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**NOVOGRADAC  
& COMPANY** LLP<sup>®</sup>

CERTIFIED PUBLIC ACCOUNTANTS

September 18, 2009

Suzanne H. Elliott, CPA  
Engagement Manager  
Office of Legislative Auditor  
1600 North Third Street  
PO Box 94397  
Baton Rouge, LA 70804-9397

**RE: 2007 Audit for Lune d'Or Enterprises, LLC**

Dear Ms. Elliott:

We are writing this letter to inform you that the previously issued 2007 Audit of Lune d'Or Enterprises, LLC has been recalled. The reason for the reissuance is the need to consolidate the activities of Florida II-A, LLC within the financials of Lune d'Or Enterprises, LLC. The previously issued audit accounted for the ownership of this entity under the equity method.

If you have any questions, feel free to contact me.

Very truly yours,  
NOVOGRADAC & COMPANY LLP

by:  
Susan G. Wilson

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

10/14/09

REISSUE

LUNE D'OR ENTERPRISES, LLC AND SUBSIDIARY  
CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2007  
with  
Report of Independent Auditors



**NOVOGRADAC  
& COMPANY** LLP

CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors

To the Member of  
Lune d'Or Enterprises, LLC and Subsidiary:

We have audited the accompanying consolidated statement of net assets of Lune d'Or Enterprises, LLC and Subsidiary, component unit of the Housing Authority of New Orleans, Louisiana, as of December 31, 2007, and the related consolidated statements of revenues, expenses and changes in net assets (deficit) and cash flows for the year then ended. These financial statements are the responsibility of Lune d'Or Enterprises, LLC and Subsidiary's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lune d'Or Enterprises, LLC and Subsidiary as of December 31, 2007, and the changes in financial position, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2009 on our consideration of Lune d'Or Enterprises, LLC and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Independent Accountants' Reports dated June 22, 2009 have been withdrawn and can no longer be relied upon. The reason for the withdrawal is discussed in Note 1.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Information is presented for purposes of additional analysis and is not a

required part of the financial statements of the Organization. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Norojradac & Company LLP*

August 24, 2009

LUNE D'OR ENTERPRISES, LLC AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF NET ASSETS  
December 31, 2007

Assets

Current Assets

Cash and cash equivalents	\$	231,718
Capital contribution receivable		100
Management fees receivable		83,250
Prepaid ground lease		40,170
Total Current Assets		<u>355,238</u>

Total Assets	\$	<u>355,238</u>
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Liabilities and Net Deficit

Current Liabilities

Due to related parties	\$	2,907,596
Total Current Liabilities		<u>2,907,596</u>

Long-Term Liabilities

Investment obligations		411
Long-Term Liabilities		<u>411</u>

Total Liabilities		2,908,007
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Unrestricted Net Deficit		<u>(2,552,769)</u>
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Total Liabilities and Net Deficit	\$	<u>355,238</u>
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see accompanying notes

LUNE D'OR ENTERPRISES, LLC AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGE IN NET ASSETS (DEFICIT)  
For the year ended December 31, 2007

Operating Revenue	
Management fees	\$ 27,750
Operating Expenses	
General and administrative	25,853
Repairs and maintenance	2,300
Legal and other professional fees	135,176
Total operating expenses	<u>163,329</u>
Nonoperating Revenues and Expenses	
Insurance proceeds	84,695
Gain on extinguishment of debt	234,117
Interest income	25,647
Investment loss	(360)
Net nonoperating revenues and expenses	<u>344,099</u>
Change in Net Assets	208,520
Net Assets - Beginning of Year (As originally reported)	105,536
Prior Period Adjustment	<u>(2,866,825)</u>
Net Deficit - Beginning of Year (Restated)	<u>(2,761,289)</u>
Net Deficit - End of Year	<u>\$ (2,552,769)</u>

see accompanying notes

LUNE D'OR ENTERPRISES, LLC AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF CASH FLOWS  
For the year ended December 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 208,520
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Investment loss	360
Ground lease expense	472
Increase in management fees receivable	(27,750)
Decrease in accounts payable	(126,948)
Decrease in contractor payable	(748,697)
Net cash used in operating activities	<u>(694,043)</u>

CASH FLOW FROM FINANCING ACTIVITIES

Proceeds from related party	<u>2,307</u>
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NET CHANGE IN CASH AND CASH EQUIVALENTS (691,736)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 923,454

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 231,718

see accompanying notes

LUNE D'OR ENTERPRISES, LLC AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Pursuant to the Company's operating agreement, the Member is required to provide capital contributions to the Company totaling \$100. As of December 31, 2007, the Company has a capital contribution receivable in the amount of \$100 due from the Member.

The Company serves as the managing member of Guste I, LLC, a Louisiana limited liability company formed in December 2003 to construct, develop and operate an 82-unit apartment project, known as Guste I Apartments in New Orleans, Louisiana. The project is rented to low-income tenants and is operated in a manner necessary to qualify for federal low-income housing tax credits as provided for in Section 42 of the Internal Revenue Code. The Company owns 0.01% of Guste I, LLC.

The Company serves as the managing member of Fischer III, LLC, a Louisiana limited liability company formed in December 2003 to construct, develop and operate a 103-unit apartment project, known as Fischer III Apartments in New Orleans, Louisiana. The project is rented to low-income tenants and is operated in a manner necessary to qualify for federal low-income housing tax credits as provided for in Section 42 of the Internal Revenue Code. The Company owns 0.01% of Fischer III, LLC.

The Company serves as the managing member of Fischer I, LLC, a Louisiana limited liability company formed in March 2004 to construct, develop and operate a 20-unit apartment project, known as Fischer I Apartments in New Orleans, Louisiana. The project is rented to low-income tenants and is operated in a manner necessary to qualify for federal low-income housing tax credits as provided for in Section 42 of the Internal Revenue Code. The Company owns 0.01% of Fischer I, LLC.

The Company serves as the managing member of Florida II-A, LLC, a Louisiana limited liability company formed in March, 2004 to construct, develop, and operate a 168-unit apartment project ("the Project"), known as Florida II-A Apartments in New Orleans, Louisiana. During construction of the project, the grading of the land, building, and personal property were destroyed by Hurricane Katrina. The management of Florida II-A has not determined whether or not to continue its business purpose as of December 31, 2007. The Company owns 100% of Florida II-A, LLC, and the consolidated financial statements include the activity of Florida II-A, LLC.

LUNE D'OR ENTERPRISES, LLC AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

The Company serves as the managing member of General Ogden, LLC, a Louisiana limited liability company formed in February 2005 to construct, develop and operate a 22-unit apartment project, known as General Ogden in New Orleans, Louisiana. The project is to be rented to low-income tenants and is to be operated in a manner necessary to qualify for federal low-income housing tax credits as provided for in Section 42 of the Internal Revenue Code. The Company owns 0.01% of General Ogden, LLC.

The Company serves as the managing member of Fischer IV-3, LLC, a Louisiana limited liability company formed in April 2006 to construct, develop and operate a 26-unit apartment project, known as Fischer IV-3 in New Orleans, Louisiana. The project is to be rented to low-income tenants and is to be operated in a manner necessary to qualify for federal low-income housing tax credits as provided for in Section 42 of the Internal Revenue Code. The Company owns 0.01% of Fischer IV-3, LLC.

The Company serves as the managing member of CJ Peete I, LLC, a Louisiana limited liability company formed in April 2006 to construct, develop and operate a 50-unit apartment project, known as CJ Peete I in New Orleans, Louisiana. The project is to be rented to low-income tenants and is to be operated in a manner necessary to qualify for federal low-income housing tax credits as provided for in Section 42 of the Internal Revenue Code. The Company owns 0.01% of CJ Peete I, LLC.

The Company serves as the managing member of Tchoupitoulas, LLC, a Louisiana limited liability company formed in April 2006 to construct, develop and operate an 18-unit apartment project, known as Tchoupitoulas in New Orleans, Louisiana. The project is to be rented to low-income tenants and is to be operated in a manner necessary to qualify for federal low-income housing tax credits as provided for in Section 42 of the Internal Revenue Code. The Company owns 0.01% of Tchoupitoulas, LLC.

The Company serves as the managing member of Guste II-B, LLC, a Louisiana limited liability company formed in April 2006 to construct, develop and operate a 52-unit apartment project, known as Guste II-B in New Orleans, Louisiana. The project is to be rented to low-income tenants and is to be operated in a manner necessary to qualify for federal low-income housing tax credits as provided for in Section 42 of the Internal Revenue Code. The Company owns 0.01% of Guste II-B, LLC.

LUNE D'OR ENTERPRISES, LLC AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

The Company serves as the managing member of Imperial I, LLC, a Louisiana limited liability company formed in April 2006 to construct, develop and operate a 26-unit apartment project, known as Imperial I in New Orleans, Louisiana. The project is to be rented to low-income tenants and is to be operated in a manner necessary to qualify for federal low-income housing tax credits as provided for in Section 42 of the Internal Revenue Code. The Company owns 0.01% of Imperial I, LLC.

The Company serves as the managing member of Mazant Royal, LLC, a Louisiana limited liability company formed in May 2006 to construct, develop and operate an 18-unit apartment project, known as Mazant Royal in New Orleans, Louisiana. The project is to be rented to low-income tenants and is to be operated in a manner necessary to qualify for federal low-income housing tax credits as provided for in Section 42 of the Internal Revenue Code. The Company owns 0.01% of Mazant Royal, LLC.

The Company serves as the managing member of Imperial II, LLC, a Louisiana limited liability company formed in May 2006 to construct, develop and operate a 24-unit apartment project, known as Imperial Drive II in New Orleans, Louisiana. The project is to be rented to low-income tenants and is to be operated in a manner necessary to qualify for federal low-income housing tax credits as provided for in Section 42 of the Internal Revenue Code. The Company owns 0.01% of Imperial II, LLC.

The Company serves as the managing member of B.W. Cooper I, LLC, a Louisiana limited liability company formed in October 2006 to construct, develop and operate a 410-unit apartment project, known as B.W. Cooper I in New Orleans, Louisiana. The project is to be rented to low-income tenants and is to be operated in a manner necessary to qualify for federal low-income housing tax credits as provided for in Section 42 of the Internal Revenue Code. The Company owns 0.01% of B.W. Cooper I, LLC.

The Company serves as the managing member of St. Bernard I, LLC, a Louisiana limited liability company formed in October 2006 to construct, develop and operate a 465-unit apartment project, known as St. Bernard I in New Orleans, Louisiana. The project is to be rented to low-income tenants and is to be operated in a manner necessary to qualify for federal low-income housing tax credits as provided for in Section 42 of the Internal Revenue Code. The Company owns 0.01% of St. Bernard I, LLC.

The Company serves as the managing member of CJ Peete III, LLC, a Louisiana limited liability company formed in October 2006 to construct, develop and operate a 410-unit apartment project, known as CJ Peete III in New Orleans, Louisiana. The project is to be rented to low-income tenants and is to be operated in a manner necessary to qualify for federal low-income housing tax credits as provided for in Section 42 of the Internal Revenue Code. The Company owns 0.01% of CJ Peete III, LLC.

LUNE D'OR ENTERPRISES, LLC AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

Basis of presentation and accounting

In accordance with Louisiana State Reporting Law (LAS-R.S.24:514), the financial statements are prepared in accordance with United States generally accepted account principles (GAAP). GASB is the accepted standards setting body for establishing accounting and financial reporting standards.

Based on compelling reasons offered by HUD, Lune d'Or Enterprises, LLC reports under the governmental proprietary fund type (enterprise fund), which uses the accrual basis of accounting. The enterprise fund emphasizes the flow of economic resources as a measurement focus. In this fund, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Pursuant to the election option made available by GASB Statement No. 20, *Accounting and Financial Reporting for Propriety Funds and Other Governments Entities That Use Proprietary Fund Accounting*, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are applied in the preparation of the financial statements.

The enterprise method is used to account for those operations that are financed and operated in a manner similar to private business, or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income necessary for management accountability is appropriate. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through funding from the Authority and charges to residents for rent and other fees.

Principals of consolidation

These consolidated financial statements include the accounts for Lune d'Or Enterprises, LLC and the single-member limited liability company, Florida II-A, LLC ("Florida"). All significant intercompany balances and transactions have been eliminated in consolidation.

For the originally issued financial statements dated June 22, 2009, the Company's investment in Florida II-A, LLC was reported under the equity method. For the reissued financial statements, the Company's investment in Florida II-A, LLC was consolidated into the financial statements of the Company.

Prior period adjustment

During 2007, it was determined that the Company's purchase of the Investor Member's interest in Florida II-A, LLC, which resulted in assuming 100% ownership of Florida II-A, LLC in 2006 was not properly recorded. Beginning net assets as of January 1, 2007 have been restated from amounts previously reported by a decrease of \$2,866,825 to correct this error.

LUNE D'OR ENTERPRISES, LLC AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

Income taxes

Income taxes on Company income are levied on the Member in its individual capacity. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 prescribes detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. Pursuant to FSP-FIN-48-3, the effective date has been deferred for nonpublic organizations and will become effective for fiscal years beginning after December 15, 2008. The Company has elected to defer the application of FIN 48. Management believes that the implementation of FIN 48 will not have a material effect on the financial statements.

Accounts receivable

An allowance for bad debts is not maintained. Accounts are written off when they are determined to be uncollectible. Generally, an allowance for uncollectible accounts is maintained in lieu of the direct charge-off method; however, use of the allowance method would be immaterial with respect to the financial statements taken as a whole.

Revenue recognition

Revenue attributable to management fees is recorded when due from companies owning the projects, generally in accordance with the respective management agreement. Any management fees remaining unpaid are anticipated to be repaid by additional capital contributed from the investor members of the respective companies and cash flows from operations.

Use of estimates

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

Economic concentrations

The Company is the managing member of entities that own and operate fifteen projects 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.

LUNE D'OR ENTERPRISES, LLC AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

NOTE 2 - RELATED PARTY TRANSACTIONS

Due to related parties

During the year ended December 31, 2005, Florida incurred costs due to the Member. The advances related to miscellaneous costs associated with the construction of the Project. As of December 31, 2007, advances totaling \$129,390 were outstanding and are included in the "Due to related parties" in the accompanying consolidated statement of net assets. \$ 129,390

As of December 31, 2007, Florida had recorded a payable due to HANO, a related party of the Member, for the difference between the construction loan payable issued by HANO and actual funds received by the Florida. As of December 31, 2007, the payable due to HANO was \$1,480,795 and is included in "Due to related parties" in the accompanying consolidated statement of net assets. 1,480,795

As of December 31, 2007, Florida owed pre-development expenses to HANO. The expenses are related to the Project and were incurred by HANO prior to the formation of Florida. As of December 31, 2007, pre-development expenses of \$999,976 were outstanding and are included in "Due to related parties" in the accompanying consolidated statement of net assets. 999,976

Administrative services fee payable

During the year ended December 31, 2005, HANO, earned an administrative services fee of \$620,607 for providing assistance in the coordination of intergovernmental participation for the Project, and for performing other reasonable services requested by Florida to complete the transactions contemplated by the Administrative Services Agreement. As of December 31, 2007, administrative services fee payable of \$110,090 was outstanding and included in "Due to related parties" in the accompanying consolidated statement of net assets. 110,090

LUNE D'OR ENTERPRISES, LLC AND SUBSIDIARY  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2007

NOTE 2 – RELATED PARTY TRANSACTIONS (CONTINUED)

Program income loan

During the year ended December 31, 2005, Florida entered into the HANO Program Income Construction Mortgage Note with HANO. The loan was obtained in connection with the financing of the acquisition, development, and construction of the Project. As of December 31, 2007, the HANO Program Income Construction Mortgage Note outstanding was \$187,345 and included in "Due to related parties" in the accompanying consolidated statement of net assets.

187,345

Total due to HANO

\$ 2,907,596

Management fees

During 2007, the Company earned management fees for services provided to certain investee companies as follows:

	Balance January 1, 2007	Additions	Balance December 31, 2007
Fischer III, LLC	\$ 30,900	\$ 15,450	\$ 46,350
Guste I, LLC	24,600	12,300	36,900
Total Receivable	\$ 55,500	\$ 27,750	\$ 83,250

As of December 31, 2007, management fees receivable were \$83,250

Investments in companies

The Company serves as the managing member of Fischer I, LLC, Guste I, LLC, and Fischer III, LLC. For these financial statements, the Company uses the equity method to account for its investments in each of the companies. Negative investments are reported as liabilities and are included in "Investment obligations" in the accompanying statement of net assets. The carrying amount of the investment obligations in companies as of December 31, 2007 is as follows:

2006 retained earnings	\$ 464
Partnership's cumulative share of Operating Partnerships' income, depreciation, and amortization	<u>(53)</u>
Investments in Operating Partnerships per balance sheet	<u>\$ 411</u>

The Company also serves as the managing member of General Ogden, LLC, Fischer IV-3, LLC, CJ Peete I, LLC, Tchoupitoulas, LLC, Guste II-B, LLC, Imperial I, LLC, Mazant Royal, LLC, Imperial Drive II, LLC, B.W. Cooper I, LLC, St. Bernard I, LLC and CJ Peete III, LLC, which did not report any activity as of and for the year ended December 31, 2007.

LUNE D'OR ENTERPRISES, LLC AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

NOTE 2 - RELATED PARTY TRANSACTIONS (CONTINUED)

Investments in companies (continued)

The combined balance sheet of the Operating Partnerships as of December 31, 2007 and the combined statement of operations for the year then ended are as follows:

COMBINED BALANCE SHEET

ASSETS

Cash	\$	1,803,129
Restricted cash		2,870,218
Accounts receivable		37,732
Prepaid expenses		157,755
Property and equipment		35,954,759
Other assets		2,030,318
Total assets	\$	<u>42,853,911</u>

LIABILITIES AND MEMBERS' DEFICIT

Accounts payable	\$	30,997
Due to related parties		41,665,762
Prepaid rent income		632
Tenant security deposits payable		26,948
Notes payable		858,623
Accrued expenses		3,602,169
Total liabilities		<u>46,185,131</u>
MEMBERS' DEFICIT		<u>(3,331,220)</u>
Total liabilities and partners'/ members' deficit	\$	<u>42,853,911</u>

LUNE D'OR ENTERPRISES, LLC AND SUBSIDIARY  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2007

NOTE 2 - RELATED PARTY TRANSACTIONS (CONTINUED)

Investments in Operating Partnerships (continued)

COMBINED STATEMENT OF OPERATIONS

OPERATING REVENUE		
Rental income	\$	606,737
Other income		48,991
Total operating revenue		<u>655,728</u>
OPERATING EXPENSES		
Advertising		39,367
General and administrative		19,815
Legal and professional fees		37,614
Maintenance and repairs		41,526
Miscellaneous		4,140
Property management fees		68,735
Taxes and insurance		145,047
Utilities		129,321
Wages and salaries		114,853
Total operating expenses		<u>600,418</u>
Net operating loss		55,310
OTHER INCOME AND (EXPENSES)		
Interest income		215,840
Interest expense		(1,959,744)
Depreciation expense		(1,615,189)
Amortization expense		(93,056)
Organizational costs		(245,668)
Gain on Investment		34,025
Net other income and expenses		<u>(3,663,792)</u>
NET LOSS	\$	<u>(3,608,482)</u>

LUNE D'OR ENTERPRISES, LLC AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

NOTE 2 - RELATED PARTY TRANSACTIONS (CONTINUED)

Investments in Operating Partnerships (continued)

COMBINED STATEMENT OF OPERATIONS (CONTINUED)

Company's share of loss from Operating Partnerships	<u>\$ .01%</u>
Members' share of loss	<u>\$ (360)</u>

Commitments and contingencies

Pursuant to the operating agreements of the related party companies in which Lune d'Or Enterprises, LLC is the managing member, the Company is obligated to purchase the interest of the investor member if certain events occur, as specified in each operating agreement. As of December 31, 2007, the Company has not been required to fulfill this obligation.

NOTE 3 - DEPOSITS AND INVESTMENTS

Cash and cash equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with maturities of three months or less at date of acquisition.

NOTE 4 - GROUND LEASE

On December 30, 2003, Florida entered into an 89-year Ground Lease (the "Ground Lease") with HANO. Florida is bound by the responsibilities and obligations of the Ground Lease. Under the Ground Lease, Florida is required to pay an annual rent of \$5,000. In consideration of a \$41,979 lump sum payment from Florida on January 20, 2005, the payment obligations were fully satisfied and discharged. During the year ended December 31, 2007, ground lease expense was \$472. As of December 31, 2007, the prepaid ground lease was \$40,170 and is included in "Prepaid ground lease" in the accompanying statement of net assets.

LUNE D'OR ENTERPRISES, LLC AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

NOTE 5 – EXTINGUISHMENT OF DEBT

Upon the decision to cease construction of the Project, in January 2006, Florida terminated its construction agreement with Greystar Development and Construction, L.P. ("Greystar"). A claim for consideration for contract termination was submitted by Greystar in March 2006. Inability to reach agreement concerning the extent of the claim resulted in litigation being filed by Greystar in June 2006. During 2007, a settlement was reached between Florida and Greystar. A negotiated settlement of \$634,500 was reached on June 5, 2007 between Florida and Greystar, and the case was dismissed. In consideration of the settlement payment, all amounts due to Greystar were forgiven, resulting in a gain on extinguishment of debt of \$234,117.

SUPPLEMENTAL INFORMATION

LUNE D'OR ENTERPRISES, LLC AND SUBSIDIARY  
CONSOLIDATING BALANCE SHEET  
For the year ended December 31, 2007

	Lune d'Or Enterprises, LLC	Florida II-A, LLC	Eliminations	Total
<b>ASSETS</b>				
Cash and cash equivalents	-	\$ 231,718	-	\$ 231,718
Capital contribution receivable	100	-	-	100
Management fees receivable	133,650	-	(50,400)	83,250
Prepaid ground lease	-	40,170	-	40,170
Total assets	<u>\$ 133,750</u>	<u>\$ 271,888</u>	<u>\$ (50,400)</u>	<u>\$ 355,238</u>
<b>LIABILITIES AND MEMBER'S CAPITAL</b>				
Due to related parties	-	\$ 2,957,996	\$ (50,400)	\$ 2,907,596
Investment obligations	2,686,519	-	(2,686,108)	411
Total liabilities	2,686,519	2,957,996	(2,736,508)	2,908,007
Member's capital	(2,552,769)	(2,686,108)	2,686,108	(2,552,769)
Total liabilities and member's capital	<u>\$ 133,750</u>	<u>\$ 271,888</u>	<u>\$ (50,400)</u>	<u>\$ 355,238</u>

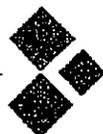
LUNE D'OR ENTERPRISES, LLC AND SUBSIDIARY  
CONSOLIDATING STATEMENT OF OPERATIONS  
For the year ended December 31, 2007

	Lune d'Or Enterprises, LLC	Florida II-A, LLC	Eliminations	Total
<b>REVENUE</b>				
Management services	\$ 27,750	\$ -	\$ -	\$ 27,750
<b>OPERATING EXPENSES</b>				
General and administrative	-	(25,853)	-	(25,853)
Repairs and maintenance	-	(2,300)	-	(2,300)
Legal and other professional fees	-	(135,176)	-	(135,176)
Total operating expenses	-	(163,329)	-	(163,329)
Operating income	27,750	(163,329)	-	(135,579)
<b>OTHER INCOME</b>				
Insurance proceeds	-	84,695	-	84,695
Gain on extinguishment of debt	-	234,117	-	234,117
Interest income	-	25,647	-	25,647
Investment loss	180,770	-	(181,130)	(360)
Total other income:	180,770	344,459	(181,130)	344,099
Net income	\$ 208,520	\$ 181,130	\$ (181,130)	\$ 208,520

LUNE D'OR ENTERPRISES, LLC AND SUBSIDIARY  
CONSOLIDATING STATEMENT OF CHANGES IN MEMBERS' CAPITAL  
For the year ended December 31, 2007

MEMBER'S CAPITAL

	Lune d'Or Enterprises, LLC	Florida II-A, LLC	Eliminations	Total
	Limited Partners	Total Partners' Capital		
BALANCE, JANUARY 1, 2006	\$ 105,536	\$ (3,501,738)	\$ 3,501,738	\$ 105,536
Prior period adjustment	(2,866,825)	634,500	(634,500)	(2,866,825)
BALANCE, JANUARY 1, 2006, AS RESTATED	(2,761,289)	(2,867,238)	2,867,238	(2,761,289)
Net income	208,520	181,130	(181,130)	208,520
BALANCE, DECEMBER 31, 2006	\$ (2,552,769)	\$ (2,686,108)	\$ 2,686,108	\$ (2,552,769)



**NOVOGRADAC  
& COMPANY** LLP®  
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Member of  
Lune d'Or Enterprises, LLC and Subsidiary

We have audited the financial statements of Lune d'Or Enterprises, LLC and Subsidiary, as of and for the year ended December 31, 2007, and have issued our report thereon dated August 24, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lune d'Or Enterprises, LLC and Subsidiary's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lune d'Or Enterprises, LLC and Subsidiary's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lune d'Or Enterprises, LLC and Subsidiary's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Company's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Company's financial statements that is more than inconsequential will not be prevented or detected by Lune d'Or Enterprises, LLC and Subsidiary's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Lune d'Or Enterprises, LLC and Subsidiary's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the combination

of the deficiencies listed in the accompanying schedule of findings and responses to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses.

Lune d'Or Enterprises, LLC and Subsidiary's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Lune d'Or Enterprises, LLC and Subsidiary's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Members, management, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

*Novogradec & Company LLP*

August 24, 2009

LUNE D'OR ENTERPRISES, LLC AND SUBSIDIARY  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended December 31, 2007

Findings - Deficiencies in the Operation of Controls

Deficiency 07-01

Inadequate design of internal control over the preparation of the financial statements being audited.

Management's Response

As with many PHA self developed LIHTC entities, accounting systems in place for this entity generate financial data on a cash flow basis, which allows management to monitor operating activities effectively. At the time of this audit, accounting staffing and systems were not sufficient to enable the entity to produce full GAAP and GASB-compliant financial statements and footnotes on the accrual basis of accounting. Since the time of the audit, staff assignments and accounting systems have been established to enable management to prepare the annual financial statements. PHA accounting staff and the Finance Manager at the authority will be responsible for the full GAAP and GASB compliant financial statements for Lune d'Or Enterprises, LLC and Subsidiary.

Deficiency 07-02

Failure to post adjusting journal entries from the prior year audit.

Management's Response

We have implemented a new procedure that will address this issue going forward. The finance manager will be required to validate that all adjusting journal entries (relating to the year end audit) are preformed and that the prior year is closed on the accounting system in place. Finance manager will keep a copy of the audited adjusting posted entries and close out check list available for the auditors.

Deficiency 07-03

Failure to account for depreciation.

Management's Response

Finance Manager will be responsible to create the annual depreciation journal entries (approved by the CFO and Investor) and validate that the entries have been posted by the appropriate staff member. Depreciation schedule and posted entries will be available to the auditor going forward.

LUNE D'OR ENTERPRISES, LLC AND SUBSIDIARY  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended December 31, 2007

Findings – Compliance

Finding 07-04

Failure to submit audited financial statements to the Louisiana Legislative Auditor by the statutory due date.

Recommendation

Procedures should be implemented to produce and report accurate financial activity on a timely basis.

Management's Response

Due to the financial recovery of the agency during the period after Hurricane Katrina the agency requested that submission deadlines be extended. Going forward with the 2009 audit the submission dates for engagements and audits will be met as required.