

**Lune d'Or Enterprises, LLC
and Subsidiaries**

**Consolidated Financial
Statements and Supplemental
Information**

**Year ended
December 31, 2017**

**BERMAN HOPKINS
WRIGHT & LAHAM**
CPAS AND ASSOCIATES, LLP

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INDEPENDENT AUDITOR'S REPORT

To the Member,
Lune d'Or Enterprises, LLC and Subsidiaries

We have audited the accompanying consolidated financial statements of Lune d'Or Enterprises, LLC and Subsidiaries (collectively referred to as the "Company"), which comprise the consolidated balance sheet as of December 31, 2017, and the related consolidated statements of operations, equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessments 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 Company'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 Company'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 opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information on pages 22 and 23, is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of compensation, benefits and other payments to the chief executive officer is presented for the purposes of additional analysis as required by the Louisiana Legislative Auditor and is also not a required part of the 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 financial statements or to the 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 May 9, 2018 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 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 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.

May 9, 2018
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Lune d'Or Enterprises, LLC and Subsidiaries

CONSOLIDATED BALANCE SHEET

December 31, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$ 2,283,806
Cash and cash equivalents - restricted	1,119,626
Accounts receivable, net	14,643
Prepaid expenses	39,543
Due from related party	377,600
Total current assets	3,835,218

NONCURRENT ASSETS

Rental property	
Buildings and improvements	34,616,975
Land improvements	4,860,619
Furniture, equipment and machinery	880,539
	40,358,133
Less accumulated depreciation	(13,679,257)
Total rental property	26,678,876
Tax credit monitoring fees, net	3,549
Prepaid ground lease, net	70,755
Total noncurrent assets	26,753,180
Total assets	\$ 30,588,398

LIABILITIES AND EQUITY (DEFICIT)

CURRENT LIABILITIES

Accounts payable	\$ 52,971
Accrued expenses	380
Property management fee payable	116,915
Asset management fee payable - related party	92,507
Tenant security deposits	44,699
Tenant prepaid rent	387
Developer fee payable - related party	2,128,674
Other due to related parties	3,600,662
Accrued interest payable	12,090,664
Other current liabilities	77,358
Total current liabilities	18,205,217

NONCURRENT LIABILITIES

Notes payable - related party	34,585,126
Total liabilities	52,790,343

EQUITY (DEFICIT)

Member's equity (deficit)	(6,306)
Noncontrolling interest	(22,195,639)
Total equity (deficit)	(22,201,945)
Total liabilities and equity (deficit)	\$ 30,588,398

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

Lune d'Or Enterprises, LLC and Subsidiaries
CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31, 2017

REVENUES	
Rental income	\$ 1,678,339
Other operating income	28,548
Total operating revenues	<u>1,706,887</u>
EXPENSES	
Salaries and employee benefits	121,390
Utilities	328,197
Repairs and maintenance	506,941
Protective services	187,485
Insurance	386,007
Tenant services	53,551
Other general and administrative	239,674
Total operating expenses	<u>1,823,245</u>
NET OPERATING LOSS	<u>(116,358)</u>
OTHER INCOME (EXPENSES)	
Interest income	3,254
Interest expense - related party	(1,056,159)
Depreciation	(1,204,875)
Amortization	(906)
Total other income (expenses)	<u>(2,258,686)</u>
NET LOSS	<u><u>\$ (2,375,044)</u></u>

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

Lune d'Or Enterprises, LLC and Subsidiaries

CONSOLIDATED STATEMENT OF EQUITY (DEFICIT)

Years ended December 31,

	Member's Equity	Noncontrolling Interest	Total
	<u> </u>	<u> </u>	<u> </u>
Partners' capital (deficit), December 31, 2016	\$ (6,068)	\$ (20,573,104)	\$ (20,579,172)
Capital contributions	-	752,271	752,271
Net loss	(238)	(2,374,806)	(2,375,044)
Partners' capital (deficit), December 31, 2017	<u>\$ (6,306)</u>	<u>\$ (22,195,639)</u>	<u>\$ (22,201,945)</u>

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

Lune d'Or Enterprises, LLC and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (2,375,044)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	1,204,875
Amortization - tax credit monitoring fees	906
Interest expense - deferred financing fees	107,351
Provision for bad debt	13,829
(Increase) decrease in assets:	
Accounts receivable, net	(7,729)
Prepaid expenses	171,972
Due from related party	(136,715)
Increase (decrease) in liabilities:	
Accounts payable	(81,535)
Accrued expenses	(183,921)
Property management fee payable	72,636
Asset management fee payable	(8,035)
Tenant security deposits	3,328
Tenant prepaid rent	387
Developer fee payable	(57,436)
Due to related party	218,683
Accrued interest payable	987,080
Other current liabilities	170
Net cash used in operating activities	<u>(69,198)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Cash paid for investment in rental property	(1,350)
Interest income	2,155
Net cash provided by investing activities	<u>805</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Capital contributions	752,271
Net increase in cash	<u>683,878</u>
Cash and cash equivalents at beginning of year	<u>2,719,554</u>
Cash and cash equivalents at end of year	<u>\$ 3,403,432</u>

RECONCILIATION TO CONSOLIDATED BALANCE SHEET:

Cash and cash equivalents - unrestricted	\$ 2,283,806
Cash and cash equivalents - restricted	1,119,626
	<u>\$ 3,403,432</u>

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

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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"). Pursuant to the Company's operating agreement, CAHC is required to provide capital contributions to the Company totaling \$100. As of December 31, 2017, the contribution has not been paid.

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 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. All significant intercompany transactions have been eliminated in the consolidation. The limited liability companies included in the consolidation are as follows:

<u>Entity</u>	<u>Percentage Ownership</u>	<u>Number of Units</u>
Fisher I, LLC	0.01%	20
Fisher III, LLC	0.01%	103
Guste I, LLC	0.01%	82

Lune d'Or Enterprises, LLC is a component unit of the Housing Authority of New Orleans ("HANO") under the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASBs No. 14 and No. 34*. 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.

2. Accounting method

The financial statements have been prepared on the accrual basis of accounting. Accordingly, income is recognized as earned and expenses as incurred, regardless of the timing of payments.

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Principles of consolidation

The consolidated financial statements include the accounts of Lune d'Or and its subsidiaries described above. All inter-company balances and transactions have been eliminated upon consolidation.

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

5. Cash and cash equivalents

The Company considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

6. 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. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

7. 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, 2017 is \$10,051. Estimated amortization expense for each of the following years is as follows:

	Fisher I, LLC	Fisher III, LLC	Guste I, LLC	Total
2018	\$ 133	\$ 773	\$ -	\$ 906
2019	133	773	-	906
2020	133	773	-	906
2021	60	771	-	831
	<u>\$ 459</u>	<u>\$ 3,090</u>	<u>\$ -</u>	<u>\$ 3,549</u>

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Rental property

Rental property is recorded at cost. Depreciation of rental property is computed primarily using the following methods and estimated useful lives:

	<u>Useful Lives</u>	<u>Method</u>
Buildings	40 years	Straight-line
Land and improvements	20 years	Declining balance
Furniture, equipment and machinery	10 years	Declining balance

9. 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 years ended December 31, 2017.

10. 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.

11. 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.

12. Advertising costs

The Company's policy is to expense advertising costs when incurred. For the year ended December 31, 2017, the Company had no advertising expense charged to operations.

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. 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 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 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.

The Company's income tax filings are subject to audit by various taxing authorities. The Company's open audit periods are 2014-2017. 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.

14. 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.

15. Non-controlling interest

Interests held by investor members in limited liability companies consolidated by Lune d'Or are reflected in non-controlling interest on the consolidated financial statements. Non-controlling interest represents the 99.99 percent share of the underlying equity of Fischer I, LLC, Fischer III, LLC, and Guste 1, LLC, not owned by Lune d'Or Enterprises, LLC.

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE B - RESTRICTED CASH

As of December 31, 2017, restricted cash consists of:

	Fisher I, LLC	Fisher III, LLC	Guste I, LLC	Total
Replacement reserve	\$ 64,023	\$ 297,926	\$ 232,059	\$ 594,008
ACC subsidy reserve	33,650	-	227,000	260,650
Operating reserve	50,269	-	170,000	220,269
Tenant security deposits	4,850	20,549	19,300	44,699
	<u>\$ 152,792</u>	<u>\$ 318,475</u>	<u>\$ 648,359</u>	<u>\$ 1,119,626</u>

1. Replacement reserve

Pursuant to the Operating Agreement, Fischer I, LLC is required to make monthly deposits to a reserve account for capital replacements, funded by monthly deposits of \$417, increasing annually by the Consumer Price Index commencing on the completion date. As of December 31, 2017, the replacement reserve balance was \$64,023.

Pursuant to the Operating Agreement, Fischer III, LLC is required to make monthly deposits to a reserve account for capital replacements, funded by monthly deposits of \$2,416, increasing annually by the Consumer Price Index commencing on the completion date. As of December 31, 2017, the replacement reserve balance was \$297,926.

Pursuant to the Operating Agreement, Guste I, LLC is required to make monthly deposits to a reserve account for capital replacements, funded by monthly deposits of \$2,416, increasing annually by the Consumer Price Index commencing on the completion date. As of December 31, 2017, the replacement reserve balance was \$232,059.

2. ACC subsidy reserve

Pursuant to the Operating Agreement, Fischer I, LLC shall establish a reserve account equal to \$33,627 as set forth in the Regulatory and Operating Agreement between Fischer I, LLC and HANO. Funds in the ACC Subsidy Reserve may be used to pay operating expenses subject to approval and consent of the Investor Member. As of December 31, 2017, \$33,650 has been funded.

Pursuant to the Operating Agreement, Fischer III, LLC shall establish a reserve account equal to \$193,875 as set forth in the Regulatory and Operating Agreement between Fischer III, LLC and HANO. Funds in the ACC Subsidy Reserve may be used to pay operating expenses subject to approval and consent of the Investor Member. As of December 31, 2017, the subsidy reserve has not been funded.

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE B - RESTRICTED CASH (continued)

2. ACC subsidy reserve (continued)

Pursuant to the Operating Agreement, Guste I, LLC shall establish a reserve account equal to \$227,000 as set forth in the Regulatory and Operating Agreement between Guste I, LLC and HANO. Funds in the ACC Subsidy Reserve may be used to pay operating expenses subject to approval and consent of the Investor Member. As of December 31, 2017, \$227,000 has been funded.

3. Operating reserve

Pursuant to the Operating Agreement, Fischer I, LLC 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. As of December 31, 2017, \$50,269 has been funded.

Pursuant to the Operating Agreement, Fischer III, LLC 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. As of December 31, 2017, the operating reserve has not been funded.

Pursuant to the Operating Agreement, Guste I, LLC is required to establish an operating reserve of \$170,000 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. As of December 31, 2017, \$170,000 has been funded.

NOTE C - RELATED PARTY TRANSACTIONS

1. Voucher subsidy from HANO

Fischer I, LLC, Fischer III, LLC, and Guste I, LLC 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 statements of operations. During 2017, Fischer I, LLC, Fischer III, LLC, and Guste I, LLC received voucher subsidy from HANO in the amount of \$61,558, \$234,101, and \$176,590, respectively.

2. Operating subsidy from HANO

HANO has entered into an Amended and Restated Regulatory and Operating Agreement (the Agreement) with Fischer I, LLC, Fischer III, LLC, and Guste I, LLC 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.

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE C - RELATED PARTY TRANSACTIONS (continued)

2. Operating subsidy from HANO (continued)

During 2017, Fischer I, LLC, Fischer III, LLC, and Guste I, LLC received operating subsidy from HANO in the amount of \$58,520, \$322,627, and \$253,824. As of December 31, 2017, Guste I, LLC is due \$377,600 as a result of the operating subsidy due from HANO.

3. Developer agreement

Fischer I, LLC, Fischer III, LLC, and Guste I, LLC entered into development agreements with CAHC, an affiliate of the Managing Member. 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, 2017, no additional development fees were earned. The developer fees are expected to be paid out of investor equity contributions. During the year ended December 31, 2017, \$57,436 was paid by Fischer I, LLC for developer fees. As of December 31, 2017, total developer fees are as follows:

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

4. Asset management fee

Pursuant to the Operating Agreement, the Investor Member of Fischer I, LLC, Fischer III, LLC, and Guste I, LLC shall earn an annual, cumulative 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 and payable as of December 31, 2017 and for the year then ended are as follows:

	Fees Earned	Amount Payable
Fisher I, LLC	\$ 2,500	\$ 208
Fisher III, LLC	6,477	68,417
Guste I, LLC	6,428	23,882
	<u>\$ 15,405</u>	<u>\$ 92,507</u>

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE C - RELATED PARTY TRANSACTIONS (continued)

5. 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, 2017, advances totaling \$2,219,162 is due to HANO and is included in due to related parties in the accompanying consolidated balance sheet. These advances consist of the following amounts as of December 31, 2017:

	Advances from HANO
Fisher I, LLC	\$ 107,611
Fisher III, LLC	1,709,316
Guste I, LLC	402,235
	<u>\$ 2,219,162</u>

In addition, HANO pays for common costs for operations that create a payable due to HANO. As of December 31, 2017, Fischer I, LLC and Guste I, LLC owed HANO \$122,496 and \$404,385, respectively, for operations costs and is included in due to related parties in the accompanying consolidated balance sheet.

6. Due to CAHC

Fischer I, LLC owes CAHC for property insurance paid by CAHC. The balance due as of December 31, 2017 is \$136,164 and is included in due to related parties in the accompanying consolidated balance sheet.

Fischer III, LLC owes CAHC for property insurance and allocated payroll paid by CAHC. The balance due as of December 31, 2017 is \$487,237 and is included in due to related parties in the accompanying consolidated balance sheet.

Guste I, LLC owes CAHC for property insurance paid by CAHC. The balance due as of December 31, 2017 is \$223,748 and is included in due to related parties in the accompanying consolidated balance sheet.

7. Management fees

Fischer III, LLC incurred management fees due to HANO prior to 2009 of which the outstanding balance of \$3,360 remains payable at December 31, 2017 and is included in due to related party balance on the consolidated balance sheet.

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE D - NOTES PAYABLE

A summary of changes in notes payable is as follows:

	Payable at January 1, 2016	Additions	Reductions/ Amortization	Payable at December 31, 2017	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	14,444,501	-	37,691	14,482,192	-
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	18,203,734	-	37,691	18,241,425	-
Guste I, LLC					
Mortgage Note Payable	12,243,183	-	69,660	12,312,843	-
Supplemental Loan	2,039,988	-	-	2,039,988	-
Construction Loan	140,511	-	-	140,511	-
Total Guste I, LLC	14,423,682	-	69,660	14,493,342	-
	\$ 34,477,775	\$ -	\$ 107,351	\$ 34,585,126	\$ -

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% 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. As of December 31, 2017, the balance of the HANO Capital Funds Note of \$1,424,059 is included in notes payable - related party of in the accompanying consolidated balance sheet. Interest incurred during the year ending December 31, 2017 was \$104,897. Accrued interest payable on the note for December 31, 2017 is \$922,204.

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE D - NOTES PAYABLE (continued)

1. Fischer I, LLC (continued)

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% 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 ending December 31, 2017 was \$14,838. Accrued interest payable on the note for December 31, 2017 is \$161,403.

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. The current balance on the loan for December 31, 2017 is \$130,000.

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. The current loan balance for December 31, 2017 is \$100,000.

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 percent with both the unpaid principal and interest due and payable on February 1, 2007. The due date was originally extended through December 31, 2011. Outstanding principal as of December 31, 2017 was \$14,710,628. Total interest expense for 2017 was \$481,505. Accrued interest as December 31, 2017 was \$9,568,759 and is included in accrued interest payable to related party.

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE D - NOTES PAYABLE (continued)

2. Fischer III, LLC (continued)

Construction Note Payable (continued)

Debt issuance costs, net of accumulated amortization, totaling \$228,436 as of December 31, 2017 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 was charged to operations for the year ended December 31, 2017 and is included in interest expense - mortgage notes payable on the consolidated statement of operations.

The construction mortgage note will become permanent when the final equity payment is received from the Investor Member. HANO does not hold Fischer III, LLC in default.

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.

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 0.5 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, 2017 was \$1,721. Accrued interest payable as of December 31, 2017 was \$22,286 and is included in accrued interest payable.

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE D - NOTES PAYABLE (continued)

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 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, 2017, interest incurred was \$380,238. Accrued interest at December 31, 2017 was \$1,330,624.

Debt issuance costs, net of accumulated amortization, totaled \$359,771 as of December 31, 2017 and is included in interest expense – mortgage notes payable on the consolidated statement of operations. Amortization of debt issuance costs on the above loan is being amortized using an imputed interest rate of 3.272 percent.

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 unpaid principal is due and payable on November 1, 2061.

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 percent with both the unpaid principal and interest due on January 31, 2060. For the year ended December 31, 2017, interest incurred was \$4,215. Accrued interest payable as of December 31, 2017 was \$85,388 and is included in accrued interest payable.

NOTE E - MANAGEMENT AGREEMENT

Fischer I, LLC entered into an agreement with Guste Homes Resident Management Corporation ("Guste RMC"), an unrelated third party, for a monthly management fee equal to \$35 per each occupied unit per month. Effective October 2015, the Project is now managed by HANO, an affiliate of the Managing Member. As of and for the year ended December 31, 2017, \$7,140 was charged to operations and \$595 remains payable.

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE E - MANAGEMENT AGREEMENT (continued)

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 \$35 per occupied unit month. Effective October 2015, the Project is managed by HANO, an affiliate of the Managing Member. As of and for the year ended December 31, 2017, \$39,970 was charged to operations and \$73,810 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, 2017, \$21,432 was charged to operations. As of December 31, 2017, Guste I, LLC has a payable to Guste RMC of \$42,510 for unpaid reimbursement of payroll and other services.

NOTE F - 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, 2017, 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, 2017, the Investor Member has funded \$300,000. 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. As of December 31, 2017, \$6,260,210 remains payable.

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, 2017, 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, 2017, \$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.

Lune d'Or Enterprises, LLC and Subsidiaries

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE G - 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 December 30, 2003, 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, 2017, the prepaid ground lease was \$35,380.

On December 30, 2003, 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, 2017, the prepaid ground lease was \$35,375.

NOTE H - CONCENTRATION OF CREDIT RISK

The Company maintains its cash balances in several accounts in one bank. At times, these balances may exceed the federal insurance limits; however, the Company has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2017.

NOTE I - COMMITMENTS AND CONTINGENCIES

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.

NOTE J - SUBSEQUENT EVENTS

The Partnership has evaluated subsequent events through May 9, 2018, the date which the financial statements were available to be issued, and noted no issues to be disclosed.

SUPPLEMENTAL INFORMATION

Lune d'Or Enterprises, LLC and Subsidiaries

CONSOLIDATING BALANCE SHEET

December 31, 2017

	Lune d'Or Enterprises, LLC	Fischer I, LLC	Fischer III, LLC	Guste I, LLC	Eliminations	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents - unrestricted	\$ -	\$ 263,448	\$ 1,327,256	\$ 693,102	\$ -	\$ 2,283,806
Cash and cash equivalents - restricted	-	152,792	318,475	648,359	-	1,119,626
Accounts receivable, net	100	157	3,347	11,039	-	14,643
Prepaid expenses	-	9,047	20,918	9,578	-	39,543
Due from related party	-	-	-	377,600	-	377,600
Total current assets	100	425,444	1,669,996	1,739,678	-	3,835,218
NONCURRENT ASSETS						
Rental property						
Buildings and improvements	-	3,654,063	18,646,270	12,316,642	-	34,616,975
Land improvements	-	261,845	2,197,496	2,401,278	-	4,860,619
Furniture, equipment and machinery	-	66,625	532,114	281,800	-	880,539
	-	3,982,533	21,375,880	14,999,720	-	40,358,133
Less accumulated depreciation	-	(1,418,900)	(7,107,038)	(5,153,319)	-	(13,679,257)
Total rental property	-	2,563,633	14,268,842	9,846,401	-	26,678,876
Tax credit monitoring fees, net	-	459	3,090	-	-	3,549
Prepaid ground lease, net	-	-	35,380	35,375	-	70,755
Total noncurrent assets	-	2,564,092	14,307,312	9,881,776	-	26,753,180
Total assets	\$ 100	\$ 2,989,536	\$ 15,977,308	\$ 11,621,454	\$ -	\$ 30,588,398
LIABILITIES AND EQUITY (DEFICIT)						
CURRENT LIABILITIES						
Accounts payable	\$ -	\$ 3,095	\$ 17,655	\$ 32,221	\$ -	\$ 52,971
Accrued expenses	-	-	380	-	-	380
Property management fee payable	-	595	73,810	42,510	-	116,915
Asset management fee payable - related party	-	208	68,417	23,882	-	92,507
Tenant security deposits	-	4,850	20,549	19,300	-	44,699
Tenant prepaid rent	-	11	376	-	-	387
Developer fee payable - related party	-	173,600	1,055,564	899,510	-	2,128,674
Other due to related parties	4,110	366,271	2,196,553	1,033,728	-	3,600,662
Accrued interest payable	-	1,083,607	9,591,045	1,416,012	-	12,090,664
Other current liabilities	-	170	-	77,188	-	77,358
Total current liabilities	4,110	1,632,407	13,024,349	3,544,351	-	18,205,217
NONCURRENT LIABILITIES						
Notes payable - related party	-	1,850,359	18,241,425	14,493,342	-	34,585,126
Total liabilities	4,110	3,482,766	31,265,774	18,037,693	-	52,790,343
EQUITY (DEFICIT)						
Member's equity (deficit)	(4,010)	(493,230)	(15,288,466)	(6,416,239)	2,374,806	(19,827,139)
Noncontrolling interest	-	-	-	-	(2,374,806)	(2,374,806)
Total equity (deficit)	(4,010)	(493,230)	(15,288,466)	(6,416,239)	-	(22,201,945)
Total liabilities and equity (deficit)	\$ 100	\$ 2,989,536	\$ 15,977,308	\$ 11,621,454	\$ -	\$ 30,588,398

The accompanying notes are an integral part of these financial statements

Lune d'Or Enterprises, LLC and Subsidiaries

CONSOLIDATING STATEMENT OF OPERATIONS

Year ended December 31, 2017

	Lune d'Or Enterprises, LLC	Fischer I, LLC	Fischer III, LLC	Guste I, LLC	Eliminations	Total
REVENUES						
Rental income	\$ -	\$ 174,107	\$ 816,636	\$ 687,596	\$ -	\$ 1,678,339
Other operating income	-	1,798	13,013	13,737	-	28,548
Total operating revenues	-	175,905	829,649	701,333	-	1,706,887
EXPENSES						
Salaries and employee benefits	-	6,278	52,763	62,349	-	121,390
Utilities	-	30,288	130,148	167,761	-	328,197
Repairs and maintenance	-	22,000	162,733	322,208	-	506,941
Protective services	-	21,601	111,242	54,642	-	187,485
Insurance	-	32,982	174,490	178,535	-	386,007
Tenant services	-	8,524	42,181	2,846	-	53,551
Other general and administrative	-	59,571	100,266	79,837	-	239,674
Total operating expenses	-	181,244	773,823	868,178	-	1,823,245
NET OPERATING INCOME (LOSS)	-	(5,339)	55,826	(166,845)	-	(116,358)
OTHER INCOME (EXPENSES)						
Interest income	-	473	2,155	626	-	3,254
Interest expense - related party	-	(121,314)	(480,732)	(454,113)	-	(1,056,159)
Depreciation	-	(179,101)	(543,237)	(482,537)	-	(1,204,875)
Amortization	-	(133)	(773)	-	-	(906)
Total other income (expenses)	-	(300,075)	(1,022,587)	(936,024)	-	(2,258,686)
Net income (loss)	-	(305,414)	(966,761)	(1,102,869)	2,374,806	(238)
Noncontrolling interest	-	-	-	-	(2,374,806)	(2,374,806)
Net income (loss) attributable to Lune d'Or Enterprises, LLC	\$ -	\$ (305,414)	\$ (966,761)	\$ (1,102,869)	\$ -	\$ (2,375,044)

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

Lune d'Or Enterprises, LLC and Subsidiaries

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

December 31, 2017

Agency Head Name: Gregg Fortner
Executive Director 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 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.

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 Member,
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 Lune d'Or Enterprises, LLC and Subsidiaries (collectively referred to as the "Company"), as of and for the year ended December 31, 2017, and the related notes to the consolidated financial statements, which collectively comprise the Company's consolidated financial statements, and have issued our report thereon dated May 9, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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 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 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 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.

May 9, 2018
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP