Lune d'Or Enterprises, LLC 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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BERMAN HOPKINS
CPAs & ASSOCIATES, LLP

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of the business-type activities of Lune d'Or Enterprises, LLC ("Lune d'Or") and Subsidiaries (collectively referred to as the "Company"), a component unit of the Housing Authority of New Orleans ("HANO") as of and for the year ended December 31, 2022, and the related notes to the consolidated financial statements, which collectively comprise the Company'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 Company 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 Company 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 financial statements, a prior period adjustment was made to adjust the Company'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 Company'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 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 consolidated 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 Company'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 Company'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 Company that accounting principles generally accepted in the United States of America requires to be presented to supplement the consolidated financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the consolidated financial statements is not affected by this missing information.

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 the purpose 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 30, 2023 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

August 30, 2023
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Lune d'Or Enterprises, LLC 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	$ 1,113,678
Cash and cash equivalents - restricted	1,213,835
Accounts receivable, net	213,446
Prepaid expenses	126,517
Other assets	33,066
Total current assets	2,700,542
NONCURRENT ASSETS	
Capital assets, net	22,237,374
Other assets	33,021
Total noncurrent assets	22,270,395
Total assets	24,970,937
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	296,729
Tenant security deposits	40,684
Tenant prepaid rent	3,801
Due to related parties	4,339,423
Accrued interest payable - related party	4,995,893
Total current liabilities	9,676,530
NONCURRENT LIABILITIES	
Notes payable - related party	16,692,001
Total liabilities	26,368,531
NET POSITION	
Net investment in capital assets	5,545,373
Restricted	1,173,151
Unrestricted	(8,116,118)
Total net position	$ (1,397,594)

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

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

CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended December 31, 2022

OPERATING REVENUES	
Rental income, net	$ 1,335,625
Other operating income	122,346
Total operating revenues	1,457,971
OPERATING EXPENSES	
Salaries and employee benefits	142,143
Utilities	492,427
Repairs and maintenance	456,825
Protective services	370,590
Insurance	585,890
Tenant services	164,108
Other general and administrative	245,005
Depreciation	972,656
Total operating expenses	3,429,644
OPERATING LOSS	(1,971,673)
NONOPERATING REVENUES (EXPENSES)	
Interest income	6,257
Interest expense - related party	(684,126)
Forgiveness of debt and accrued interest	29,833,068
Total nonoperating revenues (expenses)	29,155,199
Change in net position	27,183,526
Total net position - beginning	(29,674,153)
Prior period adjustment	1,093,033
Total net position - beginning, restated	(28,581,120)
Total net position - ending	$ (1,397,594)

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

Lune d'Or Enterprises, LLC 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	$	(1,971,673)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation		972,656
Amortization - debt issuance costs		147,340
Change in provision for allowance for doubtful accounts		9,171
(Increase) decrease in assets:		
Accounts receivable, net		756,813
Prepaid expenses		(24,919)
Other assets		944
Increase (decrease) in liabilities:		
Accounts payable		97,232
Tenant security deposits		1,417
Tenant prepaid rent		(35,752)
Due to related parties		(122,829)
Accrued interest payable - related party		(147,335)
Net cash used in operating activities		(316,935)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash paid for capital improvements		(500,546)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received		6,257
NET DECREASE IN CASH		(811,224)
Cash and cash equivalents at beginning of the year		3,138,737
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	$	2,327,513
RECONCILIATION TO CONSOLIDATED BALANCE SHEET		
Cash and cash equivalents - unrestricted	$	1,113,678
Cash and cash equivalents - restricted		1,213,835
	$	2,327,513

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of operations

Organization

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

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

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

2. Government-wide and fund financial statements

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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.

3. Measurement focus and basis of accounting

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Principles of consolidation

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

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

Entity	Percentage ownership	Number of units
Fischer I, LLC	0.01%	20
Fischer III, LLC	0.01%	103
Guste I, LLC	0.01%	82

5. Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

6. Cash and cash equivalents

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

7. Accounts receivable and bad debts

Management individually reviews all accounts receivable periodically and assesses the portions, if any, of the balance that will not be collected. Tenant accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. The allowance for uncollectible amounts as of December 31, 2022 is $8,486

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. 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

9. Impairment of long-lived assets

The Company 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.

10. Deferred fees and amortization

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

11. Rental income, net

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Income taxes

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

The Company accounts for income taxes in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 740, *Income Taxes*, which clarifies the accounting and disclosure requirements for uncertainty in tax positions. It requires a two-step approach to evaluate tax positions and determine if they should be recognized in the financial statements. The two-step approach involves recognizing any tax positions that are "more likely than not" to occur and then measuring those positions to determine if they are recognizable in the financial statements. Management regularly reviews and analyzes all tax positions and has determined no aggressive tax positions have been taken. In evaluating the Company's tax provisions and accruals, future taxable income, the reversal of temporary differences, interpretations, and tax planning strategies are considered. The Company believes their estimates are appropriate based on current facts and circumstances.

The Company's income tax filings are subject to audit by various taxing authorities. The Company is no longer subject to income tax examinations by tax authorities for years before 2019.

13. Economic concentrations

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

14. 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 Company's December 31, 2023 fiscal year end.

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

Management is currently evaluating the impact of the adoption of this statement on the Company's financial statements.

NOTE B - CASH AND CASH EQUIVALENTS

As of December 31, 2022, the Company's cash and cash equivalents totaled $2,327,513.

The Company maintains its cash and cash equivalents balances 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 Company'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.

As of December 31, 2022, restricted cash and cash equivalents consists of:

	Fischer I, LLC	Fischer III, LLC	Guste I, LLC	Total
Replacement reserve	$ 1,797	$ 407,868	$ 260,374	$ 670,039
ACC subsidy reserve	33,903	-	228,227	262,130
Operating reserve	20,061	-	170,921	190,982
Utility escrow	-	50,000	-	50,000
Tenant security deposits	5,300	15,584	19,800	40,684
	$ 61,061	$ 473,452	$ 679,322	$ 1,213,835

1. Replacement reserve

Pursuant to each respective Operating Agreement, each property 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.

2. Annual Contributions Contract ("ACC") subsidy reserve

Each property shall establish a reserve account as set forth in their Regulatory and Operating Agreement between the property 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, and $227,000 for Guste I, LLC.

3. Operating reserve

Pursuant to each respective Operating Agreement, each property 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.

NOTE B - CASH AND CASH EQUIVALENTS (continued)

4. Utility escrow

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

NOTE C - RELATED PARTY TRANSACTIONS

1. Voucher subsidy from HANO

The properties are eligible to house tenants receiving Housing Choice Voucher rental assistance through vouchers issued by HANO. These amounts are included in rental income on the statement of revenues, expenses and changes in net position. During 2022, $25,625 for Fischer I, LLC, $149,138 for Fischer III, LLC, and $175,559 for Guste I, LLC was received from HANO as voucher subsidy.

2. Operating subsidy from HANO

HANO has entered into an Amended and Restated Regulatory and Operating Agreement (the "Agreement") with the properties that provides for an operating subsidy amount for annual operations. Pursuant to the Agreement, the eight, sixty-nine, and sixty-seven units at Fischer I, LLC, Fischer III, LLC, and Guste I, LLC, respectively, are to be operated as Public Housing Units and subject to all regulations therein. During 2022, $40,605 for Fischer I, LLC, $340,818 for Fischer III, LLC, and $32,260 for Guste I, LLC was received from HANO as operating subsidy.

3. Developer agreement - related party

The properties entered into development agreements with CAHC, an affiliate of the Managing Member, Lune d'Or. The agreements provide for development fee and overhead for services in connection with the development of each property and supervision of the construction. Development fees are earned based upon the occurrence of certain events, as defined during development and construction. During the year ended December 31, 2022, no additional development fees were earned or paid. The developer fees are expected to be paid out of investor equity contributions.

NOTE C - RELATED PARTY TRANSACTIONS (continued)

3. Developer agreement - related party (continued)

As of December 31, 2022, total developer fees are as follows:

	Total development fee earned	Amount payable
Fischer I, LLC	$ 279,026	$ 173,600
Fischer III, LLC	1,355,564	1,055,564
Guste I, LLC	1,199,510	899,510
	$ 2,834,100	$ 2,128,674

4. Asset management fee

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

5. Due to HANO

Fischer I, LLC, Fischer III, LLC, and Guste I, LLC incurred costs due to HANO related to the costs associated with the construction and operations of the properties. 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, 2022, advances totaling $1,750,299 are due to HANO and are included in due to related parties in the accompanying consolidated statement of net position. These amounts consist of the following as of December 31, 2022:

	Due to HANO
Fischer I, LLC	$ 133,861
Fischer III, LLC	1,616,438
	$ 1,750,299

NOTE C - RELATED PARTY TRANSACTIONS (continued)

6. Due to CAHC

The properties owe CAHC for property insurance and other operating expenses paid by CAHC. The balance due as of December 31, 2022 is $295,498 for Fischer I, LLC, and $4,110 for Lune d'Or Enterprises, LLC which are included in due to related parties in the accompanying consolidated statement of net position.

7. Due to Guste RMC

Guste I owes Guste Homes Resident Management Corporation for expenses paid on behalf of the property. The balance due as of December 31, 2022 is $116,542, which is included in due to related parties in the accompanying consolidated statement of net position.

NOTE D - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance at January 1, 2022	Transfers in/ additions	Transfers out/ reductions	Balance at December 31, 2022
Depreciated:				
Buildings and improvements	$ 35,001,575	$ 500,546	$ -	$ 35,502,121
Land improvements	4,860,619	-	(261,845)	4,598,774
Furniture, equipment, and machinery	921,127	-	-	921,127
Total depreciated	40,783,321	500,546	(261,845)	41,022,022
Less accumulated depreciation				
Buildings and improvements	(13,210,901)	(883,496)	-	(14,094,397)
Land improvements	(3,747,582)	(85,119)	-	(3,832,701)
Furniture, equipment, and machinery	(853,509)	(4,041)	-	(857,550)
Total accumulated depreciation	(17,811,992)	(972,656)	-	(18,784,648)
Capital assets, net	$ 22,971,329	$ (472,110)	$ (261,845)	$ 22,237,374

NOTE E - NOTES PAYABLE

A summary of changes in 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					
Mortgage 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	-
	$ 35,014,526	$ -	$ (18,322,525)	$ 16,692,001	$ -

1. <u>Fischer I, LLC</u>

Capital Funds Note

During 2005, Fischer I, LLC entered into a Capital Funds Note with HANO to provide financing for the development of the 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 property. 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.

NOTE E - NOTES PAYABLE (continued)

1. <u>Fischer I, LLC (continued)</u>

Program Income Note

On January 20, 2005, Fischer I, LLC entered into a Program Income Construction Mortgage Note with HANO in the amount of $196,300. The loan was obtained in connection with the financing of the acquisition, development, and construction of the 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 property, 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 property. 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 property. 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.

2. <u>Fischer III, LLC</u>

Mortgage 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.

NOTE E - NOTES PAYABLE (continued)

2. Fischer III, LLC (continued)

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 Company 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.

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 3.00% 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. This note is secured by the real property. Outstanding principal as of December 31, 2022 was $12,672,614. Total interest expense for 2022 was $380,178 and accrued interest as of December 31, 2022 was $3,109,219.

NOTE E - NOTES PAYABLE (continued)

3. Guste I, LLC (continued)

Mortgage Note (continued)

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 Loan

In January 2005, a construction loan in the amount of $248,999 was obtained from HANO. The construction loan accrues interest at 3.00% 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 $106,373.

NOTE F - MANAGEMENT AGREEMENT

1. Fischer I, LLC

Fischer I, LLC entered into an agreement with 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 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 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. CAHC's contributions have been 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 were 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 and Special Member are required and have made contributions of $100 and $10, respectively.

3. Guste I, LLC

Capital contributions totaling $4,817,971, including an upward adjuster of $11,722, are due from 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, both of which have been contributed.

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 property 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.

NOTE H - GROUND LEASE (continued)

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

NOTE I - COMMITMENTS AND CONTINGENCIES

1. Legal

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

2. Tax credits

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

3. Operating deficit guaranty

Pursuant to the Operating Agreements, if any of the properties require funds to discharge operating expenses, the Company shall furnish to the property the funds required. Amounts furnished to fund operating expenses incurred prior to the Development Obligation Date shall be deemed Special Capital Contributions and amounts furnished on or after the Development Obligation Date shall constitute Operating Expense Loans. Any such Operating Expense Loans shall not bear interest and be repayable only as provided for in the Operating Agreement. As of December 31, 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 $1,093,033. 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 to due from affiliates and due to affiliates that have been recorded as of January 1, 2022.

NOTE L - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through August 30, 2023, the date which the consolidated financial statements were available to be issued, and noted no issues to be disclosed.

SUPPLEMENTARY INFORMATION

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

CONSOLIDATING SCHEDULE OF NET POSITION

December 31, 2022

	Lune d'Or Enterprises, LLC	Fischer I, LLC	Fischer III, LLC	Guste I, LLC	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents - unrestricted	$ -	$ 5,957	$ 1,093,856	$ 13,865	$ 1,113,678
Cash and cash equivalents - restricted	-	61,061	473,452	679,322	1,213,835
Accounts receivable, net	100	3,800	2,496	207,050	213,446
Prepaid expenses	-	50,509	38,062	37,946	126,517
Other assets	-	50	-	33,016	33,066
Total current assets	100	121,377	1,607,866	971,199	2,700,542
NONCURRENT ASSETS					
Capital assets, net	-	2,344,222	11,864,936	8,028,216	22,237,374
Other assets	-	-	33,021	-	33,021
Total noncurrent assets	-	2,344,222	11,897,957	8,028,216	22,270,395
Total assets	100	2,465,599	13,505,823	8,999,415	24,970,937
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	-	114,828	51,139	130,762	296,729
Tenant security deposits	-	5,300	15,584	19,800	40,684
Tenant prepaid rent	-	23	3,778	-	3,801
Due to related parties	4,110	613,344	2,699,144	1,022,825	4,339,423
Accrued interest payable - related party	-	1,780,301	-	3,215,592	4,995,893
Total current liabilities	4,110	2,513,796	2,769,645	4,388,979	9,676,530
NONCURRENT LIABILITIES					
Notes payable - related party	-	1,850,359	-	14,841,642	16,692,001
Total liabilities	4,110	4,364,155	2,769,645	19,230,621	26,368,531
NET POSITION					
Net investment in capital assets	-	493,863	11,864,936	(6,813,426)	5,545,373
Restricted	-	55,761	457,868	659,522	1,173,151
Unrestricted	(4,010)	(2,448,180)	(1,586,626)	(4,077,302)	(8,116,118)
Total net position	$ (4,010)	$ (1,898,556)	$ 10,736,178	$ (10,231,206)	$ (1,397,594)

See independent auditor's report.

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

CONSOLIDATING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended December 31, 2022

	Lune d'Or Enterprises, LLC	Fischer I, LLC	Fischer III, LLC	Guste I, LLC	Total
OPERATING REVENUES					
Rental income, net	$ -	$ 130,656	$ 737,475	$ 467,494	$ 1,335,625
Other operating income	-	-	42,932	79,414	122,346
Total operating revenues	-	130,656	780,407	546,908	1,457,971
OPERATING EXPENSES					
Salaries and employee benefits	-	14,950	103,657	23,536	142,143
Utilities	-	50,871	243,257	198,299	492,427
Repairs and maintenance	-	44,133	222,264	190,428	456,825
Protective services	-	29,182	208,624	132,784	370,590
Insurance	-	65,607	322,846	197,437	585,890
Tenant services	-	16,240	85,667	62,201	164,108
Other general and administrative	-	35,387	124,120	85,498	245,005
Depreciation	-	99,775	519,592	353,289	972,656
Total operating expenses	-	356,145	1,830,027	1,243,472	3,429,644
OPERATING LOSS	-	(225,489)	(1,049,620)	(696,564)	(1,971,673)
NON-OPERATING REVENUES (EXPENSES)					
Interest income	-	199	4,680	1,378	6,257
Interest expense - related party	-	(152,397)	(77,676)	(454,053)	(684,126)
Forgiveness of debt and accrued interest	-	-	29,833,068	-	29,833,068
Total nonoperating revenues (expenses)	-	(152,198)	29,760,072	(452,675)	29,155,199
Change in net position	-	(377,687)	28,710,452	(1,149,239)	27,183,526
Total net position - beginning	(4,010)	(1,520,869)	(17,974,274)	(10,175,000)	(29,674,153)
Prior period adjustment	-	-	-	1,093,033	1,093,033
Total net position - beginning, restated	(4,010)	(1,520,869)	(17,974,274)	(9,081,967)	(28,581,120)
Total net position - ending	$ (4,010)	$ (1,898,556)	$ 10,736,178	$ (10,231,206)	$ (1,397,594)

See independent auditor's report.

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

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

December 31, 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

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the business-type activities of Lune d'Or Enterprises, LLC and Subsidiaries (collectively referred to as the "Company"), as of and for the year ended December 31, 2022, and the related notes to the consolidated financial statements, and have issued our report thereon dated August 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Company's internal control over financial reporting (internal control) 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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 Company's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. 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 Company's Response to Findings

The Company's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. The Company's response was not subjected to the auditing procedures applied in the audit of the consolidated 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 Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over compliance. Accordingly, this communication is not suitable for any other purpose.

August 30, 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 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 Company 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 Company 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 Company 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.