

**Crescent Affordable Housing  
Corporation and Subsidiaries  
(A Component Unit of the  
Housing Authority of New  
Orleans)**

**Consolidated Financial  
Statements and  
Supplementary Information**

**December 31, 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,  
Crescent Affordable Housing Corporation and Subsidiaries

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

We have audited the accompanying consolidated financial statements of the business-type activities of Crescent Affordable Housing Corporation and Subsidiaries (collectively referred to as the "Corporation"), a component unit of the Housing Authority of New Orleans ("HANO") as of and for the year ended December 31, 2020, and the related notes to the consolidated financial statements, as listed 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 Corporation'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 Corporation'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 Corporation as of December 31, 2020, 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 Corporation 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 the 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 28 through 29 is presented for 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 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, 2021 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

June 30, 2021  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

**Crescent Affordable Housing Corporation and Subsidiaries  
(A Component Unit of the Housing Authority of New Orleans)**

**CONSOLIDATED STATEMENT OF NET POSITION**

**December 31, 2020**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents - unrestricted	\$ 3,915,514
Cash and cash equivalents - restricted	1,517,164
Guaranty receivable - related parties	12,495,579
Accounts receivable, net	120,087
Prepaid expenses	152,310
Due from related party	1,656,700
Tax credit monitoring fees, net	7,696
Total current assets	19,865,050

**NONCURRENT ASSETS**

Capital assets, net	69,521,309
Tax credit monitoring fees, net	68,653
Prepaid ground lease, net	67,452
Total noncurrent assets	69,657,414
Total assets	89,522,464

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	269,172
Property management fee payable - related party	106,158
Asset management fee payable	30,272
Tenant security deposits	71,615
Tenant prepaid rent	24,214
Developer fee payable to related party	3,982,645
Due to related party	4,841,197
Accrued interest payable to related party	14,849,304
Other current liabilities	552,838
Total current liabilities	24,727,415

**NONCURRENT LIABILITIES**

Notes payable - related party	87,362,829
Total liabilities	112,090,244

**NET POSITION**

Net investment in capital assets	(17,841,520)
Restricted	1,445,568
Unrestricted	(6,171,828)
Total net position	\$ (22,567,780)

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

**Crescent Affordable Housing Corporation and Subsidiaries**  
**(A Component Unit of the Housing Authority of New Orleans)**

**CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

For the year ended December 31, 2020

<b>OPERATING REVENUES</b>	
Rental income, net	\$ 2,936,772
Other operating income	223,933
Total operating revenues	3,160,705
<b>OPERATING EXPENSES</b>	
Salaries and employee benefits	265,519
Utilities	811,956
Repairs and maintenance	620,201
Protective services	487,410
Insurance	648,123
Tenant services	161,077
Other general and administrative	470,175
Depreciation	2,883,308
Amortization	7,773
Total operating expenses	6,355,542
<b>OPERATING LOSS</b>	<b>(3,194,837)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income	7,444
Interest expense - related party	(1,073,829)
Total non-operating expenses	(1,066,385)
Change in net position before contributions	(4,261,222)
<b>CONTRIBUTIONS</b>	
Contributions from Investor Member	1,377,094
Change in net position	(2,884,128)
Total net position - beginning	(19,683,652)
Total net position - ending	<b>\$ (22,567,780)</b>

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

**Crescent Affordable Housing Corporation and Subsidiaries  
(A Component Unit of the Housing Authority of New Orleans)**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**For the year ended December 31, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Collections from tenants	\$ 2,909,296
Collections from other sources	223,485
Payments to employees	(1,034,023)
Payments to suppliers	<u>(2,737,925)</u>
Net cash used in operating activities	<u>(639,167)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Cash paid for investment in rental property	<u>(145,151)</u>
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**CASH FLOWS FROM FINANCING ACTIVITIES**

Interest paid	(99,904)
Capital contributions	<u>1,377,094</u>
Net cash provided by financing activities	<u>1,277,190</u>

**Net increase in cash** 492,872

**Cash and cash equivalents at beginning of year** 4,939,806

**Cash and cash equivalents at end of year** \$ 5,432,678

**RECONCILIATION TO CONSOLIDATED STATEMENT OF  
NET POSITION:**

Cash and cash equivalents - unrestricted	\$ 3,915,514
Cash and cash equivalents - restricted	<u>1,517,164</u>
	<u><u>\$ 5,432,678</u></u>

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

**Crescent Affordable Housing Corporation and Subsidiaries  
(A Component Unit of the Housing Authority of New Orleans)**

**CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

**For the year ended December 31, 2020**

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
USED IN OPERATING ACTIVITIES**

Operating loss	\$ (3,194,837)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	2,883,308
Amortization - tax credit monitoring fees	1,415
Change in provision of allowance for doubtful accounts	47,479
Interest - deferred financing fees	107,350
(Increase) decrease in assets:	
Accounts receivable, net	(91,274)
Prepaid expenses	15,438
Increase (decrease) in liabilities:	
Accounts payable	88,374
Property management fee payable	6,510
Tenant security deposits	4,247
Tenant prepaid rent	12,072
Due to related parties	(693,141)
Accrued interest payable	(10,903)
Other current liabilities	184,795
Net cash used in operating activities	<u>\$ (639,167)</u>

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

**Crescent Affordable Housing Corporation and Subsidiaries  
(A Component Unit of the Housing Authority of New Orleans)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2020**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Nature of operations

**Organization**

Crescent Affordable Housing Corporation (“CAHC”) and Subsidiaries (collectively referred to as the “Corporation”), a Louisiana not-for-profit corporation, was formed in December 2003 by the Housing Authority of New Orleans (“HANO”). The Corporation was formed for the purpose of providing a financial entity to assist HANO in acquiring, financing, redeveloping, rehabilitating and constructing affordable housing. CAHC is the sole member of Lune d’Or Enterprises, LLC (“Lune d’Or”), a for-profit entity created by HANO that serves as the managing member of several for-profit Limited Liability Companies that own and operate affordable housing projects developed on properties owned by HANO. CAHC is also the sole member of Place d’Genesis, LLC (“Place d’Genesis”), a for-profit entity with the purpose to acquire, finance, redevelop, rehabilitate and construct affordable housing, and Guste Homes III, LLC a 155-unit low-income housing apartment complex located in New Orleans, Louisiana.

CAHC is a component unit of HANO under the requirements of Governmental Accounting Standards Board (“GASB”) *Codification of Governmental Accounting and Financial Reporting Entity*, Section 2100, *Defining the Financial Reporting Entity*. CAHC 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 CAHC as its Board of Directors is appointed by HANO and any changes to CAHC’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. Principles of consolidation

The accompanying consolidated financial statements include the accounts of CAHC, Lune d’Or, Place d’Genesis, and Guste Homes III, LLC. CAHC has a 0.01% interest in Guste Homes III, LLC. In addition, the balances of Lune d’Or include three limited liability companies, which Lune d’Or is a controlling member as the managing general partner of each respective partnership. These entities in which CAHC and Lune d’Or have managing member ownership interests in are included in the consolidation according to accounting principles generally accepted in the United States of America (GAAP) which require consolidation of the accounts of all limited liability companies that CAHC and Lune d’Or control.

**Crescent Affordable Housing Corporation and Subsidiaries  
(A Component Unit of the Housing Authority of New Orleans)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2020

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Principles of consolidation (continued)

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
Guste Homes III, LLC	0.01%	155

There are three additional entities, CJP Rental I, LLC, St. Bernard Rental I, LLC, and Iberville Offsite Rehab I, LLC, in which CAHC has a minority interest, which are not controlled by CAHC and do not require inclusion in these consolidated financial statements.

All significant inter-company balances and transactions have been eliminated upon consolidation. These eliminations include the following:

	Amount
Developer fee payable and receivable	\$ 2,128,674
Investment in joint venture	\$ 651,342
Due to and due from between CAHC and its affiliates	\$ 2,058,983

3. 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 Corporation 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.

**Crescent Affordable Housing Corporation and Subsidiaries  
(A Component Unit of the Housing Authority of New Orleans)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2020**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

Net position, the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, 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 Corporation 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 Corporation. All other expenses are reported as non-operating expenses.

4. 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.

**Crescent Affordable Housing Corporation and Subsidiaries  
(A Component Unit of the Housing Authority of New Orleans)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2020

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

7. Accounts receivable, net

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, 2020, is \$27,019.

8. Tax credit monitoring fees, net

Tax credit monitoring fees of \$114,811 are being amortized using the straight-line method over the fifteen-year tax credit compliance period. Accumulated amortization at December 31, 2020 is \$38,462. Estimated amortization expense for each of the following years is as follows:

	Fischer I, LLC	Fischer III, LLC	Guste Homes III, LLC	Total
2021	\$ 60	\$ 770	\$ 6,866	\$ 7,696
2022	-	-	6,866	6,866
2023	-	-	6,866	6,866
2024	-	-	6,866	6,866
2025	-	-	6,866	6,866
Thereafter	-	-	41,189	41,189
	\$ 60	\$ 770	\$ 75,519	\$ 76,349

**Crescent Affordable Housing Corporation and Subsidiaries  
(A Component Unit of the Housing Authority of New Orleans)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2020**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

9. Guaranty receivable - related parties

Per the Operating Agreement, the Managing Member and affiliates of the Managing Member guarantee that they will fund any Excess Development Costs relating to the construction of the Project, as defined in the Operating Agreement. As of December 31, 2020, the Corporation reflects a guaranty receivable of \$12,495,579 relating to these amounts.

10. Capital assets, net

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:

	<u>Useful Lives</u>
Buildings and improvements	40 years
Land improvements	20 years
Furniture, equipment and machinery	10 years

11. Impairment of long-lived assets

The Corporation 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, 2020.

12. 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 Corporation are for-profit partnerships that are following FASB accounting guidance for debt issuance costs. According, these costs have been treated the same the financial reporting by the Corporation.

**Crescent Affordable Housing Corporation and Subsidiaries  
(A Component Unit of the Housing Authority of New Orleans)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2020**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

13. Rental income, net

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

14. Income taxes

CAHC has been classified as a publicly supported organization under Internal Revenue Code Section 501(c)(3) and not as a private foundation. Therefore, it is generally not subject to income tax. CAHC is subject to Unrelated Business Income Tax (UBIT) if income is earned which does not relate to its nonprofit purpose. There has been no UBIT recorded in the financials for the year ended December 31, 2020.

Lune d'Or and Place d'Genesis have elected to be treated as pass-through entities for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to CAHC and the other owners of the consolidated entities. Lune d'Or and Place d'Genesis' federal tax status as pass-through entities is based on their legal status as single-member limited liability companies. Accordingly, neither entity is required to take any tax positions in order to qualify as pass-through entities. Guste Homes III, LLC and the three limited liability companies included in Lune d'Or are required to file and do file tax returns with the Internal Revenue Service and other taxing authorities.

Accordingly, these consolidated financial statements do not reflect a provision for income taxes and there are no other tax positions which must be considered for disclosure. While no income tax returns are currently being examined by the Internal Revenue Service, the Corporation is no longer subject to income tax examinations by tax authorities for years before 2017.

15. Economic concentrations

All of the operations of CAHC and its consolidated subsidiaries are 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.

**Crescent Affordable Housing Corporation and Subsidiaries  
(A Component Unit of the Housing Authority of New Orleans)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2020

**NOTE B - CASH AND CASH EQUIVALENTS**

The Corporation maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. As of December 31, 2020, none of the bank balances were in excess of FDIC insurance and collateral. The Corporation has not experienced any losses in such accounts.

Restricted cash and cash equivalents consist of the following at December 31, 2020:

	Lune d'Or Enterprises, LLC and Subsidiaries			Guste Homes III, LLC	Total
	Fischer I, LLC	Fischer III, LLC	Guste I, LLC		
Replacement reserve	\$ 71,279	\$ 361,867	\$ 252,832	\$ 20,345	\$ 706,323
ACC subsidy reserve	33,802	-	227,816	166,017	427,635
Operating reserve	49,912	-	170,611	-	220,523
Development escrow	-	-	-	41,068	41,068
Utility escrow	-	50,000	-	-	50,000
Tenant security deposits	3,650	18,165	20,400	29,400	71,615
	\$ 158,643	\$ 430,032	\$ 671,659	\$ 256,830	\$ 1,517,164

1. Replacement reserve

Pursuant to each respective Operating Agreement, each Project is required to make monthly deposits to a reserve account for capital replacements. During 2020, the funded monthly deposits of \$543 for Fischer I, LLC, \$2,567 for Fischer III, LLC, and \$2,139 for Guste I, LLC were made and will increase annually by the Consumer Price Index. For Guste Homes III, LLC annual deposits are required in the amount of \$46,500, increasing annually by 3% commencing on the date of substantial completion.

2. Annual Contributions Contract ("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, \$227,000 for Guste I, LLC and \$165,000 for Guste Homes III, LLC.

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.

**Crescent Affordable Housing Corporation and Subsidiaries  
(A Component Unit of the Housing Authority of New Orleans)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2020**

**NOTE B - CASH AND CASH EQUIVALENTS (continued)**

4. Development escrow

In connection with the construction of Guste Homes III, LLC, the Investor Member has established an escrow to pay for future development costs.

5. Utility escrow

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

6. Rental achievement reserve

Pursuant to the Operating Agreement, the Managing Member of Guste Homes III, LLC, CAHC, is required to establish a rental achievement reserve of \$100,000 in a separate reserve account in order to ensure that the Project will maintain an average income to expense ratio of 1.05 to 1.0 or such greater ratio as may be required to maintain breakeven operations throughout the Compliance Period. The reserve is to be funded from capital contributions and/or loan proceeds. If there are insufficient funds to fund the rental achievement reserve from the aforementioned sources at the time of the sixth capital contribution, CAHC shall be required to fund the rental achievement reserve. Any balance remaining after the final capital contribution from the investor member shall be distributed to Guste Homes III, LLC. As of December 31, 2020, no amounts have been funded.

7. Property security reserve

Pursuant to the Operating Agreement, the Managing Member of Guste Homes III, LLC, CAHC, is required to establish an initial Property Security Reserve of \$175,000 in a separate reserve account in order to provide for physical security of the Project. The reserve is to be funded from capital contributions and/or loan proceeds and shall be held throughout the Compliance Period. CAHC may draw down up to \$35,000 annually for providing security to the Project without consent of the Special Investor Member, provided CAHC verifies that such funds are utilized for security purposes. If there are insufficient funds to fund the property security reserve from the aforementioned sources at the time of the fifth capital contribution, CAHC shall be required to fund the property security reserve. As of December 31, 2020, no amounts have been funded.

**Crescent Affordable Housing Corporation and Subsidiaries  
(A Component Unit of the Housing Authority of New Orleans)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2020**

**NOTE B - CASH AND CASH EQUIVALENTS (continued)**

8. Tax and insurance escrow

Pursuant to the Operating Agreement, the Managing Member of Guste Homes III, LLC, CAHC, is required to establish an initial tax and insurance escrow of \$217,463 in a separate escrow account in order to provide for insurance and tax payments for the Project. The initial escrow is to be funded from capital contributions and/or loan proceeds. If there are insufficient funds to fund the initial tax and insurance escrow from the aforementioned sources at the time of the fourth capital contribution, CAHC shall be required to fund the initial tax and insurance escrow. As of December 31, 2020, no amounts have been funded.

**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 consolidated statement of revenues, expenses and changes in net position. During 2020, \$39,227 for Fischer I, LLC, \$154,937 for Fischer III, LLC, \$160,515 for Guste I, LLC, and \$578,948 for Guste Homes III, LLC was received from HANO as a 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 units at each Project are to be operated as Public Housing Units and subject to all regulations therein. During 2019, \$72,188 for Fischer I, LLC, \$401,668 for Fischer III, LLC, \$117,784 for Guste I, LLC, and \$353,912 for Guste Homes III, LLC was received from HANO as an operating subsidy.

3. Developer agreement - related party

Fischer I, LLC, Fischer III, LLC, and Guste I, LLC entered into development agreements with CAHC. The agreements provide for development fees 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 in the respective agreements, during development and construction. The developer fees are expected to be paid out of investor equity contributions.

**Crescent Affordable Housing Corporation and Subsidiaries  
(A Component Unit of the Housing Authority of New Orleans)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2020

**NOTE C - RELATED PARTY TRANSACTIONS (continued)**

3. Developer agreement - related party (continued)

During the year ended December 31, 2020, no additional development fees relating to these projects were earned or paid. As of December 31, 2020, the cumulative total developer fees are as follows and the payable and receivable are eliminated in the consolidated financial statements:

Project	Total Fees Earned by CAHC	Amount Payable from the Project
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

In addition, CAHC had development agreements with Guste Homes III, LLC and Iberville Offsite Rehab I, LLC. The agreements provide for development fees 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, in the respective agreements, during development and construction. During the year ended December 31, 2020, the remaining balance of \$1,327,548 of Guste Homes III, LLC's development fees was earned by CAHC. During the year ended December 31, 2020 no development fees were paid. Total developer fees and amounts earned to date are as follows:

Project	Total Development Fee	Total Earned by CAHC	Amount Payable from the Project
Guste Homes III, LLC	\$ 5,310,193	\$ 5,310,193	\$ 3,982,645
Iberville Offsite Rehab I, LLC	487,863	361,477	-
	\$ 5,798,056	\$ 5,671,670	\$ 3,982,645

Developer fees of \$3,982,645 earned by and payable from Guste Homes III, LLC have not been recognized as revenue by CAHC due to the uncertainty of collection and will be recognized once received.

**Crescent Affordable Housing Corporation and Subsidiaries  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2020

**NOTE C - RELATED PARTY TRANSACTIONS (continued)**

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 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 ended December 31, 2020 and fees payable as of December 31, 2020 are as follows:

	Fees Earned	Amount Payable
Fischer I, LLC	\$ 5,915	\$ 3,301
Fischer III, LLC	6,599	13,350
Guste I, LLC	6,888	13,621
	<u>\$ 19,402</u>	<u>\$ 30,272</u>

Pursuant to the Operating Agreement of Guste Homes III, LLC, a one-time asset management fee in the amount of \$75,000 was paid to the Investor Member for an annual review of the operations of the Guste Homes III, LLC. The asset management fee is being amortized over the 15 year compliance period.

5. Activity with HANO

The Corporation 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. In addition, HANO pays for common costs for operations that create a payable due to HANO. As of December 31, 2020, advances and common costs totaling \$4,003,170 are due to HANO.

For the year ended December 31, 2020, amounts owed to HANO, by entity, are as follows:

Crescent Affordable Housing Corporation	\$ 2,157,099
Lune d'Or Enterprises, LLC	4,110
Fischer I, LLC	107,611
Fischer III, LLC	1,334,368
Guste I, LLC	399,982
	<u>\$ 4,003,170</u>

In addition to the amounts listed above, HANO has signed a construction note with Guste Homes III, LLC as described in Note E.

**Crescent Affordable Housing Corporation and Subsidiaries  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2020**

**NOTE D - CAPITAL ASSETS, NET**

A summary of changes in capital assets is as follows:

	Balance at January 1, 2020	Transfers in/ Additions	Transfers out/ Reductions	Balance at December 31, 2020
Non-depreciable:				
Land	\$ 28,220	\$ -	\$ (28,220)	\$ -
Total non-depreciable	28,220	-	(28,220)	-
Depreciated:				
Buildings and improvements	85,830,072	142,050	-	85,972,122
Land improvements	4,860,619	-	-	4,860,619
Furniture, equipment and machinery	935,876	39,304	-	975,180
Total depreciated	91,626,567	181,354	-	91,807,921
Total capital assets	91,654,787	181,354	(28,220)	91,807,921
Less accumulated depreciation				
Buildings and improvements	(14,791,637)	(2,727,289)	-	(17,518,926)
Land improvements	(3,708,405)	(155,759)	-	(3,864,164)
Furniture, equipment and machinery	(895,279)	(8,243)	-	(903,522)
Total accumulated depreciation	(19,395,321)	(2,891,291)	-	(22,286,612)
Capital assets, net	<u>\$ 72,259,466</u>	<u>\$ (2,709,937)</u>	<u>\$ (28,220)</u>	<u>\$ 69,521,309</u>

**Crescent Affordable Housing Corporation and Subsidiaries  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2020**

**NOTE E - NOTES PAYABLE**

A summary of changes in noncurrent notes payable is as follows:

	Payable at January 1, 2020	Additions	Reductions/ Amortization	Payable at December 31, 2020	Due within one year
<b>Fischer I, LLC</b>					
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	<u>1,850,359</u>	<u>-</u>	<u>-</u>	<u>1,850,359</u>	<u>-</u>
<b>Fischer III, LLC</b>					
Construction Note	14,710,628	-	-	14,710,628	-
Debt issuance costs	(153,056)	-	37,690	(115,366)	-
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	<u>18,316,805</u>	<u>-</u>	<u>37,690</u>	<u>18,354,495</u>	<u>-</u>
<b>Guste I, LLC</b>					
Mortgage Note	12,672,614	-	-	12,672,614	-
Debt issuance costs	(220,451)	-	69,660	(150,791)	-
Supplemental Loan	2,039,988	-	-	2,039,988	-
Construction Loan	140,511	-	-	140,511	-
Total Guste I, LLC	<u>14,632,662</u>	<u>-</u>	<u>69,660</u>	<u>14,702,322</u>	<u>-</u>
<b>Guste Homes III, LLC</b>					
Construction Note with HANO	52,455,653	-	-	52,455,653	-
	<u>\$ 87,255,479</u>	<u>\$ -</u>	<u>\$ 107,350</u>	<u>\$ 87,362,829</u>	<u>\$ -</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2020**

**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% 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, 2020, was \$120,323. Accrued interest payable on the note as of December 31, 2020, was \$1,267,276.

**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 Projects 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 ended December 31, 2020 was \$18,723. Accrued interest payable on the note as of December 31, 2020 is \$215,058.

**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.

**Crescent Affordable Housing Corporation and Subsidiaries  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2020**

**NOTE E - NOTES PAYABLE (continued)**

2. Fischer III, LLC

**Construction Note**

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% 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 2020 was \$441,319. Accrued interest payable as of December 31, 2020 was \$10,892,716.

Debt issuance costs, net of accumulated amortization, totaling \$115,366 as of December 31, 2020 is related to the construction mortgage note and is being amortized using an imputed interest rate of 3.09%. Amortization of debt issuance costs of \$37,690 is presented as interest expense for the year ended December 31, 2020.

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

**Crescent Affordable Housing Corporation and Subsidiaries  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2020**

**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 0.5%. 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, 2020 was \$1,721. Accrued interest payable as of December 31, 2020 was \$27,450.

3. Guste I, LLC

**Mortgage Note**

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% 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%. 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, 2020, interest incurred was \$380,178. Accrued interest payable at December 31, 2020 was \$2,348,862.

Debt issuance costs, net of accumulated amortization, totaled \$150,791 as of December 31, 2020 and are related to the mortgage note payable. Amortization of debt issuance costs on the above loan is being amortized using an imputed interest rate of 3.27%, and accordingly \$69,660 was charged to interest expense for the year ended December 31, 2020.

**Supplemental Loan**

In November 2006, a supplemental loan in the amount of \$2,939,998 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.

**Crescent Affordable Housing Corporation and Subsidiaries  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2020**

**NOTE E - NOTES PAYABLE (continued)**

3. Guste I, LLC (continued)

**Construction Note**

In January 2005, a construction loan in the amount of \$248,999 was obtained from HANO. The construction loan accrues interest at 3% with both the unpaid principal and interest due on January 31, 2060. For the year ended December 31, 2020, interest incurred was \$4,215. Accrued interest payable as of December 31, 2020 was \$97,942.

4. Guste Homes III, LLC

**Construction Note with HANO**

In November 2013, Guste Homes III, LLC obtained a non-interest bearing construction loan in the amount of \$38,628,000 from HANO. However, as of December 31, 2020, in addition to the full principal amount of \$38,628,000, Guste Homes III, LLC borrowed an additional \$13,827,653, for a total of \$52,455,653, which is included in notes payable - related party on the consolidated statement of net position, to continue construction. The loan will convert to permanent financing upon completion of construction. The permanent loan will bear interest at a rate of 0.95% payable from cash flow. All outstanding principal and interest shall be due at maturity on May 31, 2066.

**NOTE F - MANAGEMENT AGREEMENT**

Effective on October 2015, Fischer I, LLC is now managed by HANO, an affiliate of the Managing Member. As of and for the year ended December 31, 2020, \$6,510 was charged to operations and \$15,050 remains payable.

Fischer III, LLC entered into an agreement with HANO. The property management fee is calculated in the amount of \$30 per each occupied unit per month. As of and for the year ended December 31, 2020, \$37,590 was charged to operations and \$78,508 remains payable.

**Crescent Affordable Housing Corporation and Subsidiaries  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2020**

**NOTE F - MANAGEMENT AGREEMENT (continued)**

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, 2020, \$22,631 was charged to operations. As of December 31, 2020, Guste I, LLC has a payable to Guste RMC of \$42,510, which is included in other current liabilities, for unpaid reimbursement of payroll and other services.

Guste Homes III, LLC entered into a management agreement with Guste RMC for a monthly management fee equal to \$35 per month per unit for all units, whether they are occupied or not. The agreement is effective upon completion of the Project. For the year ended December 31, 2020, \$63,840 was charged to operations.

**NOTE G - INVESTOR EQUITY**

1. Fischer I, LLC

Capital contributions totaling \$2,079,000, including a downward adjuster of \$46, are due from the Investor Member when certain milestones are achieved as disclosed in the Operating Agreement. As of December 31, 2020, the Investor Member has funded \$2,078,954. 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 Investment Member when certain milestones are achieved as disclosed in the Operating Agreement. As of December 31, 2020 the Investment Member has funded \$1,977,094, of which \$1,377,094 was contributed during 2020. The above contributions are subject to adjustment as defined in the Operating Agreement, of which it was agreed upon by all parties that the capital contributions would be reduced to a total of \$1,977,094. The Managing Member and Special Member are required and have made contributions of \$100 and \$10, respectively.

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, 2020, 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, 2020, \$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.

**Crescent Affordable Housing Corporation and Subsidiaries  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2020**

**NOTE G - INVESTOR EQUITY (continued)**

4. Guste Homes III, LLC

Capital contributions totaling \$18,109,177 are due from the Investor Member when certain milestones are achieved as disclosed in the Operating Agreement. As of December 31, 2020, the Investor Member has funded \$6,745,668. The above contributions are subject to adjustment as defined in the Operating Agreement. As of December 31, 2020, \$11,363,509 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, 2020, the prepaid ground lease was \$33,492.

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, 2020, the prepaid ground lease was \$33,960.

On November 1, 2013, Guste Homes III, LLC entered into a forty-year ground lease with HANO. The lease requires an annual rent payment of \$10 per year and expires 40 years after the commencement date. As of December 31, 2020, the base rent for the entire term has been paid in full.

**Crescent Affordable Housing Corporation and Subsidiaries  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2020**

**NOTE I - COMMITMENTS AND CONTINGENCIES**

1. Legal

The Corporation may be party to various pending or threatened legal actions in the normal course of operations. As of the date of this report, management is not aware of any material threatened or pending legal actions against the Corporation.

2. Tax credits

For Fischer I, LLC, Fischer III, LLC, Guste I, LLC, and Guste Homes III, 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. COVID-19 pandemic

The Corporation, like most other businesses, has had its operational activities impacted by the COVID-19 pandemic to conform with current guidelines. As of the date of this report, the overall impact and duration is uncertain.

4. Operating deficit guaranty

Pursuant to the Operating Agreements, if any of the Projects require funds to discharge operating expenses, the Lune d'Or, LLC shall furnish to the Projects 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 not bear interest and be repayable only as provided for in the Operating Agreement. As of December 31, 2020, no amounts have been funded.

**NOTE J - SUBSEQUENT EVENTS**

The Corporation has evaluated subsequent events through June 30, 2021, the date which the consolidated financial statements were available to be issued, and noted no issues to be disclosed.

**SUPPLEMENTARY INFORMATION**

**Crescent Affordable Housing Corporation and Subsidiaries**  
**(A Component Unit of the Housing Authority of New Orleans)**

**CONSOLIDATING STATEMENT OF NET POSITION**

December 31, 2020

	Crescent Affordable Housing Corporation	Place d'Genesis, LLC	Lune d'Or Enterprises, LLC and Subsidiaries	Guste Homes III, LLC	Eliminations	Total
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents - unrestricted	\$ 1,018,078	\$ -	\$ 2,366,315	\$ 531,121	\$ -	\$ 3,915,514
Cash and cash equivalents - restricted	-	-	1,260,334	256,830	-	1,517,164
Developer fee receivable	2,128,674	-	-	-	(2,128,674)	-
Guaranty receivable	-	-	-	12,495,579	-	12,495,579
Accounts receivable, net	11,660	25,353	25,829	57,245	-	120,087
Prepaid expenses	-	-	65,300	87,010	-	152,310
Due from related party	2,058,983	-	1,128,952	527,748	(2,058,983)	1,656,700
Tax credit monitoring fees, net	-	-	830	6,866	-	7,696
Total current assets	<u>5,217,395</u>	<u>25,353</u>	<u>4,847,560</u>	<u>13,962,399</u>	<u>(4,187,657)</u>	<u>19,865,050</u>
<b>NONCURRENT ASSETS</b>						
Capital assets, net	-	-	23,729,303	45,792,006	-	69,521,309
Tax credit monitoring fees, net	-	-	-	68,653	-	68,653
Prepaid ground lease, net	651,342	-	67,452	-	(651,342)	67,452
Total noncurrent assets	<u>651,342</u>	<u>-</u>	<u>23,796,755</u>	<u>45,860,659</u>	<u>(651,342)</u>	<u>69,657,414</u>
Total assets	<u>5,868,737</u>	<u>25,353</u>	<u>28,644,315</u>	<u>59,823,058</u>	<u>(4,838,999)</u>	<u>89,522,464</u>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable	305	6,734	114,078	148,055	-	269,172
Property management fee payable	-	-	106,158	-	-	106,158
Asset management fee payable	-	-	30,272	-	-	30,272
Tenant security deposits	-	-	42,215	29,400	-	71,615
Tenant prepaid rent	-	-	24,214	-	-	24,214
Developer fee payable to related party	-	-	2,128,674	3,982,645	(2,128,674)	3,982,645
Due to related party	2,314,166	-	2,898,366	1,687,648	(2,058,983)	4,841,197
Accrued interest payable to related party	-	-	14,849,304	-	-	14,849,304
Other current liabilities	-	-	350,850	201,988	-	552,838
Total current liabilities	<u>2,314,471</u>	<u>6,734</u>	<u>20,544,131</u>	<u>6,049,736</u>	<u>(4,187,657)</u>	<u>24,727,415</u>
<b>NONCURRENT LIABILITIES</b>						
Notes payable - related party	-	-	34,907,176	52,455,653	-	87,362,829
Total liabilities	<u>2,314,471</u>	<u>6,734</u>	<u>55,451,307</u>	<u>58,505,389</u>	<u>(4,187,657)</u>	<u>112,090,244</u>
<b>NET POSITION</b>						
Net investment in capital assets	-	-	(11,177,873)	(6,663,647)	-	(17,841,520)
Restricted	-	19	1,218,119	227,430	-	1,445,568
Unrestricted	3,554,266	18,600	(16,847,238)	7,753,886	(651,342)	(6,171,828)
Total net position	<u>\$ 3,554,266</u>	<u>\$ 18,619</u>	<u>\$ (26,806,992)</u>	<u>\$ 1,317,669</u>	<u>\$ (651,342)</u>	<u>\$ (22,567,780)</u>

See independent auditor's report.

**Crescent Affordable Housing Corporation and Subsidiaries**  
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**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

For the year ended December 31, 2020

	Crescent Affordable Housing Corporation	Place d'Genesis, LLC	Lune d'Or Enterprises, LLC and Subsidiaries	Guste Homes III, LLC	Eliminations	Total
<b>OPERATING REVENUES</b>						
Rental income, net	\$ -	\$ -	\$ 1,521,457	\$ 1,415,315	\$ -	\$ 2,936,772
Other operating income	20,968	-	163,424	39,541	-	223,933
Total operating revenues	<u>20,968</u>	<u>-</u>	<u>1,684,881</u>	<u>1,454,856</u>	<u>-</u>	<u>3,160,705</u>
<b>OPERATING EXPENSES</b>						
Salaries and employee benefits	-	-	174,410	91,109	-	265,519
Utilities	-	-	412,920	399,036	-	811,956
Repairs and maintenance	-	-	468,543	151,658	-	620,201
Protective services	-	-	174,040	313,370	-	487,410
Insurance	-	-	436,775	211,348	-	648,123
Tenant services	-	-	126,771	34,306	-	161,077
Other general and administrative	30,725	-	264,563	174,887	-	470,175
Depreciation	-	-	1,021,494	1,861,814	-	2,883,308
Amortization	-	-	907	6,866	-	7,773
Total operating expenses	<u>30,725</u>	<u>-</u>	<u>3,080,423</u>	<u>3,244,394</u>	<u>-</u>	<u>6,355,542</u>
<b>OPERATING LOSS</b>	<u>(9,757)</u>	<u>-</u>	<u>(1,395,542)</u>	<u>(1,789,538)</u>	<u>-</u>	<u>(3,194,837)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Interest income	1,805	-	5,385	254	-	7,444
Interest expense - related party	-	-	(1,073,829)	-	-	(1,073,829)
Total non-operating revenues (expenses)	<u>1,805</u>	<u>-</u>	<u>(1,068,444)</u>	<u>254</u>	<u>-</u>	<u>(1,066,385)</u>
Change in net position before contributions	<u>(7,952)</u>	<u>-</u>	<u>(2,463,986)</u>	<u>(1,789,284)</u>	<u>-</u>	<u>(4,261,222)</u>
<b>CONTRIBUTIONS</b>						
Contributions from Investor Member	-	-	1,377,094	-	-	1,377,094
Change in net position	<u>(7,952)</u>	<u>-</u>	<u>(1,086,892)</u>	<u>(1,789,284)</u>	<u>-</u>	<u>(2,884,128)</u>
Total net position - beginning	<u>3,562,218</u>	<u>18,619</u>	<u>(25,720,100)</u>	<u>3,106,953</u>	<u>(651,342)</u>	<u>(19,683,652)</u>
Total net position - ending	<u>\$ 3,554,266</u>	<u>\$ 18,619</u>	<u>\$ (26,806,992)</u>	<u>\$ 1,317,669</u>	<u>\$ (651,342)</u>	<u>\$ (22,567,780)</u>

See independent auditor's report.

**Crescent Affordable Housing Corporation 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, 2020**

**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

CAHC 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 CAHC. 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 Board of Directors,  
Crescent Affordable Housing Corporation and Subsidiaries (A Component Unit of the Housing Authority of New Orleans)

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the business-type activities of Crescent Affordable Housing Corporation and Subsidiaries (A Component Unit of the Housing Authority of New Orleans) (collectively referred to as the "Corporation"), as of and for the year ended December 31, 2020, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 30, 2021.

**Internal Control Over Financial Reporting**

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

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 Corporation'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 Corporation'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 Corporation'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 Corporation's internal control over compliance. Accordingly, this communication is not suitable for any other purpose.

June 30, 2021  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*