

Lune d'Or Enterprises, LLC and Subsidiaries

**Consolidated Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

December 31, 2016 and 2015

COHN  REZNICK
ACCOUNTING • TAX • ADVISORY

Lune d'Or Enterprises, LLC and Subsidiaries

Index

	<u>Page</u>
Independent Auditor's Report	3
Financial Statements	
Consolidated Balance Sheets	5
Consolidated Statements of Operations	7
Consolidated Statements of Equity (Deficit)	8
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10
Supplementary Information	
Consolidating Statement of Balance Sheet, December 31, 2016	24
Consolidating Statement of Balance Sheet, December 31, 2015	26
Consolidating Statement of Operations, Year-Ended December 31, 2016	28
Consolidating Statements of Operations, Year-Ended December 31, 2015	29
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Office	30
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 <i>Government Auditing Standards</i>	31

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Lune d'Or Enterprises, LLC and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations, equity (deficit) and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained *Government Auditing Standards*. 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 audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lune d'Or Enterprises, LLC and Subsidiaries as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Guidance

As discussed in Note 2 to the financial statements, in 2016, Lune d'Or Enterprises, LLC and Subsidiaries adopted new accounting guidance related to the presentation of debt issuance costs. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 24 through 30, 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 chief executive officer (Chief Executive Compensation Schedule) is presented for 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 underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits 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 29, 2017, on our consideration of Lune d'Or Enterprises, LLC and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Lune d'Or Enterprises, LLC and Subsidiaries' internal control over financial reporting and compliance.



Charlotte, North Carolina
June 29, 2017

Lune d'Or Enterprises, LLC and Subsidiaries

Consolidated Balance Sheets
December 31, 2016 and 2015

Assets

	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents	\$ 1,758,783	\$ 1,389,334
Accounts receivable - tenant	18,529	27,928
Prepaid expenses	210,568	229,279
Due from related party	288,942	-
	<u>2,276,822</u>	<u>1,646,541</u>
Total Current Assets		
Restricted Deposits and Funded Reserves		
Resident security deposits	30,776	42,878
Replacement reserves	533,070	465,170
Other escrows	397,000	397,000
	<u>960,846</u>	<u>905,048</u>
Total Restricted Deposits and Funded Reserves		
Rental Property		
Buildings and improvements	34,615,625	34,615,625
Land improvements	4,860,619	4,860,619
Furniture, equipment and machinery	880,539	880,539
	<u>40,356,783</u>	<u>40,356,783</u>
Less accumulated depreciation	<u>(12,474,383)</u>	<u>(11,380,608)</u>
Total Rental Property	<u>27,882,400</u>	<u>28,976,175</u>
Other Noncurrent Assets		
Tax credit monitoring fees, net	4,457	5,363
Other assets	72,173	73,117
	<u>76,630</u>	<u>78,480</u>
Total Other Noncurrent Assets		
Total Assets	<u>\$ 31,196,698</u>	<u>\$ 31,606,244</u>

Lune d'Or Enterprises, LLC and Subsidiaries

Consolidated Balance Sheets
December 31, 2016 and 2015

Liabilities and Equity (Deficit)

	<u>2016</u>	<u>2015</u>
Current Liabilities		
Accounts payable	\$ 102,140	\$ 96,802
Accrued expenses	735,587	709,803
Property management fee payable	44,279	-
Asset management fee payable	100,542	85,566
Developer fee payable	2,186,110	2,186,110
Due to related party	2,946,195	2,413,343
Construction notes payable to related party	14,444,503	14,406,812
Accrued interest payable to related party	9,127,440	8,686,121
Total Current Liabilities	<u>29,686,796</u>	<u>28,584,557</u>
Deposits and Prepaid Liability		
Resident security deposits	<u>41,371</u>	<u>43,000</u>
Total Deposits and Prepaid Liability	<u>41,371</u>	<u>43,000</u>
Long-Term Liabilities		
Notes payable - related party	20,033,094	19,963,615
Accrued interest payable	<u>2,014,609</u>	<u>1,513,447</u>
Total Long-Term Liabilities	<u>22,047,703</u>	<u>21,477,062</u>
Contingencies	-	-
Equity (deficit)		
Member's equity (deficit)	(6,068)	(1,850)
Noncontrolling interest	<u>(20,573,104)</u>	<u>(18,496,525)</u>
Total Equity (Deficit)	<u>(20,579,172)</u>	<u>(18,498,375)</u>
Total Liabilities and Equity (Deficit)	<u>\$ 31,196,698</u>	<u>\$ 31,606,244</u>

See Notes to Consolidated Financial Statements.

Lune d'Or Enterprises, LLC and Subsidiaries

Consolidated Statements of Operations
Years Ended December 31, 2016 and 2015

	2016	2015
Revenue		
Rental income	\$ 1,076,754	\$ 1,068,369
Vacancies and concessions	(61,676)	(59,331)
Other operating income	769,781	701,047
Total Revenue	1,784,859	1,710,085
Operating Expenses		
Salaries and employee benefits	399,212	393,113
Repairs and maintenance	339,401	280,903
Utilities	425,312	395,486
Real estate taxes	5,699	-
Property management fee	66,723	61,354
Property insurance	300,283	323,055
Accounting fees	4,010	-
Miscellaneous operating expenses	160,226	172,373
Total Operating Expenses	1,700,866	1,626,284
Net Operating Income (Loss)	83,993	83,801
Other Income (Expense)		
Interest income	2,581	1,009
Interest expense - related party	(1,049,911)	(1,045,349)
Other financial income (expense)	(822)	(706)
Miscellaneous other income (expense)	(6,981)	(296,108)
Annual fee to affiliate of investor member	(14,976)	(14,924)
Depreciation	(1,093,775)	(1,122,318)
Amortization	(906)	(906)
Total Other Income (Expenses)	(2,164,790)	(2,479,302)
Net Loss	(2,080,797)	(2,395,501)
Non-Controlling Interest	(2,076,579)	(2,395,261)
Net Loss Attributable to Lune d'Or Enterprises, LLC	\$ (4,218)	\$ (240)

See Notes to Consolidated Financial Statements.

Lune d'Or Enterprises, LLC and Subsidiaries

Consolidated Statements of Equity (Deficit)
Years Ended December 31, 2016 and 2015

	<u>Member's Equity</u>	<u>Noncontrolling Interest</u>	<u>Total</u>
Balance January 1, 2015	\$ (1,610)	\$ (16,101,264)	\$ (16,102,874)
Net income (loss)	<u>(240)</u>	<u>(2,395,261)</u>	<u>(2,395,501)</u>
Balance December 31, 2015	(1,850)	(18,496,525)	(18,498,375)
Net income (loss)	<u>(4,218)</u>	<u>(2,076,579)</u>	<u>(2,080,797)</u>
Balance December 31, 2016	<u>\$ (6,068)</u>	<u>\$ (20,573,104)</u>	<u>\$ (20,579,172)</u>

See Notes to Consolidated Financial Statements.

Lune d'Or Enterprises, LLC and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Net loss	\$ (2,080,797)	\$ (2,395,501)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	1,093,775	1,122,318
Amortization	906	906
Write off of related party balances	-	249,322
Amortization of debt issuance costs	107,350	107,351
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable - tenant	9,399	8,867
Accounts receivable - other	-	1,532
Prepaid expenses	18,711	(205,954)
Tenant security deposits, net	10,473	4,341
Other assets	944	944
Accounts payable	5,338	4,064
Accrued expenses	25,784	(288,401)
Asset management fee payable	14,976	14,924
Due from related party	(244,663)	67,073
Accrued interest payable to related party	942,481	937,998
	<u>(95,323)</u>	<u>(370,216)</u>
 Cash flows from investing activities		
Replacement reserve, net	<u>(67,900)</u>	<u>(292,257)</u>
	<u>(67,900)</u>	<u>(292,257)</u>
 Cash flows from financing activities		
Due to related parties, net	<u>532,672</u>	<u>860,060</u>
	<u>532,672</u>	<u>860,060</u>
 Net increase (decrease) in cash and cash equivalents	<u>369,449</u>	<u>197,587</u>
 Cash and cash equivalents, beginning of year	<u>1,389,334</u>	<u>1,191,747</u>
 Cash and cash equivalents, end of year	<u>\$ 1,758,783</u>	<u>\$ 1,389,334</u>
 Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>

See Notes to Consolidated Financial Statements.

Lune d'Or Enterprises, LLC and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2016 and 2015

Note 1 - Organization and 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, 2016, 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>
Fischer I, LLC	0.01%	20
Fischer 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.

Note 2 - Summary of significant accounting policies

Cash equivalents

For purposes of the statements of cash flows, the Company considers all cash balances and highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Tenant receivables

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based on a periodic review of the accounts by management. GAAP 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.

Debt issuance costs

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

Lune d'Or Enterprises, LLC and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2016 and 2015

costs is reported as a component of interest expense and is computed using an imputed interest rate on related loan.

Tax credit fees

Tax credit monitoring fees are being amortized using the straight-line method over the fifteen-year tax credit compliance period.

Accumulated amortization as of December 31, 2016 and 2015 was \$9,143 and \$8,237, respectively.

Estimated amortization expense for each of the ensuing years and thereafter is as follows:

	<u>Fischer I, LLC</u>	<u>Fischer III, LLC</u>	<u>Guste I, LLC</u>	<u>Total</u>
2017	\$ 133	\$ 773	\$ -	\$ 906
2018	133	773	-	906
2019	133	773	-	906
2020	133	773	-	906
2021	60	773	-	833
Thereafter	-	-	-	-
	<u>\$ 592</u>	<u>\$ 3,865</u>	<u>\$ -</u>	<u>\$ 4,457</u>

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 and equipment	10 years	Declining balance

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, 2016 and 2015.

Rental income

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

Advertising costs

The Company's policy is to expense advertising costs when incurred.

Lune d'Or Enterprises, LLC and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2016 and 2015

Income taxes

The Company has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owner and the other owners of the consolidated entities on their respective income tax returns. The Company's federal tax status as a pass-through entity is based on its legal status as a single-member limited liability company. Guste I, LLC, Fischer I, LLC and Fischer III, LLC are required to file and do file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Company has no other tax positions which must be considered for disclosure. Income tax returns filed by the Company are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2013 remain open.

Use of estimates

The preparation of financial statements in conformity with GAAP 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.

Economic concentrations

Fischer I, LLC, Fischer III, LLC and Guste I, LLC each operates one property 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.

Noncontrolling interest

Interests held by investor members in limited liability companies consolidated by Lune d'Or are reflected in noncontrolling 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 I, LLC, not owned by Lune d'Or Enterprises, LLC.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation.

Lune d'Or Enterprises, LLC and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2016 and 2015

Change in accounting principle

During 2016, Lune d'Or Enterprises, LLC adopted the provisions of Accounting Standards Update 2015-03, Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"), which modifies the presentation of debt issuance costs and the related amortization. The change in accounting under ASU 2015-03 improves the reporting of debt issuance costs by no longer reporting them as assets. It also improves the reporting of the related amortization by including it as a component of interest expense. ASU 2015-03 has been adopted by Lune d'Or Enterprises, LLC on a retrospective basis. As a result, total assets as well as loans payable as of December 31, 2015, have been reduced by the effect of the reclassification of debt issuance costs, net of accumulated amortization, as noted below:

	<u>Unamortized Debt Issuance Costs 2015</u>
Guste I, LLC	\$ 499,090
Fischer III, LLC	<u>303,816</u>
	<u>\$ 802,906</u>

Note 3 - Restricted cash

Replacement reserves

Pursuant to the Operating Agreement, Guste I, LLC is required to make monthly deposits to a reserve for replacements account for use in funding maintenance and replacement costs. Required monthly deposits are required in the amount of \$2,416, increasing annually by the Consumer Price Index commencing on the completion date. As of December 31, 2016 and 2015, \$207,781 and \$180,710 had been funded, respectively.

Pursuant to the Operating Agreement, Fischer I, LLC shall establish 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, 2016 and 2015, the replacement reserve balance was \$57,859 and \$51,000, respectively.

Pursuant to the Operating Agreement, Fischer III, LLC shall establish 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, 2016 and 2015, the replacement reserve balance was \$267,430 and \$233,460, respectively.

ACC subsidy reserve

Pursuant to the Operating Agreement, Guste I, LLC shall establish a reserve account in the amount of \$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, 2016 and 2015, \$227,000 and \$227,000 had been funded, respectively.

Pursuant to the Operating Agreement, Fischer I, LLC shall establish a reserve account in the amount of \$36,627 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, 2016 and 2015, no amounts have been funded.

Lune d'Or Enterprises, LLC and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2016 and 2015

Pursuant to the Operating Agreement, Fischer III, LLC shall establish a reserve account in the amount of \$193,875 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, 2016 and 2014, no amounts have been funded.

Operating Reserve

Pursuant to the Operating Agreement, the Managing Member of 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, 2016 and 2015, \$170,000 and \$170,000 had been funded, respectively.

Pursuant to the Operating Agreement, the Managing Member of 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, 2016 and 2015, no amounts have been funded.

Pursuant to the Operating Agreement, the Managing Member of 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, 2016 and 2015, no amounts have been funded.

Note 4 - Contract subsidy

Sixty-seven units within Guste I, LLC are eligible to receive operating fund assistance from the Department of Housing and Urban Development through HANO, under Section 9(e) of the United States Housing Act of 1937. During 2016 and 2015, the Company earned operating fund assistance in the amount of \$193,802 and \$194,134, respectively. These amounts are included in rental income in the accompanying consolidated statements of operations.

Sixty-nine units within Fischer III, LLC are eligible to receive operating fund assistance from the Department of Housing and Urban Development through HANO, under Section 9(e) of the United States Housing Act of 1937. During 2016 and 2015, the Company earned operating fund assistance in the amounts of \$201,705 and \$197,878, respectively. These amounts are included in rental income in the accompanying consolidated statements of operations.

Twelve units within Fischer I, LLC are eligible to receive operating fund assistance from the Department of Housing and Urban Development through HANO, under Section 9(e) of the United States Housing Act of 1937. During 2016 and 2015, the Company earned operating fund assistance in the amount of \$80,788 and \$92,695, respectively. These amounts are included in rental income in the accompanying consolidated statements of operations.

Note 5 - Related party transactions

Operating subsidy

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

Lune d'Or Enterprises, LLC and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2016 and 2015

During 2016 and 2015, Guste I, LLC received operating subsidy from HANO in the amount of \$278,458 and \$248,075, respectively.

During 2016 and 2015, Fischer III, LLC received operating subsidy from HANO in the amount of \$404,651 and \$264,416, respectively.

During 2016 and 2015, Fischer I, LLC received operating subsidy from HANO in the amount of \$55,572 and \$32,128, respectively.

Guste I, LLC is due \$288,942 and \$0 as of December 31, 2016 and 2015, respectively, as a result of the operating subsidy due from HANO. During 2015 the Company determined the entire balance owed at that time was no longer collectible and \$409,688 was charged to expense.

Fischer III, LLC is due \$0 and \$47,624 as of December 31, 2016 and 2015, respectively, as a result of the operating subsidy due from HANO. During 2015, the Company determined that \$197,610 of the balance to be no longer collectible and was charged to expense.

Developer agreement

Guste I, LLC, Fischer I, LLC and Fischer III, LLC entered into a development agreement with CAHC. The agreement provides 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. The developer fees are expected to be paid out of investor equity contributions. Total developer fees are as follows:

	Total Development Fee Earned	Amount Payable
Guste I, LLC	\$ 1,199,510	\$ 899,510
Fischer I, LLC	279,026	231,036
Fischer III, LLC	1,355,564	1,055,564
	<u>\$ 2,834,100</u>	<u>\$ 2,186,110</u>

Lune d'Or Enterprises, LLC and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2016 and 2015**

Asset management fee

Pursuant to the Operating Agreement, the Investor Member of Guste I, LLC, Fischer I, LLC and Fischer III, LLC shall earn an annual, cumulative fee. For Guste I, LLC and Fischer III, LLC, the fee is adjusted each year for the changes in the Consumer Price Index. Total fees earned and payable as of December 31, 2016 and 2015 and for the years then ended is as follows:

	2016		2015	
	Fees Earned	Amount Payable	Fees Earned	Amount Payable
Guste I, LLC	\$ 5,971	\$ 17,864	\$ 5,971	\$ 11,893
Fischer I, LLC	2,500	24,063	2,500	21,563
Fischer III, LLC	6,505	58,615	6,453	52,110
	\$ 14,976	\$ 100,542	\$ 14,924	\$ 85,566

Due to HANO

Guste I, LLC, Fischer I, LLC and Fischer III, LLC incurred costs due to HANO related to the miscellaneous 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, 2016 and 2015, advances totaling \$2,320,212 and \$1,787,360, respectively, is due to HANO and is included in due to related party in the accompanying consolidated balance sheets. During 2015, the Company determined \$109,457 of the balance to no longer be payable and was charged to miscellaneous other income in the accompanying consolidated statements of operations.

Guste I, LLC owes CAHC for property insurance paid by CAHC during 2016 and 2015. The balance due as of December 31, 2016 and 2015 is \$223,748 and \$223,748, respectively, and is included in due to related party the accompanying consolidated balance sheets.

Fischer III, LLC owes CAHC for property insurance and allocated payroll paid by CAHC. The balance due as of December 31, 2016 and 2015 is \$508,757 and \$508,757, respectively, and is included in accrued expenses in the accompanying consolidated balance sheets. During 2015, the Company determined \$248,519 of the balance to no longer be payable and was charged to miscellaneous other income in the accompanying consolidated statements of operations.

Fischer I, LLC owes CAHC for property insurance paid by CAHC during 2016 and 2015. The balance due as of December 31, 2016 and 2015 is \$138,244 and \$138,224, respectively, and is included in accrued expenses in the accompanying consolidated balance sheets.

City grant funds due to HANO

Guste I, LLC received from HANO advances from a City of New Orleans grant in 2008. During 2010, it was discovered that a portion of the funds were not qualified costs under the grant and are due back to HANO. As of December 31, 2016 and 2015, the balance is \$402,235 each year. The amount is included in due to related party and is payable out of the cash flow.

Management fees

Fischer III, LLC incurred management fees due to HANO prior to 2009 of which the outstanding balance of \$48,808 remains payable at December 31, 2016 and 2015 and is included in due to related party balance on the consolidated balance sheets.

Lune d'Or Enterprises, LLC and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2016 and 2015

Note 6 - Mortgage note payable

Guste I, LLC

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. Accrued interest at December 31, 2016 and 2015 was \$950,446 and \$570,267 respectively. Debt issuance costs, net of accumulated amortization, totaled \$429,431 and \$499,090 as of December 31, 2016 and 2015, respectively, 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 3.272 percent.

Note 7 - Construction note payable

Fischer III, LLC

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 extended through December 31, 2011. Outstanding principal as of December 31, 2016 and 2015 was \$14,710,628 for both years. Total interest expense for 2016 and 2015 was \$441,318 for each year. Accrued interest as December 31, 2016 and 2015 was \$9,127,440 and \$8,686,121, respectively, and is included in accrued interest payable to related party.

Debt issuance costs, net of accumulated amortization, totaling \$266,125 and \$303,816 as of December 31, 2016 and 2015 are related to the construction mortgage note and are being amortized using an imputed interest rate of 3.09 percent. Amortization of debt issuance costs of \$37,691 were charged to operations for the years ended December 31, 2016 and 2015 and are included in interest expense - mortgage notes payable on the consolidated statements 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.

Lune d'Or Enterprises, LLC and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2016 and 2015**

Note 8 - Notes payable - related party

Notes payable to HANO consists of the following at December 31, 2016 and 2015:

	2016	2015
Guste I, LLC		
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.	\$ 2,039,988	\$ 2,039,988

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 years ended December 31, 2016 and 2015, interest incurred was \$4,215 and \$4,215 respectively. Accrued interest payable as of December 31, 2016 and 2015 was \$81,173 and \$76,957, respectively, and is included in accrued interest payable.

140,511	140,511
2,180,499	2,180,499

Fischer I, LLC

During 2005, a Capital Funds Note was obtained from 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. The loan bears interest at the long term applicable federal rate, which was 4.68 percent at the time the loan was funded, and is collateralized by the project. All unpaid principal and interest is due on January 31, 2060, and payments on the loan are to be made from surplus cash. Interest incurred during the years ended December 31, 2016 and 2015 was \$100,206 and \$95,726, respectively. Accrued interest payable as of December 31, 2016 and 2015 is \$817,308 and \$717,101, respectively, and is included in accrued interest payable.

1,424,059	1,424,059
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Lune d'Or Enterprises, LLC and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2016 and 2015

	2016	2015
<p>On January 20, 2005, a Program Income Construction Mortgage Note was obtained from 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 percent at the time the loan was funded. The loan is collateralized by the project, and the entire amount of unpaid principal and interest is due and payable on January 31, 2060. Interest incurred during the years ended December 31, 2016 and 2015 was \$14,838 and \$14,839, respectively. Accrued interest payable as of December 31, 2016 and 2015 is \$145,118 and \$130,279, respectively, and is included in accrued interest payable.</p>	196,300	196,300
<p>On November 1, 2006, a Supplemental Loan was obtained from 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.</p>	130,000	130,000
<p>On November 16, 2005, an Affordable Housing Program Loan was obtained from HANO in the amount of \$100,000, to assist with 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.</p>	<div style="border-top: 1px solid black; border-bottom: 1px solid black;">100,000</div> <div style="border-top: 1px solid black; border-bottom: 1px solid black;">1,850,359</div>	<div style="border-top: 1px solid black; border-bottom: 1px solid black;">100,000</div> <div style="border-top: 1px solid black; border-bottom: 1px solid black;">1,850,359</div>

Lune d'Or Enterprises, LLC and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2016 and 2015**

	2016	2015
Fischer III, LLC		
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.	3,064,919	3,064,919
On November 16, 2005, an Affordable Housing Program Loan) was obtained 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.	350,000	350,000
In January 2005, a Program Income Loan was obtained 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 years ended December 31, 2016 and 2015 was \$1,722 for both years. Accrued interest payable as of December 31, 2016 and 2015 was \$20,565 and \$18,843, respectively, and is included in accrued interest payable.	344,314	344,314
	3,759,233	3,759,233
	\$ 7,790,091	\$ 7,790,091

Note 9 - Management agreement

Guste I, LLC

Guste I, LLC has entered into a management agreement with Guste Homes Resident Management Corporation (Guste RMC) for a monthly management fee equal to \$23.50 per each occupied unit per month. For the years ended December 31, 2016 and 2015, \$22,443 and \$22,609 was charged to operations.

The Company has a payable to Guste RMC of \$88,606 and \$42,510 at December 31, 2016 and 2015, respectively, for unpaid reimbursement of payroll and other services. The payable is included in accrued expenses in the accompanying consolidated balance sheet.

Fischer I, LLC

Fischer I, LLC has entered into an agreement with Guste Homes Resident Management Corporation ("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.

Lune d'Or Enterprises, LLC and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2016 and 2015

Total management fees incurred under this agreement for years ended December 31, 2016 and 2015 was \$7,200 and \$6,300, respectively, was charged to operations and \$7,200 and \$0, respectively, remains payable.

Effective October 2015, the project is managed by HANO, an affiliate of the Managing Member.

Fischer III, LLC

Fischer III, LLC has entered into an agreement with Guste Homes Resident Management Corporation ("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. Total management fees incurred under this agreement for the years ended December 31, 2016 and 2015, \$37,080 and \$32,445, respectively, was charged to operations and \$37,079 and \$0, respectively, remains payable.

Effective October 2015, the project is managed by HANO, an affiliate of the Managing Member.

Note 10 - Investor equity

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, 2016 and 2015, the Investor Member has funded \$4,163,722 and \$4,163,722, respectively. The above contributions are subject to adjustment as defined in the Operating Agreement. As of December 31, 2016 and 2015, \$654,249 and \$654,249, respectively, remain payable. The Managing Member is required to make contributions of \$100 and the Special Member is required to make contributions of \$10.

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, 2016 and 2015, the Investor Member has funded \$1,326,683. 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.

Fischer III, LLC

Capital contributions totaling \$6,560,210, including an upward adjuster of \$174,450, are due from the Investor Member when certain milestones are achieved as disclosed in the Operating agreement. As of December 31, 2016 and 2015, 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.

Note 11 - Concentration of credit risk

The Company maintains its cash and cash equivalents with financial institutions. 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 balances at December 31, 2016.

Lune d'Or Enterprises, LLC and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2016 and 2015

Note 12 - Ground lease

Guste I, LLC

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, 2016 and 2015, the prepaid ground lease was \$35,846 and \$36,318, respectively.

Fischer I, LLC

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.

Fischer III, LLC

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 on January 20, 2005, the payment obligations have been fully satisfied and discharged. As of December 31, 2016 and 2015, the prepaid ground lease was \$35,852 and \$36,324, respectively.

Note 13 - Prepaid expense

Fischer III, LLC is in dispute with the City of New Orleans over the assessment of real estate taxes and the potential tax exempt status of the Company land. As of December 31, 2016 and 2015, the Company had prepaid balances of \$150,308 and \$150,308, respectively relating to potential real estate taxes.

Note 14 - Contingencies

For Guste I, LLC, Fischer I, LLC, and Fischer III, LLC, the low-income housing credits are contingent on the 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 non-compliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential non-compliance may require an adjustment to the contributed capital by the Investor Member of each entity.

Note 15 - Subsequent events

Events that occur after the consolidated balance sheet date but before the consolidated financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the consolidated balance sheet date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Company through June 29, 2017 (the date the consolidated financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.

Supplementary Information

Lune d'Or Enterprises, LLC and Subsidiaries

**Consolidating Balance Sheet
December 31, 2016**

	Lune d'Or Enterprises, LLC	Fischer I, LLC	Fischer III, LLC	Guste I, LLC	Eliminations	Total
Current Assets						
Cash and cash equivalents	\$ -	\$ 211,441	\$ 712,220	\$ 835,122	\$ -	\$ 1,758,783
Accounts receivable - tenant	-	1,492	4,794	12,243	-	18,529
Prepaid expenses	-	6,492	196,003	8,073	-	210,568
Due from related party	-	-	-	288,942	-	288,942
Total Current Assets	-	219,425	913,017	1,144,380	-	2,276,822
Restricted Deposits and Funded Reserves						
Resident security deposits	-	4,700	5,215	20,861	-	30,776
Replacement reserves	-	57,859	267,430	207,781	-	533,070
Other reserves	-	-	-	397,000	-	397,000
Total Restricted Deposits and Funded Reserves	-	62,559	272,645	625,642	-	960,846
Rental Property						
Buildings and improvements	-	3,654,063	18,646,270	12,315,292	-	34,615,625
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	14,998,370	-	40,356,783
Less accumulated depreciation	-	(1,239,800)	(6,563,801)	(4,670,782)	-	(12,474,383)
Total Rental Property	-	2,742,733	14,812,079	10,327,588	-	27,882,400
Other Noncurrent Assets						
Tax credit monitoring fees, net	-	592	3,865	-	-	4,457
Note receivable - related parties	-	-	579,711	-	(579,711)	-
Other assets	-	50	36,277	35,846	-	72,173
Total Other Noncurrent Assets	-	642	619,853	35,846	(579,711)	76,630
Total Assets	\$ -	\$ 3,025,359	\$ 16,617,594	\$ 12,133,456	\$ (579,711)	\$ 31,196,698

Lune d'Or Enterprises, LLC and Subsidiaries

**Consolidating Balance Sheet
December 31, 2016**

	Lune d'Or Enterprises, LLC	Fischer I, LLC	Fischer III, LLC	Guste I, LLC	Eliminations	Total
Current Liabilities						
Accounts payable	\$ 4,010	\$ 9,709	\$ 56,798	\$ 31,623	\$ -	\$ 102,140
Accrued expenses	-	138,224	508,757	88,606	-	735,587
Property management fee payable	-	7,200	37,079	-	-	44,279
Asset management fee payable	-	24,063	58,615	17,864	-	100,542
Developer fee payable	-	231,036	1,055,564	899,510	-	2,186,110
Due to related party	-	737,730	1,854,374	933,802	(579,711)	2,946,195
Construction notes payable to related party	-	-	14,444,503	-	-	14,444,503
Accrued interest payable to related party	-	-	9,127,440	-	-	9,127,440
Total Current Liabilities	4,010	1,147,962	27,143,130	1,971,405	(579,711)	29,686,796
Deposits and Prepaid Liability						
Resident security deposits	-	4,700	16,371	20,300	-	41,371
Total Deposits and Prepaid Liability	-	4,700	16,371	20,300	-	41,371
Long-Term Liabilities						
Notes payable - related party	-	1,850,359	3,759,233	14,423,502	-	20,033,094
Accrued interest payable	-	962,425	20,565	1,031,619	-	2,014,609
Total Long-Term Liabilities	-	2,812,784	3,779,798	15,455,121	-	22,047,703
Equity (deficit)						
Member's equity (deficit)	(4,010)	(940,087)	(14,321,705)	(5,313,370)	20,573,104	(6,068)
Noncontrolling interest	-	-	-	-	(20,573,104)	(20,573,104)
Total equity (deficit)	(4,010)	(940,087)	(14,321,705)	(5,313,370)	-	(20,579,172)
Total Liabilities and Equity (Deficit)	\$ -	\$ 3,025,359	\$ 16,617,594	\$ 12,133,456	\$ (579,711)	\$ 31,196,698

Lune d'Or Enterprises, LLC and Subsidiaries

**Consolidating Balance Sheet
December 31, 2015**

	Lune d'Or Enterprises, LLC	Fischer I, LLC	Fischer III, LLC	Guste I, LLC	Eliminations	Total
Current Assets						
Cash and cash equivalents	\$ -	\$ 118,082	\$ 349,390	\$ 921,862	\$ -	\$ 1,389,334
Accounts receivable - tenant	-	5,234	6,628	16,066	-	27,928
Prepaid expenses	-	6,235	193,826	29,218	-	229,279
Total Current Assets	-	129,551	549,844	967,146	-	1,646,541
Restricted Deposits and Funded Reserves						
Resident security deposits	-	4,619	17,650	20,609	-	42,878
Replacement reserves	-	51,000	233,460	180,710	-	465,170
Other reserves	-	-	-	397,000	-	397,000
Total Restricted Deposits and Funded Reserves	-	55,619	251,110	598,319	-	905,048
Rental Property						
Buildings and improvements	-	3,654,063	18,646,270	12,315,292	-	34,615,625
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	14,998,370	-	40,356,783
Less accumulated depreciation	-	(1,136,678)	(5,992,302)	(4,251,628)	-	(11,380,608)
Total Rental Property	-	2,845,855	15,383,578	10,746,742	-	28,976,175
Other Noncurrent Assets						
Deferred loan fees, net	-	-	-	-	-	-
Tax credit monitoring fees, net	-	725	4,638	-	-	5,363
Note receivable - related parties	-	-	579,711	-	(579,711)	-
Other assets	-	50	36,749	36,318	-	73,117
Total Other Noncurrent Assets	-	775	621,098	36,318	(579,711)	78,480
Total Assets	\$ -	\$ 3,031,800	\$ 16,805,630	\$ 12,348,525	\$ (579,711)	\$ 31,606,244

Lune d'Or Enterprises, LLC and Subsidiaries

**Consolidating Balance Sheet
December 31, 2015**

	Lune d'Or Enterprises, LLC	Fischer I, LLC	Fischer III, LLC	Guste I, LLC	Eliminations	Total
Current Liabilities						
Accounts payable	\$ -	\$ 9,510	\$ 59,395	\$ 27,897	\$ -	\$ 96,802
Accrued expenses	-	138,224	508,757	62,822	-	709,803
Asset management fee payable	-	21,563	52,110	11,893	-	85,566
Developer fee payable	-	231,036	1,055,564	899,510	-	2,186,110
Due to related party	-	687,322	1,497,863	807,869	(579,711)	2,413,343
Construction notes payable to related party	-	-	14,406,812	-	-	14,406,812
Accrued interest payable to related party	-	-	8,686,121	-	-	8,686,121
Total Current Liabilities	-	1,087,655	26,266,622	1,809,991	(579,711)	28,584,557
Deposits and Prepaid Liability						
Resident security deposits	-	4,700	17,600	20,700	-	43,000
Total Deposits and Prepaid Liability	-	4,700	17,600	20,700	-	43,000
Long-Term Liabilities						
Notes payable - related party	-	1,850,359	3,759,233	14,354,023	-	19,963,615
Accrued interest payable	-	847,380	18,843	647,224	-	1,513,447
Total Long-Term Liabilities	-	2,697,739	3,778,076	15,001,247	-	21,477,062
Equity (deficit)						
Member's equity (deficit)	-	(754,650)	(13,256,668)	(4,487,057)	18,496,525	(1,850)
Noncontrolling interest	-	-	-	-	(18,496,525)	(18,496,525)
Total equity (deficit)	-	(754,650)	(13,256,668)	(4,487,057)	-	(18,498,375)
Total Liabilities and Equity (Deficit)	\$ -	\$ 3,035,444	\$ 16,805,630	\$ 12,344,881	\$ (579,711)	\$ 31,606,244

Lune d'Or Enterprises, LLC and Subsidiaries

**Consolidating Statement of Operations
Year Ended December 31, 2016**

	Lune d'Or Enterprises, LLC	Fischer I, LLC	Fischer III, LLC	Guste I, LLC	Eliminations	Total
Revenue						
Rental income	\$ -	\$ 152,706	\$ 492,119	\$ 431,929		\$ 1,076,754
Vacancies and concessions	-	(11,893)	(40,031)	(9,752)		(61,676)
Other operating income	-	59,948	424,434	285,399		769,781
Total Revenue	-	200,761	876,522	707,576	-	1,784,859
Operating Expenses						
Salaries and employee benefits	-	33,098	276,721	89,393		399,212
Repairs and maintenance	-	23,315	102,205	213,881		339,401
Utilities	-	44,949	217,992	162,371		425,312
Property management fee	-	7,200	37,080	22,443		66,723
Real estate taxes	-	5,699	-	-		5,699
Property insurance	-	30,967	163,040	106,276		300,283
Miscellaneous operating expenses	-	20,415	79,706	60,105		160,226
Accounting fees	4,010	-	-	-		4,010
Total Operating Expenses	4,010	165,643	876,744	654,469	-	1,700,866
Net Operating Income (Loss)	(4,010)	35,118	(222)	53,107	-	83,993
Other Income (Expense)						
Interest income	-	405	1,515	661		2,581
Interest expense - related party	-	(115,045)	(480,732)	(454,134)		(1,049,911)
Other financial income (expense)	-	-	-	(822)		(822)
Miscellaneous other income (expense)	-	(160)	(6,821)	-		(6,981)
Annual fee to affiliate of investor member	-	(2,500)	(6,505)	(5,971)		(14,976)
Depreciation	-	(103,122)	(571,499)	(419,154)		(1,093,775)
Amortization	-	(133)	(773)	-		(906)
Total Other Income (Expense)	-	(220,555)	(1,064,815)	(879,420)	-	(2,164,790)
Net Income (Loss)	(4,010)	(185,437)	(1,065,037)	(826,313)	-	(2,080,797)
Non-controlling interest	-	-	-	-	(2,076,579)	(2,076,579)
Net Income (Loss) Attributable to Lune d'Or Enterprises, LLC	\$ (4,010)	\$ (185,437)	\$ (1,065,037)	\$ (826,313)	\$ 2,076,579	\$ (4,218)

Lune d'Or Enterprises, LLC and Subsidiaries

**Consolidating Statement of Operations
Year Ended December 31, 2015**

	Lune d'Or Enterprises, LLC	Fischer I, LLC	Fischer III, LLC	Guste I, LLC	Eliminations	Total
Revenue						
Rental income	\$ -	\$ 143,951	\$ 527,133	\$ 397,285		\$ 1,068,369
Vacancies and concessions	-	(5,004)	(40,230)	(14,097)		(59,331)
Other operating income	-	60,709	326,541	313,797		701,047
Total Revenue	-	199,656	813,444	696,985	-	1,710,085
Operating Expenses						
Salaries and employee benefits	-	52,202	262,438	78,473		393,113
Repairs and maintenance	-	18,162	71,501	191,240		280,903
Utilities	-	37,772	204,045	153,669		395,486
Property management fee	-	6,300	32,445	22,609		61,354
Property insurance	-	35,457	176,624	110,974		323,055
Miscellaneous operating expenses	-	17,811	104,843	49,719		172,373
Total Operating Expenses	-	167,704	851,896	606,684	-	1,626,284
Net Operating Income (Loss)	-	31,952	(38,452)	90,301	-	83,801
Other Income (Expense)						
Interest income	-	173	573	263		1,009
Interest expense - related party	-	(110,565)	(480,731)	(454,053)		(1,045,349)
Other financial income (expense)	-	-	-	(706)		(706)
Miscellaneous other income (expense)	-	(91)	115,585	(411,602)		(296,108)
Annual fee to affiliate of investor member	-	(2,500)	(6,453)	(5,971)		(14,924)
Depreciation	-	(105,188)	(584,455)	(432,675)		(1,122,318)
Amortization	-	(133)	(773)	-		(906)
Total Other Income (Expense)	-	(218,304)	(956,254)	(1,304,744)	-	(2,479,302)
Net Income (Loss)	-	(186,352)	(994,706)	(1,214,443)	-	(2,395,501)
Non-controlling interest	-	-	-	-	(2,395,261)	(2,395,261)
Net Income (Loss) Attributable to Lune d'Or Enterprises, LLC	\$ -	\$ (186,352)	\$ (994,706)	\$ (1,214,443)	\$ 2,395,261	\$ (240)

Lune d'Or Enterprises, LLC and Subsidiaries

**Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer**

Year Ended December 31, 2016

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-other	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

Lune d'Or Enterprises, LLC and Subsidiaries 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 Lune d'Or Enterprises, LLC and Subsidiaries. All compensation, benefits, and other payments to HANO's Executive Director are included in the financial statements of HANO.

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, 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, the consolidated financial statements of Lune d'Or Enterprises, LLC and Subsidiaries, which comprise the consolidated balance sheet as of December 31, 2016, and the related consolidated statements of operations, member's equity (deficit) and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon June 29, 2017, which included an emphasis of matter paragraph for adoption of new accounting guidance as indicated on page 4.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Lune d'Or Enterprises, LLC and Subsidiaries' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lune d'Or Enterprises, LLC and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Lune d'Or Enterprises, LLC and Subsidiaries' 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Lune d'Or Enterprises, LLC and Subsidiaries' 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 Lune d'Or Enterprises, LLC and Subsidiaries' 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 and requirements 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 Lune d'Or Enterprises, LLC and Subsidiaries' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lune d'Or Enterprises, LLC and Subsidiaries' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Charlotte, North Carolina
June 29, 2017

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