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**FINANCE NEW ORLEANS**  
**FINANCIAL STATEMENTS AND SCHEDULES**  
**DECEMBER 31, 2020**  
**WITH INDEPENDENT AUDITORS' REPORT THEREON**

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**FINANCE NEW ORLEANS**

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## **Independent Auditors' Report**

The Board of Trustees of  
Finance New Orleans

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the proprietary fund and fiduciary fund of Finance New Orleans (FNO) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise FNO'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.

### **Auditors' 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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 respective financial position of the proprietary fund and fiduciary fund of FNO as of December 31, 2020, and the respective changes in their financial position and, where applicable, cash flows thereof, for the years 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 on pages 3 through 7 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 comprises FNO's basic financial statements. The Combining Statement of Net Position, Combining Statement of Revenues, Expenses and Changes in Net Position, and Schedule of Compensation, Benefits, and Other Payments to Agency Head on pages 22 to 24 are presented for purposes of additional analysis and are not a required part of the financial statements. This information is the responsibility of management and was derived from and relate 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 these supplemental schedules are 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 August 25, 2021, on our consideration of FNO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of FNO's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FNO's internal control over financial reporting and compliance.

*Postlethwaite & Netterville*

Metairie, Louisiana  
August 24, 2021

## FINANCE NEW ORLEANS

### MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

The Management's Discussion and Analysis of the Finance Authority of New Orleans, doing business as Finance New Orleans (FNO), presents a narrative overview and analysis of FNO's financial activities for the year ended December 31, 2020. This document focuses on the current period's activities, resulting changes, and currently known facts in comparison with the prior period's information. Please read this document in conjunction with FNO's financial statements, which begin on page 8.

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

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

#### **Government-wide Financial Statements – Enterprise Fund**

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

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

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

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

#### **Fund Financial Statements – Fiduciary Fund**

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

## FINANCE NEW ORLEANS

### MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

#### FINANCIAL HIGHLIGHTS

FNO's assets exceeded its liabilities as of December 31, 2020 by \$13,598,000. This represents a 8% decrease from the prior year.

FNO's mortgage-backed and other securities had net realized and unrealized loss of \$35,000 in the year ended December 31, 2020 compared to net realized and unrealized gain of \$41,000 in the prior year.

Excluding the unrealized gains/losses on securities, FNO's expenses exceeded revenues by \$1,094,000 for the year ended December 31, 2020 compared to an excess of expenses over revenues of \$786,000 in the prior year. The major reason for this change is an increase in program expenses and decline in mortgage interest income during the period.

Net position of the Proprietary Fund was restated as of December 31, 2019 by an increase of \$343,000. The increase to prior period net position was necessary to correct an over-accrual of payables and the exclusion of a mortgage backed security investment from the statement of net position.

#### FINANCIAL ANALYSIS OF FNO

##### Net Position

The statements of net position as of December 31, 2020 and 2019 are as follows (in thousands):

	<u>December 31, 2020</u>	<u>December 31, 2019</u> restated
Cash and cash equivalents	\$ 9,673	\$ 10,178
U.S. Government and agency securities	786	777
Mortgage-backed securities	7,145	8,505
Notes and other receivables - net	348	290
Other assets	724	976
	<hr/>	<hr/>
Total assets	<u>\$ 18,676</u>	<u>\$ 20,726</u>
Other liabilities	\$ 151	\$ 161
Bonds and notes outstanding	4,927	5,838
	<hr/>	<hr/>
Total liabilities	<u>5,078</u>	<u>5,999</u>
Net position:		
Net investment in capital assets	706	852
Restricted	1,015	757
Unrestricted	11,877	13,118
	<hr/>	<hr/>
Total net position	<u>13,598</u>	<u>14,727</u>
Total liabilities and net position	<u>\$ 18,676</u>	<u>\$ 20,726</u>

## FINANCE NEW ORLEANS

### MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

FNO's total net position at December 31, 2020 decreased to \$13.6 million, a decrease of 7.7%, from December 31, 2019. Total assets decreased by \$2 million, or 9.9%, due primarily to the sale of investments to pay principal and interest on the long-term debt and to fund FNO's operations. Total liabilities decreased by \$0.9 million, or 15.4%, primarily due to principal payments on long-term debt.

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

#### **Changes in Net Position**

The summary of changes in net position are as follows:

	<u>December 31, 2020</u>	<u>restated December 31, 2019</u>
	(in thousands)	
Operating revenues, net of investment losses	\$ 593	\$ 764
Operating expenses	<u>1,722</u>	<u>1,591</u>
Deficiency in revenues over expenses	<u>\$ (1,129)</u>	<u>\$ (827)</u>

Operating revenues decreased by \$171,000, or 22.4%, in 2020 compared to 2019, primarily due to the decline in mortgage interest. Operating expenses increased by \$131,000, or 8.2%, in 2020 compared to 2019, due primarily to an increase in payroll expense.

#### **Capital Assets**

Capital assets decreased by \$146,000 during the year ended December 31, 2020. This decrease is related to current year depreciation on FNO's capital assets as well as the sale of properties during the year. Note 5 to the financial statements summarizes activity in capital assets during the year.

#### **Debt Administration**

Finance New Orleans had \$4,927,000 in bonds and notes outstanding as of December 31, 2020, compared to \$5,838,000 at the end the prior fiscal period, a decrease of 15.6%.

The decreased debt level as of December 31, 2020 resulted primarily from the retirement of \$911,000 of bonds in FNO's Single Family Program Funds. The notes to the financial statements disclose the details of debt activity for the year ended December 31, 2020.

Substantially all of FNO's single family bond issues had an AAA rating at December 31, 2020 due to the GNMA and FNMA securities pledged as collateral for FNO's bond issues.

## FINANCE NEW ORLEANS

### MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

FNO remains committed to providing capital and financing options to support safe, affordable, and resilient housing options for single-family homes, multi-family housing developments, commercial buildings, municipal properties, and rental assistance initiatives. The following were considered in developing the budget for 2021.

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

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

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

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

Payment-In-Lieu-Of-Taxes (PILOT) is a financial incentive designed to encourage the development of affordable housing real estate opportunities in and around one of the City-defined Mandatory Inclusionary Zoning ("MIZ") zones by "freezing" property taxes at the predevelopment level for a predetermined period of time. FNO has closed (3) PILOTs for affordable housing projects totaling over \$56 million and adding approximately 200 units since inception with a robust pipeline of approximately fifty-three (53) projects with an average development cost of \$14 million. In addition, several municipal and commercial building projects are being introduced by the City and other partners. The agency also created the Community Support Fund in response to the COVID-19 pandemic, which awarded approximately \$50 thousand in Rental and Utility Assistance to the community.

FNO also became a member of the American Green Bank Consortium among twenty-two (22) other green banks around the United States. The American Green Bank Consortium is a membership organization for green banks, capital providers, developers and other clean energy supporters to work together to expand and accelerate innovative clean energy investment across the United States.

In 2021, Finance New Orleans is focused on growing the Sustainable Developer Financing Program, fully launching its Green Mortgage Program, and developing other programs to support innovative sustainable affordable housing and economic development.

**FINANCE NEW ORLEANS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2020**

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

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

Market interest rates continue to remain at historically low levels as a direct result of the Federal Reserve Bank's policy of maintaining historically modest interest rates levels in response to the COVID-19, global pandemic. Management works closely with its financial partners to consider the best strategies to take maximum advantage of market conditions and remain focused on assuring FNO is well positioned for financial challenges and opportunities.

FNO continues to maintain a modest operating budget and develop long-term capital investment plans that utilize alternative sources of funding for housing, economic development, and climate resilience projects that meet its mission and 10-year strategic objectives.

**CONTACTING FINANCE NEW ORLEANS' MANAGEMENT**

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

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Executive Director  
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New Orleans, LA 70113-1004  
Phone: (504) 524-5533  
Fax: (504) 524-0133

**FINANCE NEW ORLEANS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**DECEMBER 31, 2020**  
**(in thousands)**

**Assets**

Current assets:	
Cash and cash equivalents	\$ 9,048
Investments:	
U.S. government and agency securities	786
Mortgage-backed securities	1,746
Receivables:	
Accrued interest	43
Due from other governments	250
Other loans and assets	55
Total receivables	348
Prepaid expenses and other assets	18
Total current assets	11,946
Noncurrent assets:	
Cash and cash equivalents, restricted	625
Mortgage-backed securities, restricted	5,399
Capital assets, net	706
Total noncurrent assets	6,730
Total assets	\$ 18,676

**Liabilities and Net Position**

Current liabilities:	
Accrued interest and other	\$ 151
Total current liabilities	151
Long-term liabilities:	
Bonds and notes payable	4,927
Total liabilities	5,078
Net position:	
Net investment in capital assets	706
Restricted	1,015
Unrestricted	11,877
Total net position	13,598
Total liabilities and net position	\$ 18,676

See accompanying notes to financial statements.

**FINANCE NEW ORLEANS**

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

**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(in thousands)**

Revenues:	
Interest on mortgage loans and mortgage-backed securities	\$ 205
Interest on other investments	156
Net decrease in fair value of mortgage-backed securities	(35)
Other	267
Total revenues	<u>593</u>
Expenses:	
Interest expense on revenue bonds and notes	128
Program expenses	1,547
Depreciation expense	47
Total expenses	<u>1,722</u>
Deficiency in revenues over expenses	(1,129)
Net Position - Beginning of year, restated	<u>14,727</u>
Net Position - End of year	<u>\$ 13,598</u>

See accompanying notes to financial statements.

**FINANCE NEW ORLEANS**

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**

**FOR THE YEAR ENDED DECEMBER 31,2020**

**(in thousands)**

Cash flows from operating activities:	
Collection of interest income	\$ 354
Payments of interest and program expense	(716)
Payments to employees and other suppliers of services	(969)
Other operating receipts	134
Net cash used in operating activities	<u>(1,197)</u>
Cash flows from noncapital and related financing activities:	
Principal payments on bonds	<u>(911)</u>
Net cash used in noncapital financing activities	<u>(911)</u>
Cash flows from capital and related financing activities:	
Proceeds from sales of property	<u>287</u>
Net cash provided by capital financing activities	<u>287</u>
Cash flows from investing activities:	
Maturities of investments	<u>1,316</u>
Net cash provided by investing activities	<u>1,316</u>
Net decrease in cash and cash equivalents	(505)
Cash and cash equivalents at beginning of the year	<u>10,178</u>
Cash and cash equivalents at end of the year	<u>\$ 9,673</u>
Reconciliation of cash and equivalents to the Statement of Net Position:	
Current assets - cash and cash equivalents	\$ 9,048
Noncurrent assets - cash and cash equivalents, restricted	625
Total cash and cash equivalents	<u>\$ 9,673</u>
Reconciliation of net operating loss to net cash used in operating activities are as follows:	
(Deficiency in) excess of revenue over expenses	\$ (1,129)
Unrealized gain on investments	35
Depreciation expense	47
Gain on sale of property	(82)
Adjustments to reconcile deficiency in revenues over expense to net cash used in operating activities:	
(Increase) decrease in receivables	(58)
Increase (decrease) in accrued liabilities	<u>(10)</u>
Net cash used in operating activities	<u>\$ (1,197)</u>

See accompanying notes to financial statements.

**FINANCE NEW ORLEANS**  
**STATEMENT OF FIDUCIARY NET POSITION**

**DECEMBER 31, 2020**  
**(in thousands)**

<b><u>ASSETS</u></b>	<u>2020</u>
Cash and cash equivalents	<u>\$ 59</u>
<b><u>LIABILITIES</u></b>	<u>-</u>
<b><u>NET POSITION</u></b>	
Restricted for:	
Other governments	<u>59</u>
<b><u>TOTAL LIABILITIES AND NET POSITION</u></b>	<u><u>\$ 59</u></u>

See accompanying notes to financial statements.

**FINANCE NEW ORLEANS**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

**DECEMBER 31, 2020**

**(in thousands)**

**ADDITIONS**

Deposits	\$	2
Total additions		<u>2</u>

**DEDUCTIONS**

Total deductions		<u>-</u>
Net increase in fiduciary net position		2
Net position - beginning		<u>57</u>
Net position - ending	\$	<u><u>59</u></u>

See accompanying notes to financial statements.

## FINANCE NEW ORLEANS

### NOTES TO FINANCIAL STATEMENTS

#### 1) Organization and Summary of Significant Accounting Policies

##### *Organization*

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

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

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

- *NOHMA Development Corporation*

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

- *Pathways to Homeownership New Orleans, Inc.*

Pathways to Homeownership New Orleans, Inc. (the Pathways Corporation) was formed on March 31, 2005, and was funded in the year ended March 31, 2007. The Pathways Corporation's mission is to provide increased homeownership among low and moderate income families through a variety of services. The Pathways Corporation's accounts are included under the column captioned "Pathways to Home Ownership Program," within the basic financial statements.

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

## FINANCE NEW ORLEANS

### NOTES TO FINANCIAL STATEMENTS

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

##### *Market Rate Program*

During 2015, FNO introduced a market rate mortgage program that provides mortgages and down payment assistance grants to borrowers with incomes up to 140% of the New Orleans Area Median Income. This program serves as a complement to our traditional tax-exempt bond mortgage program. The first mortgages offered in this program are FHA, VA or Freddie Mac sponsored with down payment assistance provided through a second mortgage funded with proceeds from premiums priced into the previously mentioned first mortgages. Down payment assistance ranges from 3-5% of the value of the first mortgage. FNO collects an issuer fee for each origination and also has the option to purchase the mortgage backed securities created from the individual mortgages originated through the program. The Market Rate Program was formerly known as Own New Orleans and is now the Green Mortgage program. However, the Green Mortgage program will also include a bond program in the future when market conditions are favorable.

##### *Sustainable Developer Program*

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

##### *New Accounting Pronouncement Adopted*

FNO adopted GASB Statement No. 84, Fiduciary Activities, during the current year. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement apply to the financial statements of all state and local governments and is applicable for reporting periods beginning after December 15, 2019.

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

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

FNO's determined that the City of New Orleans Fiduciary Fund, which is used to account for assets held by FNO as an agent for the City of New Orleans meets the criteria for reporting as a custodial fund. The fund held and current amounts payable are reported in the statement of fiduciary net position. In addition, a new statement of changes in fiduciary net position includes the changes in custodial fund activity. This new statement requires reporting the details of additions to and deductions from custodial fund activities which was not previously required to be reported for agency funds.

## FINANCE NEW ORLEANS

### NOTES TO FINANCIAL STATEMENTS

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

##### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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

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

##### Proprietary Fund Type

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

FNO uses fund accounting to report its financial position and results of operations. The accounts of FNO are organized on the basis of individual programs. The programs provide for a separate set of self-balancing accounts which account for bonds issued, debt service and bond redemption requirements, investments, and related revenues and operating expenses. These individual programs are aggregated in the financial statements to comprise the proprietary fund of FNO.

The statement of revenues, expenses, and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Operating revenues include all charges for services, investment income or loss, and other miscellaneous charges. FNO's principal operating revenues are interest and appreciation (depreciation) related to investment and mortgages/mortgage-backed securities. Operating expenses include the costs associated with providing services to promote the development of residential housing. FNO did not have non-operating revenues or expenses in 2020.

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

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

## FINANCE NEW ORLEANS

### NOTES TO FINANCIAL STATEMENTS

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

##### *Cash and Cash Equivalents*

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

##### *Investments*

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

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

##### *Capital Assets*

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

##### *Grant Revenues*

Revenues from federal and state grants are recorded when FNO has a right to reimbursement under the related grant, generally corresponding to the incurring of grant related costs by FNO, or when otherwise earned under the terms of the grants. FNO did not have grant revenues in 2020.

##### *Use of Estimates*

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

## FINANCE NEW ORLEANS

### NOTES TO FINANCIAL STATEMENTS

#### 2) Cash and Cash Equivalents

In compliance with state laws, those deposits not covered by depository insurance are required to be secured by bank owned securities specifically pledged to FNO and held in joint custody by an independent custodian bank. Custodial credit risk is the risk that in the event of a bank failure FNO's deposits may not be returned to it. As of December 31, 2020, FNO had approximately \$2,460,000 in demand deposits that were covered by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The remaining amount of FNO's cash balances were comprised of cash equivalents that were invested in money market funds, of which the underlying assets are guaranteed investments in securities issued by the U.S. Government.

#### 3) Investments

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

FNO's measurements of fair value are made on a recurring basis and their valuation techniques for assets and liabilities recorded at fair value on December 31, 2020 are as follows:

	Fair Value Measurements – December 31, 2020			
	Level 1	Level 2	Level 3	Total
U.S. government and agency securities	\$ -	\$ 786,000	\$ -	\$ 786,000
Mortgage backed securities	-	7,145,000	-	7,145,000
Total	\$ -	\$ 7,931,000	\$ -	\$ 7,931,000

#### ***Credit Risk***

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

- 1) Fully-collateralized certificates of deposit issued by qualified commercial banks, federal credit unions, and savings and loan associations located within the State of Louisiana.
- 2) Direct obligations of the U.S. government, including such instruments as treasury bills, treasury notes, treasury bonds and obligations of U.S. government agencies that are deliverable on the Federal Reserve System.
- 3) Repurchase agreements in U.S. government securities made with the primary dealers that report to and are regulated by the Federal Reserve Bank of New York.
- 4) Guaranteed investment contracts with companies having good credit ratings.

**FINANCE NEW ORLEANS**

**NOTES TO FINANCIAL STATEMENTS**

**3) Investments (continued)**

FNO has no investment policy that would further limit its investment choices beyond the restrictions imposed by the State of Louisiana. At December 31, 2020, substantially all of FNO's investments in Government National Mortgage Association (GNMA) and Federal National Mortgage Association (FNMA) securities are at least rated AAA by Standard and Poor's or AAA by Moody's Investors Services. FNO has no limit on the amount it may invest in any one issuer so long as the State of Louisiana's restrictions are followed.

***Interest Rate Risk***

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

***Custodial Credit Risk***

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

At December 31, 2020, FNO's total investments of approximately \$7,931,000 included approximately \$786,000 of FFLB and US Treasury yielding interest rates ranging from 0.13% to 2.88% due within 3 years, approximately \$1,746,000 of GNMA and FNMA mortgage-backed securities bearing interest from 3.88% to 7.25% maturing through the year 2035, and additional \$5,399,000 of mortgage-backed securities, described below.

Several of the single-family bond issues were structured to provide funds to purchase 30 year fixed rate mortgages which would then be immediately sold and assigned to a master servicer and exchanged for mortgage-backed securities. The securities are backed by the mortgage loans and guaranteed as to timely payment of principal and interest by GNMA or FNMA. Interest on the GNMA and FNMA securities is stated at 3.88% and 7.25%, respectively, which is higher than the interest rate on the respective mortgage loans with final maturity dates ranging from 2023 through 2044.

The individual single family issues structured in this manner and the values of the mortgage-backed securities held as of December 31, 2020, are as follows (in thousands):

<b><u>Single Family Program Fund</u></b>	<b><u>Interest Rate</u></b>	<b><u>Carrying Amount of Securities</u></b>
GSE Series of 2009	2.5-6.9%	<u>\$ 5,399</u>

**FINANCE NEW ORLEANS**

**NOTES TO FINANCIAL STATEMENTS**

**4) Loans and Other Receivables**

FNO issues certain loans which provide the borrower with funds to pay their closing costs or down payments and are subordinate to the first mortgages. The loans generally do not accrue interest if paid within ten years. FNO had approximately \$46,000, \$5,000 and \$4,000 in receivables in the Market Rate Program, Operating Fund and Pathways to Homeownership Program, respectively. All receivables are deemed collectible and no allowance for doubtful accounts has been recorded for the fiscal year ending December 31, 2020.

**5) Capital Assets**

Capital asset activity for the year ended December 31, 2020 is as follows (in thousands):

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 152	\$ -	\$ -	\$ 152
Building	1,031	-	(136)	895
Equipment	290	-	-	290
Total acquisition cost	<u>1,473</u>	<u>-</u>	<u>(136)</u>	<u>1,337</u>
Less: accumulated depreciation				
Building	343	42	(37)	348
Equipment	278	5	-	283
Total accumulated depreciation	<u>621</u>	<u>47</u>	<u>(37)</u>	<u>631</u>
Capital assets, net	<u>\$ 852</u>	<u>\$ (47)</u>	<u>\$ (99)</u>	<u>\$ 706</u>

**6) Bonds Payable**

The outstanding bonds payable and transactions of FNO as of and for the year ended December 31, 2020, are as follows (in thousands):

	Issued	Interest Rate	Final Maturity Date	Outstanding December 31, 2019	Bonds Issued	Payments on Principal	Outstanding December 31, 2020
Single Family 2009 GSE Revenue Bonds	\$ 25,000	2.32	12/1/2041	\$ 5,838	\$ -	\$ 911	\$ 4,927

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

**FINANCE NEW ORLEANS**

**NOTES TO FINANCIAL STATEMENTS**

**6) Bonds Payable (continued)**

Following is a schedule of the future principal and interest payments of FNO's debt based on the stated maturity dates of the debt. Actual repayment dates will likely occur earlier since substantially all of the debt is subject to early redemption provisions. These early redemption provisions relate to payments received on the mortgage-backed securities and mortgage loans receivable and certain other factors. These early redemptions will also reduce future interest payments. Scheduled principal and interest payments for the years ending December 31, are as follows, assuming that all bonds are held to maturity (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 197	\$ 197
2022	-	197	197
2023	-	197	197
2024	-	197	197
2025	-	197	197
2026-2031	-	985	985
2032-2037	-	985	985
2038-2041	4,927	394	5,321
	<u>\$ 4,927</u>	<u>\$ 3,349</u>	<u>\$ 8,276</u>

**7) Board Member Per Diem**

For the year ended December 31, 2020, FNO's Board members did not receive any per diem for all committee and board meetings attended.

**8) Restatement of Prior Year Fund Balance and Net Position**

Net position of the Proprietary Fund was restated as of December 31, 2019 by an increase of \$343,000. The increase to prior period net position was necessary to correct an over-accrual of payables and the exclusion of a mortgage backed security investment from the statement of net position.

The net effect to net position for the restatement of prior year balances is as follows:

<b>Net Position</b>	<u>Proprietary Fund</u>
Net position, December 31, 2019, as previously reported	\$ 14,384
Adjustment for write off of payables- Operating Fund	46
Adjustment for write off of payables- Unrestricted Fund	38
Adjustment for write off of payables- Market Rate Program	3
Adjustment for mortgage backed security investment not included in prior year	<u>256</u>
Net position, December 31, 2019, as restated	<u>\$ 14,727</u>

**SUPPLEMENTAL INFORMATION**

**FINANCE NEW ORLEANS****COMBINING STATEMENT OF NET POSITION****DECEMBER 31, 2020****(in thousands)**

	<u>Operating Fund</u>	<u>NOHMA Development Corporation</u>	<u>Unrestricted Fund</u>	<u>Pathways to Homeownership Program</u>	<u>Market Rate Program</u>	<u>Single Family Program Fund</u>	<u>Eliminations</u>	<u>Combined</u>
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 434	\$ 63	\$ 6,230	\$ 1,638	\$ 683	\$ -	\$ -	\$ 9,048
Investments:								
U.S. Government and agency securities	-	-	786	-	-	-	-	786
Mortgage backed securities	-	-	1,746	-	-	-	-	1,746
Receivables:								
Accrued interest	4	-	15	-	-	24	-	43
Due from other funds	833	60	29	5	-	22	(949)	-
Due from other governments	250	-	-	-	-	-	-	250
Other loans and assets	5	-	-	4	46	-	-	55
Total receivables	1,092	60	44	9	46	46	(949)	348
Prepaid expenses and other assets	11	-	-	7	-	-	-	18
Total current assets	1,537	123	8,806	1,654	729	46	(949)	11,946
Noncurrent assets:								
Cash and cash equivalents, restricted	-	-	-	-	-	625	-	625
Mortgage-backed securities, restricted	-	-	-	-	-	5,399	-	5,399
Capital assets, net	91	-	158	457	-	-	-	706
Total assets	\$ 1,628	\$ 123	\$ 8,964	\$ 2,111	\$ 729	\$ 6,070	\$ (949)	\$ 18,676
<b>Liabilities and Net Position</b>								
Current liabilities:								
Accrued interest and other	\$ 138	\$ -	\$ -	\$ 3	\$ (1)	\$ 11	\$ -	\$ 151
Due to other funds	118	-	648	38	28	117	(949)	-
Total current liabilities	256	-	648	41	27	128	(949)	151
Long-term liabilities:								
Bonds and notes payable	-	-	-	-	-	4,927	-	4,927
Total Liabilities	256	-	648	41	27	5,055	(949)	5,078
Net position:								
Net investment in capital assets	91	-	158	457	-	-	-	706
Restricted	-	-	-	-	-	1,015	-	1,015
Unrestricted	1,281	123	8,158	1,613	702	-	-	11,877
Total net position	1,372	123	8,316	2,070	702	1,015	-	13,598
Total liabilities and net position	\$ 1,628	\$ 123	\$ 8,964	\$ 2,111	\$ 729	\$ 6,070	\$ (949)	\$ 18,676

See accompanying independent auditors' report.

FINANCE NEW ORLEANSCOMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITIONDECEMBER 31, 2020(in thousands)

	<u>Operating Fund</u>	<u>NOHMA Development Corporation</u>	<u>Unrestricted Fund</u>	<u>Pathways to Homeownership Program</u>	<u>Market Rate Program</u>	<u>Single Family Program Fund</u>	<u>Combined</u>
Revenues:							
Interest on mortgage loans and mortgage-backed securities	\$ -	\$ -	\$ 17	\$ -	\$ -	\$ 188	\$ 205
Interest on other investments	44	-	107	2	3	-	156
Realized and unrealized gain (loss) on mortgage-backed securities	-	-	21	-	-	(56)	(35)
Other	169	-	-	98	-	-	267
Total revenues	213	-	145	100	3	132	593
Expenses:							
Interest expense on revenue bonds and notes	-	-	-	-	-	128	128
Program expenses	1,488	-	3	53	1	2	1,547
Depreciation expense	19	-	-	28	-	-	47
Total expenses	1,507	-	3	81	1	130	1,722
Deficiency in revenues over expenses before operating transfers	(1,294)	-	142	19	2	2	(1,129)
Operating transfers in (out)	906	-	(906)	-	-	-	-
Deficiency in revenues over expenses	(388)	-	(764)	19	2	2	(1,129)
Net Position - Beginning of year, restated	1,760	123	9,080	2,051	700	1,013	14,727
Net Position - End of year	\$ 1,372	\$ 123	\$ 8,316	\$ 2,070	\$ 702	\$ 1,015	\$ 13,598

See accompanying independent auditors' report.

**FINANCE NEW ORLEANS**

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

**YEAR ENDED DECEMBER 31, 2020**

**Agency Head Name: Damon Burns, Chief Executive Officer**

<b><u>Purpose</u></b>	<b><u>Amount (\$)</u></b>
Salary	\$ 145,000
Benefits Health Insurance	1,207
Benefits Retirement	7,250
Benefits FICA and Medicare	10,639
Cell phone	1,035
Dues	1,475
Per diem	406
Travel	163
Conference travel	924
	<b><u>\$ 168,099</u></b>

See accompanying independent auditors' report.

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

The Board of Trustees of  
Finance New Orleans

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the proprietary fund and fiduciary fund of Finance New Orleans (FNO), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise FNO's basic financial statements as listed in the table of contents, and have issued our report thereon dated August 24, 2021.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

### **Compliance and Other Matters**

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

### **FNO's Response to Findings**

FNO's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. FNO's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Postlethwaite & Netterville*

Metairie, Louisiana  
August 24, 2021

**FINANCE NEW ORLEANS**

**SCHEDULE OF FINDINGS AND RESPONSES**

**DECEMBER 31, 2020**

**Summary of Auditors' Results:**

**1. Opinion**

The opinion issued on the financial statements of Finance New Orleans for the year ended December 31, 2020 was unmodified.

**2. Current Year Findings and Responses:**

**2020-001 Accounting and Financial Reporting**

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

Condition: As part of the audit process, we assist management in drafting the financial statements and related notes for the year-end audit. As disclosed in note 8, management identified two accounting entries that resulted in a restatement and increase of prior year net assets in the amount of \$343,000. We also noted, as part of the audit process, adjustments necessary to record the annual investment income. Because our involvement is so key to that process there is an indication that the internal controls over year-end GAAP consolidated financial statements of the Foundation is not sufficient.

Context/Cause: While management has improved the record keeping and reporting of FNO since last year, we did note during our audit that a few accounts still required reconciliation after year end. We noted that FNO did not prepare payable and investment income account reconciliations and analysis of certain accounts on an on-going basis throughout the year. The resulting reconciliations and analyses when completed resulted in significant adjustments to its accounting records. In January 2020, FNO began the process of implementing a new accounting software platform and chart of accounts structure which has improved reporting, but did create some reconciling differences for net assets that were adjusted by management at year end.

Effect: In order to present the financial statements in accordance with US GAAP, a number of material adjustments were required and recorded significantly after year-end. The major accounts that required material adjustments included investments and related investment income and accounts payables

**FINANCE NEW ORLEANS**

**SCHEDULE OF FINDINGS AND RESPONSES**

**DECEMBER 31, 2020**

**2. Current Year Findings and Responses:** (continued)

**2020-001 Accounting and Financial Reporting** (continued)

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

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

Views of responsible  
officials and planned

corrective actions: We agree with the auditors' comments. We are concurrently making updates to our policies, procedures, and related control processes as well.

**FINANCE NEW ORLEANS**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**2019-001 Accounting and Financial Reporting**

- Criteria: FNO should have systems of internal accounting control which ensures the financial statements are presented in accordance with U.S. generally accepted accounting principles (“US GAAP”) on a timely basis.
- Condition: FNO did not have adequate policies, procedures, and related internal controls to prepare accurate and complete financial statements on a timely basis.
- Context/Cause: During our audit, we noted that FNO did not prepare certain account reconciliations and analysis of certain accounts on an on-going basis throughout the year. Certain reconciliations and analyses on significant accounts were not prepared until well after year-end. The resulting reconciliations and analyses when completed resulted in significant adjustments to its accounting records.
- Effect: In order to present the financial statements in accordance with US GAAP, a number of material adjustments were required and recorded significantly after year-end. The major accounts that required material adjustments included cash; investments and related investment income; accounts payable; due to and from funds; interfund transfers; and accounts receivable.
- Recommendations: FNO should evaluate its accounting and financial reporting function. Specifically, FNO should consider the following:
- Develop and implement policies, procedures, and related controls over account reconciliations and preparation of the financial statements to ensure that accounts are reconciled timely. This process should include timely review of account reconciliations and analyses by someone other than the preparer to verify that there are no errors or significant unidentified variances.

**FINANCE NEW ORLEANS**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**2019-001 Accounting and Financial Reporting (continued)**

- Major accounts should be reconciled to supporting documentation with minimal or no variances or unresolved differences at least monthly. All remaining accounts should be reconciled to supporting documentation with minimal or no variances or unresolved differences at least quarterly. This includes reviewing asset and liability accounts that did not change since the prior period to determine if adjustments are required.
- Adjustments identified as a result of these account reconciliations should be recorded on a timely basis.

Views of responsible  
officials and planned  
corrective actions:

We agree with the auditors' comments. In January 2020, we began the process of implementing a new accounting software platform and chart of accounts structure to enhance our reporting capabilities, reconciliation process, and provide a timely monthly close of all funds. Further, the new software will close technology gaps, enhance processes for automation, and improve the quality of data captured. We are concurrently making updates to our policies, procedures, and related control processes as well.

Current Status: Partially resolved. See finding 2020-001.



## FINANCE NEW ORLEANS

### Corrective Action Plan for the Audit Finding for the year ended December 31, 2020

#### Submitted to:

Postlethwaite & Netterville, APAC  
1 Galleria Blvd, Suite 2100  
Metairie, LA 70001

Finance Authority of New Orleans respectfully submits the following corrective action plan for the year ended December 31, 2020 for the corrective action implemented.

#### RESPONSE TO FINDING:

##### 2020 – 001) Accounting and Financial Reporting

Response: We agree with the auditors' comments. We are concurrently making updates to our policies, procedures, and related control processes as well.

##### 2019 – 001) Accounting and Financial Reporting

Response: We agree with the auditors' comments. In January 2020, we began the process of implementing a new accounting software platform and chart of accounts structure to enhance our reporting capabilities, reconciliation process, and provide a timely monthly close of all funds. Further, the new software will close technology gaps, enhance processes for automation, and improve the quality of data captured. We are concurrently making updates to our policies, procedures, and related control processes as well.

Signature:

Date:

8/24/21