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

Consolidated Financial Statements and Supplementary Information

December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

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, 2022, and the related notes to the consolidated financial statements, which collectively comprise the Corporation's consolidated financial statements as listed in the table of contents.

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, 2022, and the changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

As described in Note K to the consolidated financial statements, a prior period adjustment was made to adjust the Corporation's due from affiliate, due to affiliate, and net position balances as of the beginning of the year. Our opinion is not modified with respect to this matter.

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Responsibilities of Management 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of net position and consolidating schedule of revenues, expenses and changes in net position are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The 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 supplementary 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 August 31, 2023 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.

August 31, 2023
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, 2022

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents - unrestricted	$ 3,574,906
Cash and cash equivalents - restricted	2,830,705
Accounts receivable, net	1,249,429
Prepaid expenses	195,577
Due from related party	8,896
Other assets	94,853
Total current assets	7,954,366
NONCURRENT ASSETS	
Capital assets, net	64,341,355
Other assets	33,021
Total noncurrent assets	64,374,376
Total assets	72,328,742
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	609,726
Tenant security deposits	76,184
Tenant prepaid rent	3,801
Developer fee payable to related party	3,982,645
Due to related party	5,166,609
Accrued interest payable to related party	4,995,893
Other accrued liabilities	486,711
Total current liabilities	15,321,569
NONCURRENT LIABILITIES	
Notes payable - related party	54,737,200
Total noncurrent liabilities	54,737,200
Total liabilities	70,058,769
NET POSITION	
Net investment in capital assets	9,604,155
Restricted	2,754,521
Unrestricted	(10,088,703)
Total net position	$ 2,269,973

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, 2022

OPERATING REVENUES	
Rental income, net	$ 2,496,653
Other operating income	219,768
Total operating revenues	2,716,421
OPERATING EXPENSES	
Salaries and employee benefits	168,461
Utilities	935,799
Repairs and maintenance	855,369
Protective services	537,318
Insurance	890,406
Tenant services	238,602
Other general and administrative	544,862
Depreciation	2,837,320
Total operating expenses	7,008,137
OPERATING LOSS	(4,291,716)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	14,261
Interest expense - related party	(684,126)
Forgiveness of debt and accrued interest	29,833,068
Total non-operating expenses	29,163,203
Change in net position	24,871,487
Total net position - beginning	(24,546,475)
Prior period adjustment	1,944,961
Total net position - beginning, restated	(22,601,514)
Total net position - ending	$ 2,269,973

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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	$ (4,291,716)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	2,837,320
Amortization - debt issuance costs	154,206
Change in provision of allowance for doubtful accounts	9,171
(Increase) decrease in assets:	
Accounts receivable, net	1,123,643
Prepaid expenses	(24,184)
Other assets	944
Increase (decrease) in liabilities:	
Accounts payable	149,816
Tenant security deposits	7,517
Tenant prepaid rent	(35,752)
Due to related parties	(1,172,093)
Accrued interest payable - related party	(147,335)
Net cash used in operating activities	(1,388,463)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash paid for capital improvements	(537,718)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	14,261
NET DECREASE IN CASH	(1,911,920)
Cash and cash equivalents - beginning of the year	8,317,531
CASH AND CASH EQUIVALENTS - END OF THE YEAR	$ 6,405,611
RECONCILIATION TO BALANCE SHEET	
Cash and cash equivalents - unrestricted	$ 3,574,906
Cash and cash equivalents - restricted	2,830,705
	$ 6,405,611

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

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 units 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.

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	$ 752,012

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

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.

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, 2022, is $8,486.

8. Tax credit monitoring fees, net

Tax credit monitoring fees of $102,983 are being amortized using the straight-line method over the fifteen-year tax credit compliance period. Accumulated amortization at December 31, 2022 is $41,196. Estimated amortization expense for each of the following years is as follows:

	Guste Homes III, LLC
2023	$ 6,866
2024	6,866
2025	6,866
2026	6,866
2027	6,866
Thereafter	27,457
	$ 61,787

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. 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:

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

10. Impairment of long-lived assets

The Corporation reviews its long-lived assets 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. Management has determined that there were no impairments as of December 31, 2022.

11. Deferred fees and amortization

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is being computed using an imputed interest rate. The individual entities that are reported and consolidated under the Corporation are for-profit partnerships that are following Financial Accounting Standards Board ("FASB") accounting guidance for debt issuance costs. Accordingly, these costs have been treated the same the financial reporting by the Corporation.

12. 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. 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, 2022.

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 2019.

14. 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.

15. Impact of recently issued accounting principles

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement is effective for the Corporation's December 31, 2023 fiscal year end.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement is effective for the Corporation's December 31, 2025 fiscal year end.

Management is currently evaluating the impact of the adoptions of these statements on the Corporation's consolidated financial statements.

NOTE B - CASH AND CASH EQUIVALENTS

As of December 31, 2022, the Corporation's cash and cash equivalents totaled $6,405,611.

The Corporation maintains its cash and cash equivalents in financial institutions that are insured by the Federal Depository Insurance Corporation ("FDIC") for up to $250,000 per depositor. From time to time, the Corporation's cash balances in these institutions may be in excess of the FDIC insured limit. However, management does not believe the credit risk related to these balances is significant.

Restricted cash and cash equivalents consist of the following at December 31, 2022:

	Lune d'Or Enterprises, LLC and Subsidiaries				
	Fischer I, LLC	Fischer III, LLC	Guste I, LLC	Guste Homes III, LLC	Total
Replacement reserve	$ 1,797	$ 407,868	$ 260,374	$ 143,993	$ 814,032
ACC subsidy reserve	33,903	-	228,227	367,058	629,188
Operating reserve	20,061	-	170,921	481,304	672,286
Tax and insurance escrow	-	-	-	272,200	272,200
Property security reserve	-	-	-	175,475	175,475
Rental achievement reserve	-	-	-	100,272	100,272
Development escrow	-	-	-	41,068	41,068
Utility escrow	-	50,000	-	-	50,000
Tenant security deposits	5,300	15,584	19,800	35,500	76,184
	$ 61,061	$ 473,452	$ 679,322	$ 1,616,870	$ 2,830,705

1. Replacement reserve

Pursuant to each respective Operating Agreement, each entity is required to make monthly deposits to a reserve account for capital replacements. During 2022, the funded monthly deposits of $608 for Fischer I, LLC, $2,963 for Fischer III, LLC, and $2,280 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

Each entity shall establish a reserve account as set forth in their Regulatory and Operating Agreement between the entity and HANO. Funds in the ACC Subsidy Reserve may be used to pay operating expenses subject to approval and consent of the Investor Member, CAHC. 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.

NOTE B - CASH AND CASH EQUIVALENTS (continued)

3. Operating reserve

Pursuant to each respective Operating Agreement, each entity 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, CAHC.

4. 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 $271,463 in a separate escrow account in order to provide for insurance and tax payments for the entity. The initial escrow was funded from capital contributions and/or loan proceeds.

5. 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 apartments. The reserve was 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 apartments without consent of the Special Investor Member, provided CAHC verifies that such funds are utilized for security purposes.

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 entity 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.

7. 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.

8. Utility escrow

CAHC required Fischer III, LLC to establish a utility escrow before releasing equity installments due.

NOTE C - RELATED PARTY TRANSACTIONS

1. Voucher subsidy from HANO

The apartments 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 2022, $25,625 for Fischer I, LLC, $149,138 for Fischer III, LLC, $175,559 for Guste I, LLC, and $434,124 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 apartments that provides for an operating subsidy amount for annual operations. Pursuant to the Agreement, the units at each apartment complex are to be operated as Public Housing Units and subject to all regulations therein. During 2022, $40,605 for Fischer I, LLC, $340,818 for Fischer III, LLC, $32,260 for Guste I, LLC, and $225,106 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 property 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.

During the year ended December 31, 2022, no additional development fees relating to these properties were earned or paid. As of December 31, 2022, 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

NOTE C - RELATED PARTY TRANSACTIONS (continued)

3. Developer agreement - related party (continued)

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 property 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, 2022 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.

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, 2022 and fees payable as of December 31, 2022 are as follows:

	Fees earned	Amount payable
Fischer I, LLC	$ 5,565	$ 10,385
Fischer III, LLC	6,948	27,142
Guste I, LLC	7,089	6,773
	$ 19,602	$ 44,300

NOTE C - RELATED PARTY TRANSACTIONS (continued)

4. Asset management fee (continued)

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. As of December 31, 2022, $30,000 remains unamortized and is included in prepaid expenses on the consolidated statement of net position.

5. Due to HANO

The Corporation incurred costs due to HANO related to the costs associated with the construction and operations of the apartments. 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, 2022, advances and common costs totaling $4,630,985 are due to HANO.

For the year ended December 31, 2022, amounts owed to HANO, by entity, are as follows:

Crescent Affordable Housing Corporation	$ 2,880,686
Fischer I, LLC	133,861
Fischer III, LLC	1,616,438
	$ 4,630,985

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

6. Due to Guste Homes Resident Management Corporation ("GHRMC")

The Corporation incurred costs due to GHRMC for expenses paid on behalf of the properties. The balance due as of December 31, 2022 is $116,542 for Guste I, LLC, and $374,782 for Guste III, LLC, which is included in due to related parties in the accompanying consolidated statement of net position.

NOTE D - CAPITAL ASSETS, NET

A summary of changes in capital assets is as follows:

	Balance at January 1, 2022	Transfers in/ additions	Transfers out/ reductions	Balance at December 31, 2022
Depreciated:				
Buildings and improvements	$ 86,236,430	$ 537,719	$ -	$ 86,774,149
Land improvements	4,860,619	-	(261,845)	4,598,774
machinery	975,180	-	-	975,180
Total depreciated	92,072,229	537,719	(261,845)	92,348,103
Less accumulated depreciation				
Buildings and improvements	(20,514,283)	(2,748,161)	-	(23,262,444)
Land improvements	(3,747,582)	(85,119)	-	(3,832,701)
machinery	(907,562)	(4,041)	-	(911,603)
Total accumulated depreciation	(25,169,427)	(2,837,321)	-	(28,006,748)
Capital assets, net	$ 66,902,802	$ (2,299,602)	$ (261,845)	$ 64,341,355

NOTE E - NOTES PAYABLE

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

	Payable at January 1, 2022	Additions	Reductions/ amortization	Payable at December 31, 2022	Due within one year
Fischer I, LLC					
Capital funds note	$ 1,424,059	$ -	$ -	$ 1,424,059	$ -
Program income note	196,300	-	-	196,300	-
Supplemental loan	130,000	-	-	130,000	-
Affordable Housing Program Loan	100,000	-	-	100,000	-
Total Fischer I, LLC	1,850,359	-	-	1,850,359	-
Fischer III, LLC					
Construction note	14,710,628	-	(14,710,628)	-	-
Supplemental loan	3,064,919	-	(3,064,919)	-	-
Affordable Housing Program Loan	350,000	-	(350,000)	-	-
Program income loan	344,314	-	(344,314)	-	-
Deferred financing fees, net	(77,676)	-	77,676	-	-
Total Fischer III, LLC	18,392,185	-	(18,392,185)	-	-
Guste I, LLC					
Mortgage note	12,672,614	-	-	12,672,614	-
Debt issuance costs	(81,131)	-	69,660	(11,471)	-
Supplemental loan	2,039,988	-	-	2,039,988	-
Construction loan	140,511	-	-	140,511	-
Total Guste I, LLC	14,771,982	-	69,660	14,841,642	-
Guste Homes III, LLC					
Construction note with HANO	38,045,199	-	-	38,045,199	-
Total Guste Homes III, LLC	38,045,199	-	-	38,045,199	-
	$ 73,059,725	$ -	$ (18,322,525)	$ 54,737,200	$ -

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 its property. 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 apartments. 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, 2022, was $131,849. Accrued interest payable on the note as of December 31, 2022, was $1,525,080.

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 its property 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 apartments, 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, 2022 was $20,548. Accrued interest payable on the note as of December 31, 2022 is $255,221.

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 apartments. 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 property. The loan bears no interest, and is collateralized by the apartments. The loan matured fifteen years from completion of the Project and became due on May 27, 2021. As of the date of this report, the balance remains payable from remaining mortgage proceeds, capital contributions, and available cash flow from the Project.

NOTE E - NOTES PAYABLE (continued)

2. Fischer III, LLC

Construction Note

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 property 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 note and associated interest were forgiven by HANO on January 1, 2022.

Supplemental Loan

On November 1, 2006, a Supplemental Loan was obtained from HANO in the amount of $3,064,919. The loan bears no interest and was collateralized by the property. The entire amount of unpaid principal was originally due and payable on November 1, 2061. The loan was forgiven by HANO on January 1, 2022.

Affordable Housing Program Loan

On November 16, 2005, an Affordable Housing Program Loan was obtained from HANO, in the amount of $350,000, to assist the Corporation in financing the property. The loan bears no interest, was collateralized by the property, and was payable from remaining mortgage proceeds, capital contributions, and available cash flows from the property. The loan was forgiven by HANO on January 1, 2022.

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 property, was collateralized by the property, and accrues interest at 0.50%. All unpaid principal and interest was due on January 1, 2060, and payments were to be made from cash flow, as defined by the Operating agreement. The loan and associated interest were forgiven by HANO on January 1, 2022.

NOTE E - NOTES PAYABLE (continued)

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 property 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, 2022, interest incurred was $380,178. Accrued interest payable at December 31, 2022 was $3,109,219.

Debt issuance costs of $1,253,887, net of accumulated amortization of $1,242,416 totaling $11,471 as of December 31, 2022 related to the mortgage note payable is being amortized using an imputed interest rate of 3.272%. Amortization of debt issuance costs of $69,660 was charged to operations for the year ended December 31, 2022 and is included in interest expense – related party on the consolidated statement of revenue, expenses and changes in net position.

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. This loan is secured by a program income construction loan mortgage.

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, 2022, interest incurred was $4,215. Accrued interest payable as of December 31, 2022 was $102,158.

NOTE E - NOTES PAYABLE (continued)

4. Guste Homes III, LLC

Construction Note with HANO

On February 1, 2021, Guste Homes III, LLC converted a construction loan to permanent financing through a multifamily leasehold mortgage in the amount of $38,045,199 from HANO. This loan bears interest at a rate of 0.95% and the principal and interest shall be due at maturity on February 1, 2071.

NOTE F - MANAGEMENT AGREEMENTS

1. Fischer I, LLC

Effective on October 2015, Fischer I, LLC is now managed by HANO. As of and for the year ended December 31, 2022, $3,663 was charged to operations and $10,385 remains payable.

2. Fischer III, LLC

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, 2022, $37,520 was charged to operations and $155,438 remains payable.

3. Guste I, LLC

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, 2022, $21,808 was charged to operations. As of December 31, 2022, Guste I, LLC has a payable to Guste RMC of $116,542, which is included in other current liabilities, for unpaid management fees, reimbursement of payroll, and other services.

4. Guste Homes III, LLC

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 apartments. For the year ended December 31, 2022, $60,270 was charged to operations. As of December 31, 2022, Guste III, LLC has a payable to Guste RMC of $374,782 for unpaid management fees, reimbursement of payroll, and other services.

NOTE G - INVESTOR EQUITY

1. Fischer I, LLC

Capital contributions totaling $2,079,000, including a downward adjuster of $46, are due from CAHC when certain milestones are achieved as disclosed in the Operating Agreement. As of December 31, 2021, CAHC's contributions were fully funded. The above contributions are subject to adjustment as defined in the Operating Agreement. The Managing Member was required to make contributions of $100 and the Special Member was required to make contributions of $10, both of which have been paid.

2. Fischer III, LLC

Capital contributions were due from CAHC when certain milestones are achieved as disclosed in the Operating Agreement. As of December 31, 2022, CAHC has funded the fully adjusted amount of $1,977,094. The Managing Member is required to make contributions of $100 and the Special Member is required to make contributions of $10.

3. Guste I, LLC

Capital contributions totaling $4,817,971, including an upward adjuster of $11,722, are due from CAHC when certain milestones are achieved as disclosed in the Operating Agreement. As of December 31, 2022, CAHC has funded $4,163,722. The above contributions are subject to adjustment as defined in the Operating Agreement. As of December 31, 2022, $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.

4. Guste Homes III, LLC

Capital contributions totaling $18,109,177 are due from CAHC when certain milestones are achieved as disclosed in the Operating Agreement. As of December 31, 2022, CAHC has funded $9,497,969. 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 H - GROUND LEASE

1. Fischer I, LLC

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 apartments become 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.

2. Fischer III, LLC

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, 2022, the prepaid ground lease was $33,021.

3. Guste I, LLC

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, 2022, the prepaid ground lease was $33,016, of which $32,545 is classified as noncurrent.

4. Guste Homes III, LLC

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, 2022, the base rent for the entire term has been paid in full.

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. Operating deficit guaranty

Pursuant to the Operating Agreements, if any of the entities require funds to discharge operating expenses, the Corporation shall furnish to the entities 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, 2022, no amounts have been funded.

NOTE J - FORGIVENESS OF DEBT AND ACCRUED INTEREST

As of January 1, 2022, Fischer III, LLC's long-term debt of $18,469,861 and accrued interest of $11,363,207 due to HANO were forgiven. The forgiveness of debt and accrued interest in the amount of $29,833,068 has been reflected as other income on the consolidated statement of revenues, expenses and changes in net position.

NOTE K - PRIOR PERIOD ADJUSTMENT

For the fiscal year ended December 31, 2022, the consolidated statement of revenues, expenses and changes in net position reflects a prior period adjustment increasing net position by $1,944,961. During the year, a reconciliation was performed that resulted in restatements of historical accounts receivable and accounts payable balances. The prior period adjustment reflects restatements for Guste I, LLC, and Guste III, LLC to due from affiliates and due to affiliates that have been recorded as of January 1, 2022.

NOTE L - SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through August 31, 2023, 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, 2022

	Crescent Affordable Housing Corporation	Place d'Genesis, LLC	Lune d'Or Enterprises, LLC and Subsidiaries	Guste Homes III, LLC	Eliminations	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents - unrestricted	$ 2,447,142	$ -	$ 1,113,678	$ 14,086	$ -	$ 3,574,906
Cash and cash equivalents - restricted	-	-	1,213,835	1,616,870	-	2,830,705
Developer fee receivable	2,128,674	-	-	-	(2,128,674)	-
Accounts receivable, net	913,244	25,353	213,446	97,386	-	1,249,429
Prepaid expenses	-	-	126,517	69,060	-	195,577
Due from related party	760,908	-	-	-	(752,012)	8,896
Other assets	-	-	33,066	61,787	-	94,853
Total current assets	6,249,968	25,353	2,700,542	1,859,189	(2,880,686)	7,954,366
NONCURRENT ASSETS						
Capital assets, net	-	-	22,237,374	42,103,981	-	64,341,355
Other assets	651,342	-	33,021	-	(651,342)	33,021
Total noncurrent assets	651,342	-	22,270,395	42,103,981	(651,342)	64,374,376
Total assets	6,901,310	25,353	24,970,937	43,963,170	(3,532,028)	72,328,742
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	3,956	6,734	296,729	302,307	-	609,726
Tenant security deposits	-	-	40,684	35,500	-	76,184
Tenant prepaid rent	-	-	3,801	-	-	3,801
Developer fee payable to related party	-	-	2,128,674	3,982,645	(2,128,674)	3,982,645
Due to related party	2,880,686	-	2,210,749	827,186	(752,012)	5,166,609
Accrued interest payable to related party	-	-	4,995,893	-	-	4,995,893
Other accrued liabilities	486,711	-	-	-	-	486,711
Total current liabilities	3,371,353	6,734	9,676,530	5,147,638	(2,880,686)	15,321,569
NONCURRENT LIABILITIES						
Notes payable - related party	-	-	16,692,001	38,045,199	-	54,737,200
Total noncurrent liabilities	-	-	16,692,001	38,045,199	-	54,737,200
Total liabilities	3,371,353	6,734	26,368,531	43,192,837	(2,880,686)	70,058,769
NET POSITION						
Net investment in capital assets	-	-	5,545,373	4,058,782	-	9,604,155
Restricted	-	-	1,173,151	1,581,370	-	2,754,521
Unrestricted	3,529,957	18,619	(8,116,118)	(4,869,819)	(651,342)	(10,088,703)
Total net position	$ 3,529,957	$ 18,619	$ (1,397,594)	$ 770,333	$ (651,342)	$ 2,269,973

See independent auditor's report.

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

CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended December 31, 2022

	Crescent Affordable Housing Corporation	Place d'Genesis, LLC	Lune d'Or Enterprises, LLC and Subsidiaries	Guste Homes III, LLC	Eliminations	Total
OPERATING REVENUES						
Rental income, net	$ -	$ -	$ 1,335,625	$ 1,161,028	$ -	$ 2,496,653
Other operating income	-	-	122,346	97,422	-	219,768
Total operating revenues	-	-	1,457,971	1,258,450	-	2,716,421
OPERATING EXPENSES						
Salaries and employee benefits	-	-	142,143	26,318	-	168,461
Utilities	-	-	492,427	443,372	-	935,799
Repairs and maintenance	-	-	456,825	398,544	-	855,369
Protective services	-	-	370,590	166,728	-	537,318
Insurance	-	-	585,890	304,516	-	890,406
Tenant services	-	-	164,108	74,494	-	238,602
Other general and administrative	22,626	-	245,005	277,231	-	544,862
Depreciation	-	-	972,656	1,864,664	-	2,837,320
Total operating expenses	22,626	-	3,429,644	3,555,867	-	7,008,137
OPERATING LOSS	(22,626)	-	(1,971,673)	(2,297,417)	-	(4,291,716)
NON-OPERATING REVENUES (EXPENSES)						
Interest income	5,739	-	6,257	2,265	-	14,261
Interest expense - related party	-	-	(684,126)	-	-	(684,126)
Forgiveness of debt and accrued interest	-	-	29,833,068	-	-	29,833,068
Total nonoperating revenues	5,739	-	29,155,199	2,265	-	29,163,203
Change in net position	(16,887)	-	27,183,526	(2,295,152)	-	24,871,487
Total net position - beginning	3,546,844	18,619	(29,674,153)	2,213,557	(651,342)	(24,546,475)
Prior period adjustment	-	-	1,093,033	851,928	-	1,944,961
Total net position - beginning, restated	3,546,844	18,619	(28,581,120)	3,065,485	(651,342)	(22,601,514)
Total net position - ending	$ 3,529,957	$ 18,619	$ (1,397,594)	$ 770,333	$ (651,342)	$ 2,269,973

See independent auditor's report.

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

December 31, 2022

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.

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

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, 2022, and the related notes to the consolidated financial statements, and have issued our report thereon dated August 31, 2023.

Report on 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 (internal control) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as **Finding No. 2022-001** that we consider to be a significant deficiency.

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Report on 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*.

The Corporation's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

August 31, 2023
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

For the year ended December 31, 2022

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

2022-001 Financial Reporting
Significant Deficiency in Internal Control

Condition: The audited consolidated financial statements were completed and submitted to the Louisiana Legislative Auditor after the State statutory deadline of June 30, 2023.

Criteria: Louisiana State Law requires the annual audited financial statements to be completed and submitted to the Louisiana Legislative Auditor within six months after the fiscal year end per Louisiana Revised Statute 24:513.

Context: The Corporation was granted a non-emergency extension and the financial statements were not submitted to the Louisiana Legislative Auditor by the six month deadline of June 30, 2023.

Cause: The Corporation was in the process of completing a software conversion and performing a reconciliation of historical accounts receivable and accounts payable balances which caused delays in the audit process.

Effect: Noncompliance with State Law and proper financial oversight was not able to be performed timely by the Louisiana Legislative Auditor.

Auditor Recommendation: The Corporation should ensure that the year-end reconciliations are completed timely to allow for the completion of the audited financial statements by the June 30th deadline of each fiscal year.

Reporting Views of Responsible Officials: Management concurs with the finding and recognizes the importance of reviews over financial reporting. Management has previously established internal controls over financial reporting and will prospectively adhere to internal policies to ensure that reconciliations are performed timely.