Lune d'Or Enterprises, LLC and Subsidiaries

Consolidated Financial Statements and Supplemental Information

Year ended December 31, 2019

TABLE OF CONTENTS

BERMAN HOPKINS WRIGHT & LAHAM
CPAS AND ASSOCIATES, LLP

255 S. Orange Ave. Suite 1545
Orlando, FL 32801
Phone: 407-841-8841
Fax: 407-841-8849

www.bermanhopkins.com

1415 S. Washington Ave.
Titusville, FL 32780
Phone: 321-267-2190
Fax: 321-268-2272

8035 Spyglass Hill Road
Melbourne, FL 32940
Phone: 321-757-2020
Fax: 321-242-4844

INDEPENDENT AUDITOR'S REPORT

To the Members of
Lune d'Or Enterprises, LLC and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the business-type activities of Lune d'Or Enterprises, LLC and Subsidiaries (collectively referred to as the "Company"), a component unit of the Housing Authority of New Orleans ("HANO") as of and for the year ended December 31, 2019, and the related notes to the consolidated financial statements as lasted in the table of contents.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessments of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Company as of December 31, 2019, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis for the Company that accounting principles generally accepted in the United States of America requires to be presented to supplement the consolidated financial statements. Such missing 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. Our opinion on the consolidated financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 25 and 26 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of compensation, benefits and other payments to agency head or chief executive officer is presented for the purpose of additional analysis as required by the Louisiana Legislative Auditor and is also not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated 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 30, 2020 on our consideration of the Company'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 the Company'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 Company's internal control over financial reporting and compliance.

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

June 30, 2020
Melbourne, Florida

Lune d'Or Enterprises, LLC and Subsidiaries
(A Component Unit of the Housing Authority of New Orleans)

CONSOLIDATED STATEMENT OF NET POSITION

December 31, 2019

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents - unrestricted	$ 2,428,213
Cash and cash equivalents - restricted	1,257,944
Accounts receivable, net	21,689
Prepaid expenses	102,825
Due from related party	1,035,274
Total current assets	4,845,945
NONCURRENT ASSETS	
Capital assets, net	24,638,138
Tax credit monitoring fees, net	1,787
Prepaid ground lease, net	68,867
Total noncurrent assets	24,708,792
Total assets	29,554,737
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	127,489
Property management fee payable	62,058
Asset management fee payable - related party	16,633
Tenant security deposits	43,368
Tenant prepaid rent	12,142
Developer fee payable - related party	2,128,674
Other due to related parties	3,974,982
Accrued interest payable	13,882,823
Other current liabilities	226,842
Total current liabilities	20,475,011
NONCURRENT LIABILITIES	
Notes payable - related party	34,799,826
Total liabilities	55,274,837
NET POSITION	
Net investment in capital assets	(10,161,688)
Restricted	1,214,576
Unrestricted	(16,772,988)
Total net position	$ (25,720,100)

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

Lune d'Or Enterprises, LLC and Subsidiaries
(A Component Unit of the Housing Authority of New Orleans)

CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended December 31, 2019

OPERATING REVENUES	
Rental income, net	$ 1,550,439
Other operating income	20,416
Total operating revenues	1,570,855
OPERATING EXPENSES	
Salaries and employee benefits	191,509
Utilities	389,979
Repairs and maintenance	376,348
Protective services	71,751
Insurance	375,320
Tenant services	3,582
Other general and administrative	157,036
Depreciation	1,032,867
Amortization	905
Total operating expenses	2,599,297
OPERATING LOSS	(1,028,442)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	9,142
Interest expense - related party	(1,003,104)
Total non-operating revenues (expenses)	(993,962)
Change in net position	(2,022,404)
Total net position - beginning	(23,697,696)
Total net position - ending	$ (25,720,100)

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

Lune d'Or Enterprises, LLC and Subsidiaries
(A Component Unit of the Housing Authority of New Orleans)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES		
Collections from tenants	$	1,551,426
Collections from other sources		20,416
Payments to employees		(191,509)
Payments to suppliers		(1,552,876)
Net cash used in operating activities		(172,543)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for investment in rental property		(42,701)
Interest income		9,142
Net cash used in investing activities		(33,559)
Net decrease in cash		(206,102)
Cash and cash equivalents at beginning of year		3,892,259
Cash and cash equivalents at end of year	$	3,686,157
RECONCILIATION TO CONSOLIDATED STATEMENT OF NET POSITION:		
Cash and cash equivalents - unrestricted	$	2,428,213
Cash and cash equivalents - restricted		1,257,944
	$	3,686,157

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

Lune d'Or Enterprises, LLC and Subsidiaries
(A Component Unit of the Housing Authority of New Orleans)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	$ (1,028,442)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,032,867
Amortization - tax credit monitoring fees	905
Provision for bad debt	39,770
(Increase) decrease in assets:	
Accounts receivable, net	(49,110)
Prepaid expenses	(77,842)
Due from related party	(488,053)
Prepaid ground lease	944
Increase (decrease) in liabilities:	
Accounts payable	50,390
Property management fee payable	45,640
Asset management fee payable - related party	(25,225)
Tenant security deposits	(631)
Tenant prepaid rent	10,958
Due to related parties	183,224
Other current liabilities	132,062
Net cash used in operating activities	$ (172,543)

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of operations

Organization

Lune d'Or Enterprises, LLC ("Lune d'Or") and Subsidiaries (collectively referred to as the "Company"), a Louisiana limited liability company, was formed in March 2004. The Company was organized to acquire, finance, redevelop, rehabilitate and construct affordable housing as a for-profit subsidiary on behalf of Crescent Affordable Housing Corporation, the sole member ("CAHC").

The Company is a component unit of the Housing Authority of New Orleans ("HANO") under the requirements of Governmental Accounting Standards Board's ("GASB") *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100, *Defining the Financial Reporting Entity*. The Company is presented as a blended component unit of HANO as there is a financial benefit/burden relationship with HANO. HANO has the ability to influence the operations of Lune d'Or, as its Board of Directors is appointed by HANO, and any changes to Lune d'Or's by-laws must be approved by HANO.

For financial reporting purposes, the financial information is presented in conformity with GASB, which is the same measurement focus and basis of accounting used for HANO.

2. Government-wide and fund financial statements

The government-wide financial statements report information about the reporting government as a whole excluding fiduciary activities. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities rely to a significant extent, on user fees and charges for support.

Governments use fund accounting, whereby funds are organized into three major categories: governmental, proprietary and fiduciary. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund net position, revenues and expenditures/expenses.

For financial reporting purposes, the Company reports all of its operations as a single business activity in a single enterprise fund. Therefore, the government-wide and the fund financial statements are the same.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

Net position, the difference between assets plus deferred outflows and liabilities plus deferred inflows, as presented in the statement of net position, is subdivided into three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation. Net investment in capital assets is the component of net position that consists of capital assets, net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction and improvements of those assets. Unrestricted net position does not meet the definition of the other two components.

Enterprise funds are proprietary funds. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating activity generally arises from providing services in connection with a proprietary fund's principal activity. The operating revenues of the Company consist primarily of tenant rent. All other revenues are reported as non-operating revenues.

Operating expenses are those expenses that are essential to the primary operations of the Company. All other expenses are reported as non-operating expenses.

3. Measurement focus and basis of accounting

Measurement focus is a term used to describe which transactions are recorded within the various consolidated financial statements. The proprietary fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position and cash flows. All assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The basis of accounting used is similar to businesses in the private sector, thus, these funds are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Principles of consolidation

The accompanying consolidated financial statements include the accounts of Lune d'Or and investments in limited liability companies in which Lune d'Or has a controlling interest. Additionally, the consolidated financial statements include the accounts of three limited liability companies in which Lune d'Or serves as the managing general partner and has a .01 percent interest. These entities are included in the consolidation according to accounting principles generally accepted in the United States of America (GAAP) which require that Lune d'Or consolidate the accounts of all limited liability companies that it controls, as the managing general partner. All significant intercompany transactions have been eliminated in the consolidation.

The limited liability companies included in the consolidation are as follows:

Entity	Percentage Ownership	Number of Units
Fischer I, LLC	0.01%	20
Fischer III, LLC	0.01%	103
Guste I, LLC	0.01%	82

5. Use of estimates

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

6. Cash and cash equivalents

The Company considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Company maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. As of December 31, 2019, none of the bank balances were in excess of FDIC insurance and collateral. The Company has not experienced losses in such accounts.

7. Tenant receivables and bad debts

Management individually reviews all accounts receivable periodically and assesses the portions, if any, of the balance that will not be collected. Tenant accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. The allowance for uncollectible amounts as of December 31, 2019 is $9,178.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Tax credit monitoring fees

Tax credit monitoring fees are being amortized using the straight-line method over the fifteen-year tax credit compliance period. Accumulated amortization at December 31, 2019 is $11,863.

Estimated amortization expense for each of the following years is as follows:

	Fischer I, LLC	Fischer III, LLC	Guste I, LLC	Total
2020	$ 133	$ 772	$ -	$ 905
2021	110	772	-	882
	$ 243	$ 1,544	$ -	$ 1,787

9. Capital assets

Property and equipment is recorded at cost. Expenditures for maintenance and repairs are charged to expenses as incurred while major renewals and betterments are capitalized. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of revenues, expenses and changes in net position. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

	Useful Lives
Buildings and improvements	40 years
Land and improvements	20 years
Furniture, equipment and machinery	10 years

10. Impairment of long-lived assets

The Company reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended December 31, 2019.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Deferred fees and amortization

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is being computed using an imputed interest rate. The individual entities that are reported and consolidated under the Company are for-profit partnerships that are following FASB accounting guidance for debt issuance costs. Accordingly, the Company's financial reporting treatment of these costs is the same as the for-profit partnerships.

12. Rental income

Rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Company and the tenants of the property are considered operating leases.

13. Advertising costs

The Company's policy is to expense advertising costs when incurred. For the year ended December 31, 2019, the Company had $217 of advertising and marketing expenses charged to operations.

14. Income taxes

The Company is not a taxpaying entity for federal or state income tax purposes since taxable income or loss passes through to, and is reportable by, the members individually. Therefore, no provision or liability for federal income taxes has been included in the consolidated financial statements.

The Company accounts for income taxes in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 740, *Income Taxes*, which clarifies the accounting and disclosure requirements for uncertainty in tax positions. The two-step approach involves recognizing any tax positions that are "more likely than not" to occur and then measuring those positions to determine if they are recognizable in the consolidated financial statements. It requires a two-step approach to evaluate tax positions and determine if they should be recognized in the financial statements. Management regularly reviews and analyzes all tax positions and has determined no aggressive tax positions have been taken.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

14. Income taxes (continued)

The Company's income tax filings are subject to audit by various taxing authorities. The Company's open audit periods are 2015 to 2019. In evaluating the Company's tax provisions and accruals, future taxable income, the reversal of temporary differences, interpretations, and tax planning strategies are considered. The Company believes their estimates are appropriate based on current facts and circumstances.

15. Economic concentrations

Fischer I, LLC, Fischer III, LLC, and Guste I, LLC each operates properties located in New Orleans, Louisiana. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

NOTE B - RESTRICTED CASH

As of December 31, 2019, restricted cash consists of:

	Fischer I, LLC	Fischer III, LLC	Guste I, LLC	Total
Replacement reserve	$ 65,023	$ 348,664	$ 268,874	$ 682,561
ACC subsidy reserve	33,751	-	227,816	261,567
Operating reserve	49,837	-	170,611	220,448
Utility escrow	-	50,000	-	50,000
Tenant security deposits	4,550	19,418	19,400	43,368
	$ 153,161	$ 418,082	$ 686,701	$ 1,257,944

1. Replacement reserve

Pursuant to each respective Operating Agreement, each Project is required to make monthly deposits to a reserve account for capital replacements. The funded monthly deposits of $519 for Fischer I, LLC, $2,567 for Fischer III, LLC, and $2,044 for Guste I, LLC increase annually by the Consumer Price Index commencing on the completion date.

2. ACC subsidy reserve

Pursuant to each respective Operating Agreement, each Project shall establish a reserve account as set forth in their Regulatory and Operating Agreement between the Project and HANO. Funds in the ACC Subsidy Reserve may be used to pay operating expenses subject to approval and consent of the Investor Member. The accounts, once established, shall remain at or above $33,627 for Fischer I, LLC, $193,875 for Fischer III, LLC, and $227,000 for Guste I, LLC. As of December 31, 2019, the subsidy reserve has not been funded for Fischer III, LLC.

NOTE B - RESTRICTED CASH (continued)

3. Operating reserve

Pursuant to each respective Operating Agreement, each Project is required to establish an operating reserve in a separate reserve account to fund operating expenses, to the extent required, subject to any requisite approvals and to the consent of the Investor Member.

4. Utility escrow

The Investor Member is requiring Fischer III, LLC to establish a utility escrow before the Investor Member will release equity installments due.

NOTE C - RELATED PARTY TRANSACTIONS

1. Voucher subsidy from HANO

The Projects are eligible to house tenants receiving Housing Choice Voucher rental assistance through vouchers issued by HANO. These amounts are included in rental income on the statement of revenues, expenses and changes in net position. During 2019, $46,785 for Fischer I, LLC, $183,038 for Fischer III, LLC, and $164,916 for Guste I, LLC was received from HANO as voucher subsidy.

2. Operating subsidy from HANO

HANO has entered into an Amended and Restated Regulatory and Operating Agreement (the Agreement) with the Projects that provides for an operating subsidy amount for annual operations. Pursuant to the Agreement, the eight, sixty-nine, and sixty-seven units at Fischer I, LLC, Fischer III, LLC, and Guste I, LLC, respectively, are to be operated as Public Housing Units and subject to all regulations therein. During 2019, $60,076 for Fischer I, LLC, $328,725 for Fischer III, LLC, and $211,076 for Guste I, LLC was received from HANO as operating subsidy.

3. Developer agreement

The Projects entered into development agreements with CAHC, an affiliate of the Managing Member, Lune d'Or. The agreements provide for development fee and overhead for services in connection with the development of each project and supervision of the construction. Development fees are earned based upon the occurrence of certain events, as defined during development and construction. During the year ended December 31, 2019, no additional development fees were earned or paid. The developer fees are expected to be paid out of investor equity contributions.

NOTE C - RELATED PARTY TRANSACTIONS (continued)

3. Developer agreement (continued)

As of December 31, 2019, total developer fees are as follows:

	Total Development Fee Earned	Amount Payable
Fischer I, LLC	$ 279,026	$ 173,600
Fischer III, LLC	1,355,564	1,055,564
Guste I, LLC	1,199,510	899,510
	$ 2,834,100	$ 2,128,674

4. Due from related party

Guste Homes III, LLC, a related party, and Guste Homes Resident Management Corporation, the management company, owe Guste I, LLC for operating expenses and certain equipment paid on their behalf. As of December 31, 2019, Guste I, LLC held a receivable of $1,035,274 from these related parties.

5. Asset management fee

Pursuant to the Operating Agreement, the Investor Members of the Projects shall earn an annual, cumulative asset management fee. For Fischer III, LLC and Guste I, LLC, the fee is adjusted each year for the changes in the Consumer Price Index. Total fees earned for the year then ended and payable as of December 31, 2019 are as follows:

	Fees Earned	Amount Payable
Fischer I, LLC	$ 9,006	$ 3,301
Fischer III, LLC	6,599	6,599
Guste I, LLC	6,733	6,733
	$ 22,338	$ 16,633

NOTE C - RELATED PARTY TRANSACTIONS (continued)

6. Due to HANO

Fischer I, LLC, Fischer III, LLC, and Guste I, LLC incurred costs due to HANO related to the costs associated with the construction and operations of the projects. The advances do not bear interest and are to be paid from any remaining mortgage proceeds, capital contributions, and cash flow. As of December 31, 2019, advances totaling $2,539,540 are due to HANO and are included in due to related parties in the accompanying consolidated statement of net position. These amounts consist of the following as of December 31, 2019:

	Due to HANO
Fischer I, LLC	$ 107,611
Fischer III, LLC	2,029,477
Guste I, LLC	402,452
	$ 2,539,540

In addition, HANO pays for common costs for operations that create a payable due to HANO. As of December 31, 2019, Guste I, LLC owed HANO $705,626 for operating costs which is included in due to related parties in the accompanying consolidated statement of net position.

7. Due to CAHC

The Projects owe CAHC for property insurance and other operating expenses paid by CAHC. The balance due as of December 31, 2019 is $144,187 for Fischer I, LLC, $487,237 for Fischer III, LLC, and $94,282 for Guste I, LLC which are included in due to related parties in the accompanying consolidated statement of net position.

NOTE D - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance at January 1, 2019	Transfers in/ Additions	Transfers out/ Reductions	Balance at December 31, 2019
Non-depreciable:				
Land and improvements	$ -	$ 28,220	$ -	$ 28,220
Depreciated:				
Buildings and improvements	34,616,975	13,197	-	34,630,172
Land improvements	4,860,619	-	-	4,860,619
Furniture, equipment and machinery	880,539	1,284	-	881,823
Total depreciated	40,358,133	14,481	-	40,372,614
Total capital assets	40,358,133	42,701	-	40,400,834
Less accumulated depreciation				
Buildings and improvements	(10,347,648)	(865,417)	-	(11,213,065)
Land improvements	(3,540,955)	(167,450)	-	(3,708,405)
Furniture, equipment and machinery	(841,226)	-	-	(841,226)
Total accumulated depreciation	(14,729,829)	(1,032,867)	-	(15,762,696)
Capital assets, net	$ 25,628,304	$ (990,166)	$ -	$ 24,638,138

NOTE E - NOTES PAYABLE

A summary of changes in notes payable is as follows:

	Payable at January 1, 2019	Additions	Reductions/ Amortization	Payable at December 31, 2019	Due within one year
Fischer I, LLC					
Capital Funds Note	$ 1,424,059	$ -	$ -	$ 1,424,059	$ -
Program Income Note	196,300	-	-	196,300	-
Supplemental Loan	130,000	-	-	130,000	-
Affordable Housing Program Loan	100,000	-	-	100,000	-
Total Fischer I, LLC	1,850,359	-	-	1,850,359	-
Fischer III, LLC					
Construction Note Payable	14,710,628	-	-	14,710,628	-
Debt issuance costs	(190,746)	-	37,690	(153,056)	-
Supplemental Loan	3,064,919	-	-	3,064,919	-
Affordable Housing Program Loan	350,000	-	-	350,000	-
Program Income Loan	344,314	-	-	344,314	-
Total Fischer III, LLC	18,279,115	-	37,690	18,316,805	-
Guste I, LLC					
Mortgage Note Payable	12,672,614	-	-	12,672,614	-
Debt issuance costs	(290,111)	-	69,660	(220,451)	-
Supplemental Loan	2,039,988	-	-	2,039,988	-
Construction Loan	140,511	-	-	140,511	-
Total Guste I, LLC	14,563,002	-	69,660	14,632,662	-
	$ 34,692,476	$ -	$ 107,350	$ 34,799,826	$ -

NOTE E - NOTES PAYABLE (continued)

1. Fischer I, LLC

Capital Funds Note

During 2005, Fischer I, LLC entered into a Capital Funds Note with HANO to provide financing for the development of the Project. During 2007, there was an addition to the balance of this loan when HANO reimbursed JPMorgan Chase Bank for an outstanding construction loan on behalf of Fischer I, LLC. The loan bears interest at the long term applicable federal rate, which was 4.68 percent at the time the loan was funded, and is collateralized by the Project. All unpaid principal and interest is due on January 31, 2060, and payments on the loan are to be made from surplus cash. Interest incurred during the year ended December 31, 2019 was $114,944. Accrued interest payable on the note as of December 31, 2019 was $1,146,953.

Program Income Note

On January 20, 2005, Fischer I, LLC entered into a Program Income Construction Mortgage Note with HANO in the amount of $196,300. The loan was obtained in connection with the financing of the acquisition, development, and construction of the Project and bears interest annually at the long term applicable federal rate, which was 4.76 percent at the time the loan was funded. The loan is collateralized by the Project, and the entire amount of unpaid principal and interest is due and payable on January 31, 2060. Interest incurred during the year ended December 31, 2019 was $17,872. Accrued interest payable on the note as of December 31, 2019 is $196,335.

Supplemental Loan

On November 1, 2006, Fischer I, LLC entered into a Supplemental Loan with HANO in the amount of $130,000. The loan bears no interest and is collateralized by the Project. All unpaid principal is due on November 1, 2061, and payments on the loan are to be made from surplus cash.

Affordable Housing Program Loan

On November 16, 2005, Fischer I, LLC entered into an Affordable Housing Program Loan with HANO in the amount of $100,000 to assist Fischer I, LLC in financing the Project. The loan bears no interest, and is collateralized by the Project. The loan matures fifteen years from completion of the Project, which occurred on May 27, 2006. The Affordable Housing Program Loan is payable from remaining mortgage proceeds, capital contributions, and available cash flow from the Project.

NOTE E - NOTES PAYABLE (continued)

2. Fischer III, LLC

Construction Note Payable

In December 2003, Fischer III, LLC entered into a financing agreement with HANO to use the proceeds from the issuance of Capital Fund Program Revenue Bonds for the construction and development of the Project and payment of bond redemption. The principal amount of the note was $13,634,195. In January 2005, Fischer III, LLC entered into a new financing agreement in the amount of $14,710,628 with HANO. The loan bears interest at 3.00 percent with both the unpaid principal and interest due and payable on February 1, 2007. The due date was extended to December 31, 2011. Although the due date has passed, HANO does not hold Fischer III, LLC in default. Total interest expense for 2019 was $441,319. Accrued interest payable as of December 31, 2019 was $10,451,397.

Debt issuance costs, net of accumulated amortization, totaling $153,056 as of December 31, 2019 is related to the construction mortgage note and is being amortized using an imputed interest rate of 3.09 percent. Amortization of debt issuance costs of $37,690 is presented as interest expense for the year ended December 31, 2019.

The construction mortgage note will become permanent when the final equity payment is received from the Investor Member.

Supplemental Loan

On November 1, 2006, a Supplemental Loan was obtained with HANO in the amount of $3,064,919. The loan bears no interest and is collateralized by the Project. All unpaid principal is due on November 1, 2061, and payments on the loan are to be made from surplus cash.

Affordable Housing Program Loan

On November 16, 2005, an Affordable Housing Program Loan was obtained from HANO, in the amount of $350,000, to assist the Company in financing the Project. The loan bears no interest, is collateralized by the Project, and is payable from remaining mortgage proceeds, capital contributions, and available cash flows from the Project. The loan will be maintained for 15 years from the date of project completion.

NOTE E - NOTES PAYABLE (continued)

2. Fischer III, LLC (continued)

Program Income Note

In January 2005, a Program Income Loan was obtained from HANO in the amount of $344,314. The loan was obtained in connection with the financing of the acquisition, development, and construction of the Project, is collateralized by the Project, and accrues interest at 0.50 percent. The loan is due January 1, 2060 and payments are to be made from cash flow as defined by the Operating Agreement. Interest incurred during the year ended December 31, 2019 was $1,721. Accrued interest payable as of December 31, 2019 was $25,728.

3. Guste I, LLC

Mortgage Note Payable

In December 2003, Guste I, LLC entered into a financing agreement with HANO to use the proceeds from the issuance of Capital Fund Program Revenue Bonds for the construction and development of the Project and payment of bond redemption. The principal amount of the note was $13,189,372. In January 2005, Guste I, LLC entered into a new financing agreement in the amount of $10,643,312 with HANO. The loan bears interest at 3.00 percent with both the unpaid principal and interest due and payable on February 1, 2007. During 2014, Guste I, LLC converted the construction mortgage note into the permanent loan of $8,698,042 plus capitalized interest of $3,974,572. The new mortgage is for $12,672,614 and accrues interest at 3.00 percent. Any principal and interest payments are subject to available cash flow. The entire amount of unpaid principal and interest is due January 31, 2060. For the year ended December 31, 2019, interest incurred was $319,029. Accrued interest payable at December 31, 2019 was $1,968,683.

Debt issuance costs, net of accumulated amortization, totaled $220,451 as of December 31, 2019. Amortization of debt issuance costs on the above loan is being amortized using an imputed interest rate of 3.27 percent, and accordingly $69,660 was charged to interest expense for the year ended December 31, 2019.

Supplemental Loan

In November 2006, a supplemental loan in the amount of $2,939,498 was obtained from HANO. The supplemental loan does not bear interest. The entire amount of the unpaid principal is due and payable on November 1, 2061.

NOTE E - NOTES PAYABLE (continued)

3. Guste I, LLC (continued)

Construction Note Payable

In January 2005, a construction loan in the amount of $248,999 was obtained from HANO. The construction loan accrues interest at 3.00 percent with both the unpaid principal and interest due on January 31, 2060. For the year ended December 31, 2019, interest incurred was $869. Accrued interest payable as of December 31, 2019 was $93,727.

NOTE F - MANAGEMENT AGREEMENT

Fischer I, LLC entered into an agreement with HANO. As of and for the year ended December 31, 2019, $6,755 was charged to operations and $8,540 remains payable.

Fischer III, LLC entered into an agreement with Guste RMC in connection with the management of the rental operations of the Project. The property management fee is calculated in the amount of $30 per occupied unit month. As of and for the year ended December 31, 2019, $38,885 was charged to operations and $53,518 remains payable.

Guste I, LLC entered into an agreement with Guste RMC for a monthly management fee equal to $23.50 per each occupied unit per month. For the year ended December 31, 2019, $22,349 was charged to operations. As of December 31, 2019, Guste I, LLC has a payable to Guste RMC of $42,510 for unpaid reimbursement of payroll and other services.

NOTE G - INVESTOR EQUITY

1. Fischer I, LLC

Capital contributions totaling $2,079,000, including a downward adjuster of $45, are due from the Investor Member when certain milestones are achieved as disclosed in the Operating Agreement. As of December 31, 2019, the Investor Member has funded $2,078,955. The above contributions are subject to adjustment as defined in the Operating Agreement. The Managing Member is required to make contributions of $100 and the Special Member is required to make contributions of $10.

2. Fischer III, LLC

Capital contributions totaling $6,560,210 are due from the Investor Member when certain milestones are achieved as disclosed in the Operating Agreement. As of December 31, 2019, the Investor Member has funded $600,000. The above contributions are subject to adjustment as defined in the Operating Agreement. As of December 31, 2019, $5,960,210 remains payable. The Managing Member is required to make contributions of $100 and the Special Member is required to make contributions of $10.

NOTE G - INVESTOR EQUITY (continued)

3. Guste I, LLC

Capital contributions totaling $4,817,971, including an upward adjuster of $11,722, are due from the Investor Member when certain milestones are achieved as disclosed in the Operating Agreement. As of December 31, 2019, the Investor Member has funded $4,163,722. The above contributions are subject to adjustment as defined in the Operating Agreement. As of December 31, 2019, $654,249 remains to be contributed. The Managing Member is required to make contributions of $100 and the Special Member is required to make contributions of $10.

NOTE H - GROUND LEASE

On January 20, 2005, Fischer I, LLC entered into a ground lease with HANO. Fischer I, LLC is bound by the responsibilities and obligations of the ground lease. Under the ground lease, annual rent of $10 is due and payable for each lease year in advance on the first day of each lease year. The lease term ends at the latest to occur of (1) the expiration of the minimum period during which the Public Housing Units are required by law to be operated as public housing, (2) 40 years from the date the Project becomes available for occupancy, and (3) 89 years. The lease also has provisions extending the ground lease, but in no event will the lease extend beyond 95 years.

On January 20, 2005, Fischer III, LLC entered into an 89-year ground lease with HANO. In consideration of a $41,979 lump sum payment from Fischer III, LLC on January 20, 2005, the payment obligations have been fully satisfied and discharged. As of December 31, 2019, the prepaid ground lease was $34,436.

On January 20, 2005, Guste I, LLC entered into an 89-year ground lease with HANO. In consideration of a $41,979 lump sum payment from Guste I, LLC on January 20, 2005, the payment obligations have been fully satisfied and discharged. As of December 31, 2019, the prepaid ground lease was $34,431.

NOTE I - COMMITMENTS AND CONTINGENCIES

1. Legal

The Company may be party to various pending or threatened legal actions in the normal course of operations. As of the date of this report, there are no known threatened or pending legal actions against the Company.

NOTE I - COMMITMENTS AND CONTINGENCIES (continued)

2. Tax credits

For Fischer I, LLC, Fischer III, LLC, and Guste I, LLC, the low-income housing tax credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the Investor Member of each entity.

3. Operating deficit guaranty

Pursuant to the Operating Agreements, if any of the Projects require funds to discharge operating expenses, the Company shall furnish to the Project the funds required. Amounts furnished to fund operating expenses incurred prior to the Development Obligation Date shall be deemed Special Capital Contributions and amounts furnished on or after the Development Obligation Date shall constitute Operating Expense Loans. Any such Operating Expense Loans shall not bear interest and be repayable only as provided for in the Operating Agreement. As of December 31, 2019, no amounts have been funded.

NOTE J - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 30, 2020, the date which the consolidated financial statements were available to be issued, and noted no issues to be disclosed, other than the uncertainty of the negative impact that COVID-19 may have on the Company. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to have an economic impact, however such potential impact is unknown at this time.

SUPPLEMENTAL INFORMATION

Lune d'Or Enterprises, LLC and Subsidiaries
(A Component Unit of the Housing Authority of New Orleans)

CONSOLIDATING SCHEDULE OF NET POSITION

December 31, 2019

	Lune d'Or Enterprises, LLC	Fischer I, LLC	Fischer III, LLC	Guste I, LLC	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents - unrestricted	$ -	$ 267,452	$ 2,106,343	$ 54,418	$ 2,428,213
Cash and cash equivalents - restricted	-	153,161	418,082	686,701	1,257,944
Accounts receivable, net	100	2,496	5,443	13,650	21,689
Prepaid expenses	-	11,110	60,472	31,243	102,825
Due from related party	-	-	-	1,035,274	1,035,274
Total current assets	100	434,219	2,590,340	1,821,286	4,845,945
NONCURRENT ASSETS					
Capital assets					
Land and improvements	-	-	28,220	-	28,220
Buildings and improvements	-	3,654,063	18,646,270	12,329,839	34,630,172
Land improvements	-	261,845	2,197,496	2,401,278	4,860,619
Furniture, equipment and machinery	-	67,267	532,756	281,800	881,823
	-	3,983,175	21,404,742	15,012,917	40,400,834
Less accumulated depreciation	-	(1,601,603)	(8,176,146)	(5,984,947)	(15,762,696)
Total capital assets, net	-	2,381,572	13,228,596	9,027,970	24,638,138
Tax credit monitoring fees, net	-	243	1,544	-	1,787
Prepaid ground lease, net	-	-	34,436	34,431	68,867
Total noncurrent assets	-	2,381,815	13,264,576	9,062,401	24,708,792
Total assets	100	2,816,034	15,854,916	10,883,687	29,554,737
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	-	15,175	72,551	39,763	127,489
Property management fee payable	-	8,540	53,518	-	62,058
Asset management fee payable - related party	-	3,301	6,599	6,733	16,633
Tenant security deposits	-	4,550	19,418	19,400	43,368
Tenant prepaid rent	-	515	11,627	-	12,142
Developer fee payable - related party	-	173,600	1,055,564	899,510	2,128,674
Other due to related parties	4,110	251,798	2,516,714	1,202,360	3,974,982
Accrued interest payable	-	1,343,288	10,477,125	2,062,410	13,882,823
Other current liabilities	-	595	-	226,247	226,842
Total current liabilities	4,110	1,801,362	14,213,116	4,456,423	20,475,011
NONCURRENT LIABILITIES					
Notes payable - related party	-	1,850,359	18,316,805	14,632,662	34,799,826
Total liabilities	4,110	3,651,721	32,529,921	19,089,085	55,274,837
NET POSITION					
Net investment in capital assets	-	531,213	(5,088,209)	(5,604,692)	(10,161,688)
Restricted	-	148,611	398,664	667,301	1,214,576
Unrestricted	(4,010)	(1,515,511)	(11,985,460)	(3,268,007)	(16,772,988)
Total net position	$ (4,010)	$ (835,687)	$ (16,675,005)	$ (8,205,398)	$ (25,720,100)

See independent auditor's report

Lune d'Or Enterprises, LLC and Subsidiaries
(A Component Unit of the Housing Authority of New Orleans)

CONSOLIDATING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended December 31, 2019

	Lune d'Or Enterprises, LLC	Fischer I, LLC	Fischer III, LLC	Guste I, LLC	Total
OPERATING REVENUES					
Rental income, net	$ -	$ 154,374	$ 766,743	$ 629,322	$ 1,550,439
Other operating income	-	10	15,876	4,530	20,416
Total operating revenues	-	154,384	782,619	633,852	1,570,855
OPERATING EXPENSES					
Salaries and employee benefits	-	7,119	59,627	124,763	191,509
Utilities	-	32,066	163,013	194,900	389,979
Repairs and maintenance	-	41,461	162,900	171,987	376,348
Protective services	-	-	-	71,751	71,751
Insurance	-	39,763	202,402	133,155	375,320
Tenant services	-	67	399	3,116	3,582
Other general and administrative	-	27,182	61,102	68,752	157,036
Depreciation	-	91,351	528,592	412,924	1,032,867
Amortization	-	133	772	-	905
Total operating expenses	-	239,142	1,178,807	1,181,348	2,599,297
OPERATING LOSS	-	(84,758)	(396,188)	(547,496)	(1,028,442)
NON-OPERATING REVENUES (EXPENSES)					
Interest income	-	754	6,335	2,053	9,142
Interest expense - related party	-	(132,816)	(480,730)	(389,558)	(1,003,104)
Total non-operating revenues (expenses)	-	(132,062)	(474,395)	(387,505)	(993,962)
Change in net position	-	(216,820)	(870,583)	(935,001)	(2,022,404)
Total net position - beginning	(4,010)	(618,867)	(15,804,422)	(7,270,397)	(23,697,696)
Total net position - ending	$ (4,010)	$ (835,687)	$ (16,675,005)	$ (8,205,398)	$ (25,720,100)

See independent auditor's report.

Lune d'Or Enterprises, LLC and Subsidiaries
(A Component Unit of the Housing Authority of New Orleans)

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER

December 31, 2019

Agency Head Name: Evette Hester

Executive Director and Chief Administrative Officer of the Housing Authority of New Orleans

Purpose	Amount
Salary	None
Benefits-insurance	None
Benefits-retirement	None
Benefits-deferred comp	None
Car allowance	None
Vehicle provided by government	None
Per diem	None
Reimbursements	None
Travel	None
Registration fees	None
Conference travel	None
Continuing professional education fees	None
Housing	None
Unvouchered expenses	None
Special meals	None

The Company provides no compensation, benefits, or other payments to the Executive Director and Chief Administrative Officer of the Housing Authority of New Orleans (HANO). HANO is the governmental unit that controls the Company. All compensation, benefits, and other payments to HANO's Executive Director are included in the financial statements of HANO.

See independent auditor's report.

BERMAN HOPKINS WRIGHT & LAHAM
CPAS AND ASSOCIATES, LLP

255 S. Orange Ave. Suite 1545
Orlando, FL 32801
Phone: 407-841-8841
Fax: 407-841-8849

www.bermanhopkins.com

8035 Spyglass Hill Road
Melbourne, FL 32940
Phone: 321-757-2020
Fax: 321-242-4844

1415 S. Washington Ave.
Titusville, FL 32780
Phone: 321-267-2190
Fax: 321-268-2272

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*

To the Members of
Lune d'Or Enterprises, LLC and Subsidiaries

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 consolidated financial statements of the business-type activities of Lune d'Or Enterprises, LLC and Subsidiaries (collectively referred to as the "Company"), as of and for the year ended December 31, 2019, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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 Company's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's consolidated 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 consolidated 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 Company'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 Company's internal control over compliance. Accordingly, this communication is not suitable for any other purpose.

June 30, 2020
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP