00
Over 300,000	\$1.50

Ticket rental income of \$1,500 is reported on the Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2020.

2) Office Rent:

The Developer shall pay the Corporation (the Landlord) the sum of \$16,887 per year (which represents a rental of \$6.00 per square foot per year based upon the square footage of Saenger Theatre's office space in the 1101 Canal Street Theatre, and 50% of any shared office space, such as conference rooms) in rent attributable to the Developer's and its Affiliate's use of office space in the 1101 Canal Street Theatre Space pursuant to the lease agreement. Rent shall be increased by 30% on January 1, 2022 and shall be increased on the first day of each fifth calendar year thereafter by 15% of each then current rental amount.

Office rental income of \$16,887 is reported on the Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2020.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. OPERATING LEASE REVENUE: (Continued)

F) Saenger Theatre: (Continued)

Following is a schedule of the minimum future lease income on non-cancelable leases for the Saenger Theatre as of December 31, 2020:

<u>Year</u>	<u>Amount</u>
2021	\$ 16,887
2022	21,953
2023	21,953
2024	21,953
2025	21,953
2026-2030	122,937
2031-2035	141,378
2036-2040	162,585
2041-2045	186,972
2046-2050	215,018
2051-2055	247,271
2056-2060	284,362
2061-2063	192,706
Total	<u>\$ 1,657,928</u>

G) Billboard Lease:

In late 2009, the Corporation assumed ownership of a billboard advertising lease, effective November 8, 2009. Under the terms of the lease, the lessee shall pay 40% of gross receipts less agency commission to be paid 50% to the Saenger and 50% to the Corporation. The lease automatically renews from year-to-year unless one party notifies the other of its election not to renew. Rental income of \$8,000 is reported on the Statement of Revenues, Expense, and Changes in Net Position for the year ended December 31, 2020.

H) Piazza d'Italia and Surrounding Properties:

The Corporation leases the Piazza d'Italia and surrounding properties owned by the City of New Orleans, Louisiana (the "City"). The original lease dated November 9, 1992, between the City and the Corporation was terminated and a new 99 year lease agreement dated June 28, 2002 replaced it. Under the new lease, fixed rent is one dollar (\$1) per year and was paid in full at the inception of the lease for the lease term commencing on June 28, 2002, and ending on June 27, 2101. In addition to fixed rent, the City is entitled to all receipts derived from the operations or activities of the Corporation or subleases of the property (Gross Receipts) less any operating expenses incurred with the administration of the lease or otherwise incurred by the Corporation pursuant to its annual budget as approved by the Council of the City.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. OPERATING LEASE REVENUE: (Continued)

I) Operator - Premium Parking Facilities:

The Corporation assumed the Parking Facility Management Agreement with Premium Parking Services LLC ("Premium"). The original agreement, effective June 9, 2009, is to operate the parking lot adjacent to the Piazza d'Italia. The terms of the Parking Facility Management Agreement are as follows:

1) Owner's Fee:

Premium agreed to pay the Corporation \$106,250 per month (the "Owner's Fee"), payable in arrears beginning May 1, 2017.

2) Year-End Payment:

In addition to the Owner's Fee, Premium shall pay 80% of all annual "Gross Revenue" of the Parking Lot in excess of \$1,675,000 each agreement year.

"Gross Revenue" is defined as all sums collected by Premium for the parking and storage of motor vehicles, whether on an hourly, daily, weekly, monthly or special event basis, minus all sums paid by Premium on account of (i) any sales tax on the Parking Facilities receipts and (ii) any parking tax related to the Parking Facilities, but without deduction for any sums paid by Premium on account of any occupational license tax, personal property tax, or any other tax or charge payable to the tax collector and without deduction for any cost or expense incurred in relation to the operation, administration or management of the Parking Facilities. There were no year-end payments for the year ended December 31, 2020.

"Gross Revenue" shall include all parking fees, penalties, fines, and other amounts paid to or collected or recovered by Premium in connection with enforcement of its parking rules and regulations. Calculation of "Gross Revenue" shall not include any sums collected and retained by Premium's third-party enforcement subcontractor in connection with enforcement of its parking rules and regulations, such as towing or booting expenses.

3) Term and Termination:

Effective July 1, 2016, the Corporation entered into a Concession Agreement with Premium to operate the parking lots with a 60-day termination provision due to the planned development of the property. The term of the concession agreement ran from July 1, 2016 to June 30, 2017, with \$96,200 paid monthly in arrears for any month Premium operated the lots. This agreement was terminated on April 30, 2017. Effective May 1, 2017, the Corporation entered into another Concession Agreement with \$106,250 paid monthly in arrears for a period of one (1) year with the option of the Corporation to extend for four (4) additional one-year periods. On September 11, 2018,

NEW ORLEANS BUILDING CORPORATION
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. OPERATING LEASE REVENUE: (Continued)

I) Operator - Premium Parking Facilities: (Continued)

3) Term and Termination:(Continued)

this agreement was extended for one year and was terminated on June 8, 2019. On April 4, 2019, this agreement was extended for an additional year terminating on June 8, 2020. Premium Parking continued to operate the lots following the expiration of the agreement. In May 2021, Premium Parking agreed to the terms of a new lease which included a settlement of \$565,586 for 2020 rents, a percentage rent structure for January through April 2021 and a return to base rent of \$1,275,000 annually plus 80% of gross revenue in excess of \$1,625,000. The lease is pending approval by the City Council. The City Council's approval is expected in the third quarter of 2021. As per the new agreement, the settlement payment was deferred due to COVID-19. The deferred payment of \$565,586 is recorded in accounts receivable and rental income for the year ended December 31, 2020.

For the year ended December 31, 2020, Premium income was \$812,360.

Future minimum lease income for Premium Parking Facilities as of December 31, 2020, is as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 1,275,000
2022	1,275,000
2023	1,275,000
Total	<u>\$ 3,825,000</u>

J) Rivergate Property:

The Corporation leases the Harrah's Jazz Casino (the "Casino") and the surrounding areas (Casino premises, the Poydras Street Support Facility Premises, the Poydras Tunnel Area, the Lafayette Subsurface Area, the Pedestrian Bridge Areas and the Encroachment Area) owned by the City of New Orleans.

Tenant – Harrah's Jazz Casino:

The Corporation assumed the lease with Harrah's Jazz Casino. The original lease was effective on March 15, 1994, to operate a gaming casino facility. The lease was amended on October 29, 1998. The primary term of the lease is for 30 years with the option to extend the lease for three consecutive extended terms of 10 years each. On April 3, 2020 a second amendment and restated lease agreement was signed that involved the construction of a hotel, restaurants, entertainment space and related amenities. The agreement increases minimum rent upon the opening of the new hotel and restructured minimum payment for Non-Gaming Revenue payments.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. OPERATING LEASE REVENUE: (Continued)

J) Rivergate Property: (Continued)

Tenant – Harrah’s Jazz Casino: (Continued)

The terms of the Casino lease are as follows:

1) Initial Lease Payment:

On the effective date of the lease, the tenant paid to the Landlord a non-refundable payment of \$15,000,000.

2) Mobilization Payment:

In addition to the Initial Lease Payment, the Casino paid to the Landlord a non-refundable mobilization payment of \$8,750,000, which was deemed earned on the effective date.

3) Fixed Rent:

The Tenant shall pay the Landlord rent in the amount of \$5,000,000 per year for the first five year after the Opening Date. On the fifth anniversary of the opening date, the rent shall be increased by \$2,500,000 unless such increase would cause the rent to exceed 3% of Gross Gaming Revenues for the fiscal year immediately preceding the rental adjustment date, in which case the Rent for the five-year period following the rental adjustment date will be greater of (i) the Rent for the fiscal year or (ii) an amount equal to 3% of Gross Gaming Revenues for the fiscal year.

4) Gross Gaming Payments:

In addition to the fixed rent, commencing on the opening date, the Tenant shall pay to the Landlord gross gaming payments based on gross gaming revenues. The gross gaming payments for each fiscal year shall equal the amount by which the gross gaming percentage amount for that fiscal year exceeds the rent payable in the same fiscal year.

5) Audubon Payments:

Harrah's Jazz Company succeeded, and Tenant has assumed to Harrah's Jazz Company's obligation with respect to, the City's financial obligation in the amount of \$200,000 per year to Audubon Park Commission. The City's obligation was fulfilled in 2011.

6) Gross Non-Gaming Payment:

The Tenant, commencing on the opening date, shall pay to Landlord gross non-gaming payments based on gross non-gaming revenues. The gross non-gaming payments in any fiscal year shall be an amount equal to the sum of the following non-gaming minimum

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. OPERATING LEASE REVENUE: (Continued)

J) Rivergate Property: (Continued)

Tenant – Harrah’s Jazz Casino: (Continued)

6) Gross Non-Gaming Payment: (Continued)

payments and non-gaming percentage payments. In no event shall the gross non-gaming payment be less than \$1,700,000 per fiscal year. The non-gaming percentage payment for each fiscal year is equal to 6% of the amount by which gross non-gaming revenues in that fiscal year exceeds \$28,333,333.

7) Minimum Payment:

The minimum annual payments for Fixed Rent, Gross Gaming Payments, Audubon Payments, and Gross Non-Gaming Payments paid to the Landlord shall be \$12,500,000 per year.

8) City Payments:

Commencing on the opening date, Tenant shall make payments to the City (the "City Payments") in the amount of \$1,250,000 for each fiscal year during the term in which Tenant receives gross gaming revenues in the amount of \$350,000,000 or more. The City Payments shall be in monthly installments in the amount of \$104,167 each. If Tenant does not receive gross gaming revenue of the \$350,000,000 or more in a fiscal year, the credit for the City Payments made with respect to that fiscal year shall continue to be carried forward to the earliest succeeding fiscal year.

9) Resident Parking Payment:

In the event that an ordinance of the City becomes effective creating 24-hour residential parking zones and 24-hour residential parking programs in the French Quarter, Faubourg Marigny, and/or Tremé, Tenant shall pay to the City within 30 days after opening the Casino the sum of \$60,000 for the first year of operation of the Casino to administer these programs.

10) Trade Name Licenses:

In the event Tenant licenses to third parties the manufacturer, and/or distribution of trademarked, copyrighted or other intellectual property, the licensing program will be open to third party applicants and local vendors who meet Tenant's licensing standards at reasonable and nondiscriminatory rates. For the year ended December 31, 2020, there were no trade name licenses payments.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. OPERATING LEASE REVENUE: (Continued)

J) Rivergate Property: (Continued)

Tenant – Harrah’s Jazz Casino: (Continued)

11) School Board Payments: (Continued)

Tenant agrees to pay to the City \$2,000,000 per fiscal year (or pro rata amount during a partial fiscal year) during the initial term and any extended term after the opening date with the first payment to be made within six months after the opening date and thereafter on each annual anniversary. The School Board Payments shall be dedicated to capital projects addressing health, safety, and teaching and learning environment issues in the school facilities, with any disbursement to the Orleans Parish School Board for such capital projects to be the sole responsibility of the City Council. The School Board Payments shall increase cumulatively on each anniversary of the opening date by a percentage equal to the annual percentage increase in the revised CPI.

12) Interim Payments:

The Tenant has paid the Landlord the sum of \$50,000 each month for the period commencing on the day which was 60 days after the original amended lease execution date and ending July 1, 1994, the day the Tenant executed its initial casino operating contract.

13) Pre-Opening Date Rent:

Tenant shall pay Landlord as pre-opening date rent the amount of \$736,000 per month on the first day of each month from the plan effective date through the opening date.

14) Second Floor Rent:

On the execution date, the Tenant has entered into the Second Floor Rent. Payment is for the right not to develop the 2nd floor of the leased property, the casino. The payment is adjusted at the end of every 3rd calendar year by a percentage equal to the average increases in the CPI for the prior 10 year.

15) Additional Second Floor Rent:

If the Tenant does not commence substantial operations on the Second Floor before December 31, 2012, then commencing January 1, 2013, Tenant shall pay Landlord the additional sum of \$250,000 annually until Tenant commences operations on the Second Floor. The tenant entered into an agreement with the Corporation during fiscal year ended December 31, 2019 to begin the buildout on the second floor. As a result, additional second floor rent ceased as of February 2019.

NEW ORLEANS BUILDING CORPORATION
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. OPERATING LEASE REVENUE: (Continued)

J) Rivergate Property: (Continued)

Tenant – Harrah’s Jazz Casino: (Continued)

16) Additional Consideration:

Tenant agrees to pay a non-compete annual payment of \$200,000 for neither the Tenant, JCC Intermediary, JCC Holding, nor any Affiliate under the Tenant’s control, shall not operate a land based casino in the State of Louisiana or within a 200 mile radius of the Development during the term without prior consent of the Landlord.

17) Marketing Payment:

Commencing on the execution date and on each anniversary of the execution date thereafter during the term, Tenant shall contribute \$1,000,000 to the destination marketing program of the City for the joint benefit of the City and Tenant in order to promote the City and the Casino as destinations.

Rivergate Property rental revenues of \$13,244,059 are reported on the Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2020.

The future minimum lease income for Harrah’s Jazz Casino as of December 31, 2020, is as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 13,244,053
2022	13,244,053
2023	13,244,053
2024	13,244,053
2025	13,244,053
2026-2028	37,524,817
Total	<u>\$ 103,745,082</u>

8. OPERATING LEASE EXPENSE:

Effective February 17, 2000, the Corporation amended the ground lease with Mercier Realty and Investment Company for the ground under a portion of the Corporation’s properties at 800 Iberville and the ground under Deanie’s leased premises. The amended ground lease expires February 29, 2020 with three additional twenty-year options to renew. The first option to renew was exercised with an expiration date of February 28, 2040. Lease payments are as follows:

- 1) Fixed rent adjusted annually for CPI for the Hotel Parking Garage which is located in part on land owned by Mercier Realty and Investment Company. Monthly fixed rent was \$11,653 from January 1, 2020 to December 2020.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

8. OPERATING LEASE EXPENSE: (Continued)

- 2) Three percent of the excess of annual net sales on the Hotel Parking Garage premises (exclusive of parking charges) over \$2,420,000. There were no income-producing entities under the garage lease to qualify for percentage rent calculation for the year ended December 31, 2020.
- 3) In lieu of percentage rent described above, the Corporation pays additional rent calculated at 37.5% of base commercial rent collected by the Corporation from Deanie's for the ground under Deanie's leased premises. Monthly fixed rent was \$14,228 during the year ended December 31, 2020.
- 4) Fixed rent adjusted annually for CPI, up to 7% per year, for use of rear ramp of the Garage. Monthly ramp rent was \$169 from January 2020 to July 2020 and \$171 from August 2020 to December 2020.

Leasing expenses under the Mercier lease of \$312,612 is reported on the Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2020.

The future minimum lease payments under the Mercier lease as of December 31, 2020, are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 141,873
2022	141,873
2023	141,873
2024	141,873
2025	141,873
2026-2030	709,365
2031-2035	709,365
2036-2040	591,138
Total	<u>\$ 2,719,233</u>

9. COMMITMENTS AND CONTINGENCIES:

The City of New Orleans and the Corporation have owned/leased the site used by Amtrak, a lessee and operator, where railroad equipment service and maintenance operations were conducted since approximately 1974.

In June 2011, the Corporation received notification from the State of Louisiana Department of Environmental Quality and a formal demand by the Secretary under Louisiana Revised Statute 30:2275 for the remediation of the site including the design and implementation of a remedial investigation and a remedial action.

The Corporation and its counsel have determined that the ultimate resolution of this notification and any related liabilities cannot be reasonably estimated. At December 31, 2020, the Corporation had \$1,000,000 in restricted assets set aside to fund environmental remediation, if any, on the site.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

10. PENSION PLAN:

The Corporation's employees are employees of the City of New Orleans and participate in the Employees' Retirement System of the City of New Orleans (Plan).

Plan Membership:

The Employees' Retirement System of the City of New Orleans covers all City employees except for fire and police employees.

Plan Description:

The Employees' Retirement System of the City of New Orleans, a single-employer defined benefit pension plan is controlled and administered by a separate Board of Trustees. The Plan covers all employees of the New Orleans Building Corporation. The Plan provides retirement, deferred, and disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries.

The Board issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The financial report for the Plan may be obtained by writing to: The Employees' Retirement System of the City of New Orleans, 1300 Perdido Street, New Orleans, Louisiana, 70131.

Basis of Accounting:

The financial statements of the Plan are prepared using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. Contributions are recognized as revenue in the period in which employee services are performed. Interest income is recognized in the period earned and dividends are recognized in the period declared.

Plan members are required to contribute 6% of their annual covered salary in excess of \$1,200. Employers are required to contribute an actuarially determined rate. For the year ended December 31, 2020, the actuarially required contribution rate for employers was 22.32%, of covered payroll. For the year ended December 31, 2020, employer contributions were \$50,573. The contribution requirement of plan members and the Corporation are established and may be amended by state statute.

11. COOPERATIVE ENDEAVOR AGREEMENTS:

NOBC/DDD/City of New Orleans:

New Orleans Building Corporation (NOBC), together with the Downtown Development District (DDD) and the City of New Orleans (City) are sponsors of certain capital improvements to Canal Street from Claiborne Avenue to the Mississippi River. These capital improvements include repaving sidewalks, landscaping, and generally contributing to the overall beautification of the Canal Street corridor.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

11. COOPERATIVE ENDEAVOR AGREEMENTS: (Continued)

NOBC/DDD/City of New Orleans: (Continued)

In order to define and coordinate the rights and responsibilities of the co-sponsors of the project, NOBC, DDD, and the City entered into a Cooperative Endeavor Agreement setting forth their respective financial obligations in connection with the project. In order to finance the proposed capital improvements, the Louisiana Public Facilities Authority, a public trust and public corporation of the State of Louisiana agreed to lend NOBC the proceeds of certain revenue bonds in the aggregate principal amount of \$9,680,000. The issuance date was September 25, 2002.

In 2004, the City of New Orleans entered into an \$11.5 million bond issuance, paying NOBC's remaining debt on the original issuance. Under the terms of the Cooperative Endeavor Agreement, NOBC and the DDD agreed to assume responsibility for repayment of the debt, with NOBC agreeing to make debt service payments on the bond issuance. NOBC has not been required to pledge assets, nor were they required to pledge future rents. The Cooperative Endeavor Agreement states payments will be made by NOBC provided cash flows are sufficient in any given year. Ultimately, the responsibility for payment of the debt lies with the City of New Orleans in the event that NOBC cannot make the payments.

The DDD has agreed to be responsible for payments on \$2,000,000 of the debt by payment to or reimbursement to NOBC, or approximately 17.39% of each debt service payment. As of December 31, 2013, DDD paid their share of \$2,000,000.

Under the terms of the Cooperative Endeavor Agreement, NOBC agrees to:

- 1) Make available to the City certain funds on hand in the amount of \$300,000 toward Project Costs;
- 2) Make payments to the City Bond Trustee for all of the bond debt service on the City Bonds provided that if NOBC's revenues are insufficient to make all or part of these debt service payments or NOBC's payments toward bond debt services exceed \$850,000 during any calendar year, then DDD's obligation to make up the \$300,000 of debt service payments annually to the City Bond Trustee shall become effective;
- 3) Pay the DDD's portion during any calendar year where the DDD's tax revenues are insufficient or have not yet been collected to permit DDD to timely pay its obligations;
- 4) Direct the \$500,000 made available by the City to be used solely to pay a portion of the Project Costs.

Debt service payments made under the Cooperative Endeavor Agreement during the year ended December 31, 2020 was \$392,448.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

12. DUE TO/FROM THE CITY OF NEW ORLEANS:

In October 2001, the garage at 931 Bienville was sold at public auction for \$506,000. The Act of Sale on the garage was effective in February 2002. An Ordinance of the City of New Orleans declared that the proceeds from the sale were to be held in the Capital Fund to be used for Corporation purposes. These proceeds will be used to satisfy the Corporation's out-of-pocket funding of the Capital Street Improvements Project, as described above. As of December 31, 2019, the total due from the City for this transaction was \$526,315. On November 18, 2020, there was a \$100,000 transfer from the City for the Spanish Plaza Project. As of December 31, 2020, the total due from the City was \$426,315.

The City of New Orleans paid operating expenses on behalf of the Corporation in the amount of \$531,659 for the year ended December 31, 2020. The operating expenses included salaries and related benefits. As of December 31, 2020, \$37,946 was due to the City of New Orleans for the payment of operating expenses.

13. TRANSFERS TO THE CITY OF NEW ORLEANS:

As part of the Ordinance of the City of New Orleans and the Corporation, on a quarterly basis, all funds not needed to satisfy the reasonably incurred obligations of the Corporation and that are in excess of the amounts budgeted and allotted for the subsequent quarter shall be transferred to the General Fund of the City of New Orleans. During the year ended December 31, 2020, the amount transferred to the City of New Orleans was \$100,000 for the Spanish Plaza Project and \$11,999,297 for funds received from Harrah's. These transfers to the City are reflected in the Statement of Revenues, Expenses, and Changes in Net Position.

14. MAINTENANCE AND USE AGREEMENT:

The Corporation has an agreement with the Loews Hotel for the maintenance and use of Piazza d'Italia parking. The Piazza Maintenance and Use Agreement was originally signed June 28, 2002, with Loews Hotel to share 50% of reasonable maintenance and repair costs with the Corporation. Because of its proximity to the Piazza d'Italia and the availability of maintenance and staff equipment, Loews Hotel performs and coordinates maintenance activities in exchange for limited use of the Piazza for Hotel functions.

15. RISK MANAGEMENT:

The Corporation is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and material disasters for which the Corporation carries errors and omissions and natural disaster commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonable estimated.

16. PER DIEM PAID TO BOARD OF DIRECTORS:

The Board of Directors, in their capacity as board members, received no per diem payments for the year ended December 31, 2020.

SUPPLEMENTARY INFORMATION

NEW ORLEANS BUILDING CORPORATION
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO EXECUTIVE DIRECTOR
FOR THE YEAR ENDED DECEMBER 31, 2020

Agency Head: Cynthia M. Connick, Chief Executive Officer

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 153,990
Benefits - health insurance	8,681
Benefits - retirement	-
Benefits - life insurance	5,103
Reimbursements	<u>52</u>
Total	<u>\$ 167,826</u>



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INDEPENDENT AUDITOR'S 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*

June 29, 2021

To the Board of Directors of
New Orleans Building Corporation

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 New Orleans Building Corporation (the Corporation), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated June 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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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 over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's basic financial statements are free of 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 determination of financial statement amounts. 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 the entity'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.

Duplantier, Sharpner, Hogan and Baker, LLP

New Orleans, Louisiana

NEW ORLEANS BUILDING CORPORATION
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

SUMMARY OF AUDITOR'S RESULTS

1. The opinion issued on the financial statements of the New Orleans Building Corporation for the year ended December 31, 2020 was unmodified.
2. Compliance and Other Matters
Noncompliance material to the financial statements: none noted
3. Internal Control
Significant deficiencies: none noted
Material weaknesses: none noted

FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

None

SUMMARY OF PRIOR YEAR FINDINGS:

None