

**Crescent Affordable Housing
Corporation and Affiliates**

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

December 31, 2013 and 2012

Crescent Affordable Housing Corporation and Affiliates

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Independent Auditor's Report

To the Board of Directors
Crescent Affordable Housing Corporation and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Crescent Affordable Housing Corporation, which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Crescent Affordable Housing Corporation as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 26 through 31 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014, on our consideration of Crescent Affordable Housing Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Crescent Affordable Housing Corporation's internal control over financial reporting and compliance.



Charlotte, North Carolina
June 30, 2014

Crescent Affordable Housing Corporation and Affiliates

**Consolidated Statements of Financial Position
December 31, 2013 and 2012**

Assets

	<u>2013</u>	<u>2012</u>
Current Assets		
Cash and cash equivalents	\$ 3,175,143	\$ 950,071
Accounts receivable - tenant	42,047	43,097
Due from other governments	346,760	296,521
Accounts receivable - other	15,981	82,835
Prepaid expenses	27,777	22,273
Due from related party	<u>762,603</u>	<u>695,500</u>
Total Current Assets	<u>4,370,311</u>	<u>2,090,297</u>
Restricted Deposits and Funded Reserves		
Resident security deposits	37,128	29,381
Replacement reserves	<u>172,223</u>	<u>171,536</u>
Total Restricted Deposits and Funded Reserves	<u>209,351</u>	<u>200,917</u>
Rental Property		
Buildings and improvements	33,666,875	33,666,875
Land improvements	4,860,619	4,860,619
Furniture, equipment and machinery	934,592	926,179
Construction in progress	<u>2,719,016</u>	<u>-</u>
	42,181,102	39,453,673
Less accumulated depreciation	<u>(9,140,973)</u>	<u>(7,978,059)</u>
Total Rental Property	<u>33,040,129</u>	<u>31,475,614</u>
Other Noncurrent Assets		
Loan fees	1,017,607	1,124,957
Tax credit monitoring fees	7,177	8,084
Prepaid ground lease	74,530	75,473
Other assets	<u>475</u>	<u>475</u>
Total Other Noncurrent Assets	<u>1,099,789</u>	<u>1,208,989</u>
Total Assets	<u>\$ 38,719,580</u>	<u>\$ 34,975,817</u>

Crescent Affordable Housing Corporation and Affiliates

**Consolidated Statements of Financial Position
December 31, 2013 and 2012**

Liabilities and Net Assets

	<u>2013</u>	<u>2012</u>
Current Liabilities		
Accounts payable	\$ 131,978	\$ 196,197
Accrued expenses	1,109,305	699,293
Property management fee payable	48,808	48,808
Asset management fee payable	84,631	70,039
Due to related parties	2,892,247	2,361,403
Deferred revenue	607,375	-
Construction notes payable to related party	25,981,401	25,344,940
Accrued interest payable to related party	11,618,542	10,858,194
	<u>42,474,287</u>	<u>39,578,874</u>
Deposits and Prepaid Liability		
Resident security deposits	37,280	46,092
	<u>37,280</u>	<u>46,092</u>
Total Deposits and Prepaid Liability	<u>37,280</u>	<u>46,092</u>
Long-Term Liabilities		
Notes payable - related party	8,798,089	8,798,089
Accrued interest payable	713,522	603,451
	<u>9,511,611</u>	<u>9,401,540</u>
Total Long-Term Liabilities	<u>9,511,611</u>	<u>9,401,540</u>
Contingencies	-	-
Net assets		
Unrestricted Net Assets, Crescent Affordable Housing Corporation	3,064,759	2,047,548
Unrestricted Net Assets, Noncontrolling Interest	<u>(16,368,357)</u>	<u>(16,098,237)</u>
	<u>(13,303,598)</u>	<u>(14,050,689)</u>
Total Net Assets	<u>(13,303,598)</u>	<u>(14,050,689)</u>
Total Liabilities and Net Assets	<u>\$ 38,719,580</u>	<u>\$ 34,975,817</u>

See Notes to Consolidated Financial Statements.

Crescent Affordable Housing Corporation and Affiliates

**Consolidated Statements of Activities
Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Revenues		
Rental income	\$ 1,538,842	\$ 1,446,077
Vacancies and concessions	(182,378)	(22,039)
Other operating income	<u>1,982,328</u>	<u>452,851</u>
Total Revenue	<u>3,338,792</u>	<u>1,876,889</u>
Operating Expenses		
Salaries and employee benefits	468,852	396,366
Repairs and maintenance	364,775	267,200
Utilities	321,959	237,478
Property management fee	73,492	73,280
Property insurance	327,828	267,828
Miscellaneous operating expenses	<u>963,128</u>	<u>499,579</u>
Total Operating Expenses	<u>2,520,034</u>	<u>1,741,731</u>
Net Operating Income (Loss)	<u>818,758</u>	<u>135,158</u>
Nonoperating Income (Expenses)		
Interest income	2,821	2,286
Interest expense	(870,419)	(865,900)
Other financial income (expense)	(861)	(178,518)
Miscellaneous other income (expense)	-	(160,988)
Annual fee to affiliate of limited partner	(14,592)	(14,414)
Depreciation	(1,162,914)	(1,209,973)
Amortization	<u>(108,257)</u>	<u>(108,257)</u>
Total Nonoperating Income (Expense)	<u>(2,154,222)</u>	<u>(2,535,764)</u>
Change in Net Assets	(1,335,464)	(2,400,606)
Attributable to Non-controlling Interest	<u>(2,352,488)</u>	<u>(1,702,392)</u>
Change in Net Assets Attributable to Crescent Affordable Housing Corporation	<u>\$ 1,017,024</u>	<u>\$ (698,214)</u>

See Notes to Consolidated Financial Statements.

Crescent Affordable Housing Corporation and Affiliates

**Consolidated Statements of Net Assets
Years Ended December 31, 2013 and 2012**

	Unrestricted Net Assets, Crescent Affordable Housing Corporation	Unrestricted Net Assets, Noncontrolling Interest	Total
	<u> </u>	<u> </u>	<u> </u>
Balance January 1, 2012	\$ 2,745,762	\$ (14,395,845)	\$ (11,650,083)
Change in Net Assets	<u>(698,214)</u>	<u>(1,702,392)</u>	<u>(2,400,606)</u>
Balance December 31, 2012	2,047,548	(16,098,237)	(14,050,689)
Capital Contributions	187	2,082,368	2,082,555
Change in Net Assets	<u>1,017,024</u>	<u>(2,352,488)</u>	<u>(1,335,464)</u>
Balance December 31, 2013	<u><u>\$ 3,064,759</u></u>	<u><u>\$ (16,368,357)</u></u>	<u><u>\$ (13,303,598)</u></u>

See Notes to Consolidated Financial Statements.

Crescent Affordable Housing Corporation and Affiliates

**Consolidated Statements of Cash Flows
Years Ended December 31, 2013 and 2012**

	2013	2012
Cash Flows from operating activities		
Change in net assets	\$ (1,335,464)	\$ (2,400,606)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,162,914	1,209,973
Amortization	108,257	108,257
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable - tenant	1,050	(20,617)
Due from other governments	(50,239)	(43,078)
Accounts receivable - other	66,854	(78,521)
Prepaid expenses	(4,561)	2,163
Due from related party	(67,103)	118,499
Other assets	-	(50)
Deferred revenue	607,375	-
Tenant security deposits, net	(16,559)	10,426
Accounts payable	(64,219)	73,415
Accrued expenses	410,012	442,603
Asset management fee payable	14,592	14,413
Accrued interest payable to related party	870,419	865,897
	<u>1,703,328</u>	<u>302,774</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchases of property and equipment	(2,727,429)	(322,743)
Replacement reserve, net	(687)	(684)
Advances to related party	-	(321,874)
	<u>(2,728,116)</u>	<u>(645,301)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from construction notes payable	636,461	-
Capital contributions	2,082,555	-
Due to related party	530,844	(191,680)
	<u>3,249,860</u>	<u>(191,680)</u>
Net cash provided by (used in) financing activities		
Net decrease in cash and cash equivalents	2,225,072	(534,207)
Cash and cash equivalents, beginning of year	<u>950,071</u>	<u>1,484,278</u>
Cash and cash equivalents, end of year	<u>\$ 3,175,143</u>	<u>\$ 950,071</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>

See Notes to Consolidated Financial Statements.

Crescent Affordable Housing Corporation and Affiliates

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Note 1 - Organization and Nature of Operations

Organization

Crescent Affordable Housing Corporation (CAHC) is a Louisiana not-for-profit corporation created in December 2003 by the Housing Authority of New Orleans (HANO) for the purpose of providing a financial entity to assist HANO in acquiring, financing, redeveloping, rehabilitating, and constructing affordable housing. CAHC is the sole member of Lune d'Or Enterprises, LLC (Lune d'Or), a for-profit entity created by HANO that serves as the managing member of several for-profit Limited Liability Companies (the LLC's) that own and operate affordable housing projects developed on properties owned by HANO. CAHC is also the sole member of Place d'Genesis, LLC (Place d'Genesis); a for-profit entity with the purpose to acquire, finance, construct, redevelop and rehabilitate affordable housing.

CAHC is a component unit of HANO under the requirements of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of Gasbs No. 14 and No. 34*. CAHC is presented as a blended component unit of HANO as there is a financial benefit/burden relationship with HANO. HANO has the ability to influence the operations of CAHC as its board of directors is appointed by HANO and any changes to CAHC's by-laws must be approved by HANO.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of CAHC, Lune d'Or, Place d'Genesis, and Guste Homes III, LLC. CAHC has a .009 percent interest in Guste Homes III, LLC. In addition, the balances of Lune d'Or include investments in limited liability companies in which Lune d'Or has a controlling interest and accounts of three limited liability companies in which Lune d'Or has a .01 percent interest. The entities in which CAHC and Lune d'Or have managing member ownership interests in are included in the consolidation according to accounting principles generally accepted in the United States of America (GAAP) which require consolidation of the accounts of all limited liability companies that CAHC and Lune d'Or control. All significant intercompany transactions have been eliminated in consolidation. The limited liability companies included in the consolidation are as follows:

<u>Entity</u>	<u>Percentage Ownership</u>	<u>Number of Units</u>
Fischer I, LLC	0.010%	20
Fischer III, LLC	0.010%	103
Guste I, LLC	0.010%	82
Guste Homes III, LLC	0.009%	155

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Notes to Consolidated Financial Statements December 31, 2013 and 2012

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

Note 2 - Summary of Significant Accounting Policies

Cash Equivalents

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

Tenant Receivables

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based on a periodic review of the accounts by management. GAAP require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Deferred Financing Fees

Financing fees are amortized over the term of the loan using the straight-line method. Accounting principles generally accepted in the United States of America require that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method.

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

Accumulated amortization as of December 31, 2013 and 2012 was \$973,360 and \$865,737, respectively.

Crescent Affordable Housing Corporation and Affiliates

**Notes to Consolidated Financial Statements
December 31, 2013 and 2012**

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

	<u>Fischer I, LLC</u>	<u>Fischer III, LLC</u>	<u>Guste I, LLC</u>	<u>Total</u>
2014	\$ 133	\$ 38,464	\$ 69,660	\$ 108,257
2015	133	38,464	69,660	108,257
2016	133	38,464	69,660	108,257
2017	133	38,464	69,660	108,257
2018	133	38,464	69,660	108,257
Thereafter	<u>326</u>	<u>193,062</u>	<u>290,111</u>	<u>483,499</u>
	<u>\$ 991</u>	<u>\$ 385,382</u>	<u>\$ 638,411</u>	<u>\$ 1,024,784</u>

Rental Property

Rental property is recorded at cost. Depreciation of rental property is computed primarily using the following methods and estimated useful lives:

	<u>Useful Lives</u>	<u>Method</u>
Buildings	40 years	Straight-line
Land and improvements	20 years	Declining balance
Furniture and equipment	10 years	Declining balance

Impairment of Long-Lived Assets

CAHC reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended December 31, 2013 and 2012.

Rental Income

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

Crescent Affordable Housing Corporation and Affiliates

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Advertising Costs

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

Income Taxes

CAHC has been classified as a publicly supported organization under Internal Revenue Code Section 501(c)(3) and not as a private foundation. Therefore, it is generally not subject to income tax. CAHC is subject to Unrelated Business Income Tax (UBIT) if income is earned which does not relate to its nonprofit purpose. There has been no UBIT recorded in the financials for the years ended December 31, 2013 and 2012.

Lune d'Or and Place d'Genesis have elected to be treated as pass-through entities for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to CAHC and the other owners of the consolidated entities. Lune d'Or and Place d'Genesis' federal tax status as pass-through entities is based on their legal status as single-member limited liability companies. Accordingly, neither entity is required to take any tax positions in order to qualify as pass-through entities. Guste Homes III, LLC and the three limited liability companies included in Lune d'Or are required to file and do file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and there are no other tax positions which must be considered for disclosure. Income tax returns filed by these entities are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2010 remain open.

Use of Estimates

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

Economic Concentrations

All of the operations of CAHC and its consolidated affiliates are located in New Orleans, Louisiana. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

Unrestricted Net Assets Noncontrolling interest

Interests held by investor members in Guste Homes III, LLC and the limited liability companies consolidated into Lune d'Or are reflected in unrestricted net assets non-

Crescent Affordable Housing Corporation and Affiliates

Notes to Consolidated Financial Statements December 31, 2013 and 2012

controlling interest on the consolidated financial statements. Noncontrolling interest represents the 99.991 percent of the underlying negative equity of Guste Homes III, LLC not owned by CAHC and 99.99 percent share of the underlying negative equity of those limited liability companies, not wholly owned by Lune d'Or.

Note 3 - Restricted Cash

Replacement Reserve

Pursuant to the Operating Agreement, Guste I, LLC is required to make monthly deposits to a reserve for replacements account for use in funding maintenance and replacement costs. Monthly deposits are required in the amount of \$2,416, increasing annually by the Consumer Price Index commencing on the completion date. As of December 31, 2013 and 2012, no amounts had been funded.

Pursuant to the Operating Agreement, Fischer I, LLC shall establish a reserve account for capital replacements, funded by monthly deposits of \$417, increasing annually by the Consumer Price Index commencing on the completion date. As of December 31, 2013 and 2012, the replacement reserve balance was \$46,421 and \$46,236, respectively.

Pursuant to the Operating Agreement, Fischer III, LLC shall establish a reserve account for capital replacements, funded by monthly deposits of \$2,416, increasing annually by the Consumer Price Index commencing on the completion date. As of December 31, 2013 and 2012, the replacement reserve balance was \$125,802 and \$125,300, respectively.

Note 4 - Contract Subsidy

Sixty-seven units within Guste I, LLC are eligible to receive operating fund assistance from the Department of Housing and Urban Development through HANO, under Section 9(e) of the United States Housing Act of 1937. During 2013 and 2012, the Company earned operating fund assistance in the amount of \$197,286 and \$146,523, respectively. These amounts are included in rental income in the accompanying consolidated statements of operations.

Twelve units within Fischer I, LLC are eligible to receive operating fund assistance from the Department of Housing and Urban Development through HANO, under Section 9(e) of the United States Housing Act of 1937. During 2013 and 2012, the Company earned operating fund assistance in the amount of \$75,441 and \$67,159, respectively. These amounts are included in rental income in the accompanying consolidated statements of operations.

Sixty-nine units within Fischer III, LLC are eligible to receive operating fund assistance from the Department of Housing and Urban Development through HANO, under Section 9(e) of the United States Housing Act of 1937. During 2013 and 2012, the Company earned operating fund assistance in the amounts of \$231,584 and \$212,235, respectively. These

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amounts are included in rental income in the accompanying consolidated statements of operations.

Note 5 - Related Party Transactions

Operating Subsidy

During 2013 and 2012, Guste I, LLC received rent assistance subsidy from HANO in the amount of \$200,805 and \$224,528, respectively.

Guste I, LLC is due \$373,731 and \$283,418 as of December 31, 2013 and 2012, respectively, as a result of rental and other subsidy received from HANO. The outstanding balance is expected to be received in 2014 and thus has been classified as a current asset in the accompanying consolidated statements of financial position.

During 2013 and 2012, Fischer I, LLC received rent assistance subsidy from HANO in the amount of \$43,943 and \$55,885, respectively. All amounts have been received as of December 31, 2013 and 2012.

During 2013 and 2012, Fischer III, LLC received rent assistance subsidy from HANO in the amount of \$168,413 and \$331,947, respectively. In addition, Fischer III, LLC received operating subsidy from HANO amounting to \$374,428 during 2012 for building repairs paid for by HANO which are included in other operating income in the accompanying consolidated statements of activities. The balance due from HANO as of December 31, 2013 and 2012 is \$112,943 and \$386,729, respectively.

Other

During 2011, a bank account for Place d' Genesis was closed and the funds were combined with bank accounts of HANO. The balance due to Place d' Genesis at December 31, 2013 and 2012 was \$25,353. The cash is readily available for use by Place d' Genesis.

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Notes to Consolidated Financial Statements December 31, 2013 and 2012

Developer Agreement

Guste I, LLC, Fischer I, LLC and Fischer III, LLC entered into development agreements with CAHC. The agreements provides for development fee and overhead for services in connection with the development of each project and supervision of the construction. Development fees are earned based upon the occurrence of certain events, as defined, during development and construction. Total developer fees are as follows and the payable is eliminated in the consolidated financial statements:

	Total Development Fee	Amount Earned and Payable
Guste I, LLC	\$ 1,199,510	\$ 899,510
Fischer I, LLC	279,026	231,036
Fischer III, LLC	1,355,564	1,055,564
	<u>\$ 1,634,590</u>	<u>\$ 1,286,600</u>

In addition, CAHC had development agreements with Guste Homes III, LLC and Iberville Offsite Rehab I, LLC. The agreements provide for development fee and overhead for services in connection with the development of each project and supervision of the construction. Development fees are earned based upon the occurrence of certain events, as defined, during development and construction. Total developer fees and amount earned to date, and included in other operating income in the consolidated statements of activities are as follows:

	Total Development Fee	Amount Earned and Received
Guste Homes III, LLC	\$ 5,310,193	\$ 1,327,548
Iberville Offsite Rehab I, LLC	956,595	95,697
	<u>\$ 6,266,788</u>	<u>\$ 1,423,245</u>

Asset Management Fee

Pursuant to the Operating Agreement, the Investor Member of Guste I, LLC, Fischer I, LLC and Fischer III, LLC shall earn an annual, cumulative fee. For Guste I, LLC and Fischer III, LLC, the fee is adjusted each year for the changes in the Consumer Price Index. Total fees

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**Notes to Consolidated Financial Statements
December 31, 2013 and 2012**

earned and payable as of December 31, 2013 and 2012 and for the years then ended is as follows:

	2013		2012	
	Fees Earned	Amount Payable	Fees Earned	Amount Payable
Fischer I, LLC	\$ 5,923	\$ 28,582	\$ 5,836	\$ 22,658
Fischer III, LLC	2,500	16,563	2,500	14,063
Guste I, LLC	6,169	39,486	6,078	33,318
	\$ 14,592	\$ 84,631	\$ 14,414	\$ 70,039

Due to HANO

Guste I, LLC, Fischer I, LLC and Fischer III, LLC incurred costs due to HANO related to the miscellaneous costs associated with the construction and operations of the projects. The advances do not bear interest and are to be paid from any remaining mortgage proceeds, capital contributions, and cash flow. As of December 31, 2013 and 2012, advances totaling \$1,422,583 and \$1,431,576, respectively, is due to HANO and is included in due to related party in the accompanying consolidated statements of financial position.

Guste I, LLC owes HANO for property insurance paid by HANO during 2013 and 2012. The balance due as of December 31, 2013 and 2012 is \$296,224 and \$174,453, respectively, and is included in accrued expenses in the accompanying consolidated statements of financial position.

Fischer III, LLC owes HANO for property insurance paid by HANO during 2013 and 2012. The balance due as of December 31, 2013 and 2012 is \$476,063 and \$282,696, respectively, and is included in accrued expenses in the accompanying consolidated statements of financial position.

Fischer I, LLC owes HANO for property insurance paid by HANO during 2013 and 2012. The balance due as of December 31, 2013 and 2012 is \$98,698 and \$51,189, respectively, and is included in accrued expenses in the accompanying consolidated balance sheets.

City Grant Funds Due to HANO

Guste I, LLC received from HANO advances from a City of New Orleans grant in 2008. During 2010, it was discovered that a portion of the funds were not qualified costs under the grant and are due back to HANO. As of December 31, 2013 and 2012, the balance is \$402,235 each year. The amount is included in due to related party and is payable out of the other escrow deposits.

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Notes to Consolidated Financial Statements December 31, 2013 and 2012

Management fees

Fischer III, LLC incurred management fees due to HANO prior to 2009 of which the outstanding balance of \$48,808 remains payable at December 31, 2013 and 2012.

Note 6 - Construction Notes Payable

Guste I, LLC

In December 2003, Guste I, LLC entered into a financing agreement with HANO to use the proceeds from the issuance of Capital Fund Program Revenue Bonds for the construction and development of the Project and payment of bond redemption. The principal amount of the note was \$13,189,372. In January 2005, Guste I, LLC entered into a new financing agreement in the amount of \$10,643,312 with HANO. The loan bears interest at 3 percent with both the unpaid principal and interest due and payable on February 1, 2007. The due date was extended through December 31, 2011. The outstanding principal as of December 31, 2013 and 2012 was \$10,634,312 for both years. For the years ended December 31, 2013 and 2012, Guste I, LLC expensed interest in the amount of \$319,029 for each year. Accrued interest at December 31, 2013 and 2012 was \$3,815,057 and \$3,496,028, respectively, and is included in accrued interest payable to related party.

The construction mortgage note will become permanent when the final equity payment is received from the Investor Member. HANO does not hold Guste I, LLC in default.

Fischer III, LLC

In December 2003, Fischer III, LLC entered into a financing agreement with HANO to use the proceeds from the issuance of Capital Fund Program Revenue Bonds for the construction and development of the Project and payment of bond redemption. The principal amount of the note was \$13,634,195. In January 2005, Fischer III, LLC entered into a new financing agreement in the amount of \$14,710,628 with HANO. The loan bears interest at 3 percent with both the unpaid principal and interest due and payable on February 1, 2007. The due date was extended through December 31, 2011. Outstanding principal as of December 31, 2013 and 2012 was \$14,710,628 for both years. Total interest expense for 2013 and 2012 was \$441,319 for each year. Accrued interest as December 31, 2013 and 2012 was \$7,803,485 and \$7,362,166, respectively, and is included in accrued interest payable to related party.

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

Guste Homes III, LLC

In November 2013, Guste Homes III, LLC entered into a financing agreement with HANO for a construction loan for the construction and development of the Project. The principal amount of the note was \$38,628,000. The loan is noninterest bearing, unless in default with

Crescent Affordable Housing Corporation and Affiliates

**Notes to Consolidated Financial Statements
December 31, 2013 and 2012**

regards to principal repayments at which time the interest rate changes to 12 percent. The due date is June 1, 2016. Outstanding principal as of December 31, 2013 and 2012 was \$636,461 and \$0, respectively.

Note 7 - Notes Payable - Related Party

Notes payable to HANO consists of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Guste I, LLC		
In November 2006, a supplemental loan in the amount of \$2,939,498 was obtained from HANO. The supplemental loan does not bear interest. The entire amount of unpaid principal is due and payable on November 1, 2061.	\$ 2,939,498	\$ 2,939,498
In January 2005, a construction loan in the amount of \$248,999 was obtained from HANO. The construction loan accrues interest at 3 percent with both the unpaid principal and interest due on January 31, 2060. For the years ended December 31, 2013 and 2012, interest incurred was \$7,470 for both years. Accrued interest payable as of December 31, 2013 and 2012 was \$66,919 and \$59,449, respectively, and is included in accrued interest payable.	<u>248,999</u> <u>3,188,497</u>	<u>248,999</u> <u>3,188,497</u>

Crescent Affordable Housing Corporation and Affiliates

Notes to Consolidated Financial Statements December 31, 2013 and 2012

Fischer I, LLC	2013	2012
<p>During 2005, a Capital Funds Note was obtained from HANO to provide financing for the development of the Project. During 2007, there was an addition to the balance of this loan when HANO reimbursed JPMorgan Chase Bank for an outstanding construction loan. The loan bears interest at the long term applicable federal rate, which was 4.68 percent at the time the loan was funded, and is collateralized by the Project. All unpaid principal and interest is due on January 31, 2060, and payments on the loan are to be made from surplus cash. Interest incurred during the years ended December 31, 2013 and 2012 was \$87,359 and \$83,453, respectively. Accrued interest payable as of December 31, 2013 and 2012 is \$529,929 and \$442,570, respectively, and is included in accrued interest payable.</p>	1,424,059	1,424,059
<p>On January 20, 2005, a Program Income Construction Mortgage Note was obtained from HANO in the amount of \$196,300. The loan was obtained in connection with the financing of the acquisition, development, and construction of the Projects, and bears interest annually at the long term applicable federal rate, which was 4.76 percent at the time the loan was funded. The loan is collateralized by the Project, and the entire amount of unpaid principal and interest is due and payable on January 31, 2060. Interest incurred during the years ended December 31, 2013 and 2012 was \$13,521 and \$12,907, respectively. Accrued interest payable as of December 31, 2013 and 2012 is \$101,275 and \$87,754, respectively, and is included in accrued interest payable.</p>	196,300	196,300
<p>On November 1, 2006, a Supplemental Loan was obtained from HANO in the amount of \$130,000. The loan bears no interest and is collateralized by the Project. All unpaid principal is due on November 1, 2061, and payments on the loan are to be made from surplus cash.</p>	130,000	130,000

Crescent Affordable Housing Corporation and Affiliates

**Notes to Consolidated Financial Statements
December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<p>On November 16, 2005, an Affordable Housing Program Loan was obtained from HANO in the amount of \$100,000, to assist with financing the Project. The loan bears no interest, and is collateralized by the Project. The loan matures fifteen years from completion of the Project, which occurred on May 27, 2006. The Affordable Housing Program Loan is payable from remaining mortgage proceeds, capital contributions, and available cash flow from the Project.</p>	<p>100,000</p> <p><u>1,850,359</u></p>	<p>100,000</p> <p><u>1,850,359</u></p>
<p>Fischer III, LLC</p> <p>On November 1, 2006, a Supplemental Loan was obtained with HANO in the amount of \$3,064,919. The loan bears no interest and is collateralized by the Project. All unpaid principal is due on November 1, 2061, and payments on the loan are to be made from surplus cash.</p>	<p>3,064,919</p>	<p>3,064,919</p>
<p>On November 16, 2005, an Affordable Housing Program Loan) was obtained HANO, in the amount of \$350,000, to assist the Company in financing the Project. The loan bears no interest, is collateralized by the Project, and is payable from remaining mortgage proceeds, capital contributions, and available cash flows from the Project. The loan will be maintained for 15 years from the date of Project completion.</p>	<p>350,000</p>	<p>350,000</p>

Crescent Affordable Housing Corporation and Affiliates

**Notes to Consolidated Financial Statements
December 31, 2013 and 2012**

<p>In November 2005, a Program Income Loan was obtained HANO, in the amount of \$344,314. The loan was obtained in connection with the financing of the acquisition, development, and construction of the Project, is collateralized by the Project, and accrues interest at 0.5 percent. The loan is due January 2, 2060 and payments are to be made from cash flow as defined by the Operating Agreement. Interest incurred during the years ended December 31, 2013 and 2012 was \$1,721 for both years. Accrued interest payable as of December 31, 2013 and 2012 was \$15,399 and \$13,678, respectively, and is included in accrued interest payable.</p>	<table border="0"> <tr> <td style="text-align: center; border-bottom: 1px solid black;">2013</td> <td style="text-align: center; border-bottom: 1px solid black;">2012</td> </tr> <tr> <td style="text-align: center; border-top: 1px solid black;">344,314</td> <td style="text-align: center; border-top: 1px solid black;">344,314</td> </tr> <tr> <td style="text-align: center; border-top: 1px solid black;">3,759,233</td> <td style="text-align: center; border-top: 1px solid black;">3,759,233</td> </tr> <tr> <td style="text-align: center; border-top: 1px solid black; border-bottom: 3px double black;">\$ 8,798,089</td> <td style="text-align: center; border-top: 1px solid black; border-bottom: 3px double black;">\$ 8,798,089</td> </tr> </table>	2013	2012	344,314	344,314	3,759,233	3,759,233	\$ 8,798,089	\$ 8,798,089
2013	2012								
344,314	344,314								
3,759,233	3,759,233								
\$ 8,798,089	\$ 8,798,089								

Note 8 - Management agreement

Guste I, LLC

Guste I, LLC has entered into a management agreement with Guste Homes Resident Management Corporation (Guste RMC) for a monthly management fee equal to \$23.50 per each occupied unit per month. For the years ended December 31, 2013 and 2012, \$21,832 and \$21,620 was charged to operations, of which no amounts remain payable.

Guste I, LLC has a payable to Guste RMC of \$42,510 at December 31, 2013 and 2012, for unpaid reimbursement of payroll and other services. The payable is included in accrued expenses in the accompanying consolidated balance sheets.

Fischer I, LLC

Fischer I, LLC has entered into an agreement with Guste RMC, in connection with the management of the rental operations of the Project. The property management fee is calculated in the amount of \$35 per occupied unit month. Total management fees incurred under this agreement for years ended December 31, 2013 and 2012 were \$8,400 for both years.

Fischer III, LLC

Fischer III, LLC has entered into an agreement with Guste RMC in connection with the management of the rental operations of the Project. The property management fee is calculated in the amount of \$35 per occupied unit month. Total management fees incurred

Crescent Affordable Housing Corporation and Affiliates

Notes to Consolidated Financial Statements December 31, 2013 and 2012

under this agreement for the years ended December 31, 2013 and 2012 were \$43,260 for both years.

Note 9 - Investor equity

Guste I, LLC

Capital contributions totaling \$4,817,971, including an upward adjuster of \$11,722, are due from the Investor Member when certain milestones are achieved as disclosed in the Operating Agreement. As of December 31, 2013 and 2012, the Investor Member has funded \$300,000. The above contributions are subject to adjustment as defined in the Operating Agreement.

Fischer I, LLC

Capital contributions totaling \$2,078,955, including a downward adjuster of \$45, are due from the Investor Member when certain milestones are achieved as disclosed in the Operating agreement. As of December 31, 2013 and 2012, the Investor Member has funded \$1,326,683. The above contributions are subject to adjustment as defined in the Operating Agreement.

Fischer III, LLC

Capital contributions totaling \$6,560,210 are due from the Investor Member when certain milestones are achieved as disclosed in the Operating agreement. As of December 31, 2013 and 2012, the Investor Member has funded \$300,000. The above contributions are subject to adjustment as defined in the Operating Agreement.

Guste Homes III, LLC

Capital contributions totaling \$18,109,177 are due from the Investor Member when certain milestones are achieved as disclosed in the Operating agreement. As of December 31, 2013 and 2012, the Investor Member has funded \$2,082,555. The above contributions are subject to adjustment as defined in the Operating Agreement.

Note 10 - Concentration of Credit Risk

The Company maintains its cash and cash equivalents with financial institutions. At times, these balances may exceed the federal insurance limits; however, the Company has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these balances at December 31, 2013.

Note 11 - Ground Leases

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

Crescent Affordable Housing Corporation and Affiliates

Notes to Consolidated Financial Statements December 31, 2013 and 2012

payment obligations have been fully satisfied and discharged. As of December 31, 2013 and 2012, the prepaid ground lease was \$37,262 and \$37,733, respectively.

Fischer I, LLC

Fischer I, LLC entered into a ground lease with HANO. Fischer I, LLC is bound by the responsibilities and obligations of the ground lease. Under the ground lease, annual rent of \$10 is due and payable for each lease year in advance on the first day of each lease year. The lease term ends at the latest to occur of (1) the expiration of the minimum period during which the Public Housing Units are required by law to be operated as public housing, (2) 40 years from the date the Project becomes available for occupancy, and (3) 89 years. The lease also has provisions extending the ground lease, but in no event will the lease extend beyond 95 years.

Fischer III, LLC

On December 30, 2003, Fischer III, LLC entered into an 89-year ground lease with HANO. In consideration of a \$41,979 lump sum payment from Fischer III on January 20, 2005, the payment obligations have been fully satisfied and discharged. As of December 31, 2013 and 2012, the prepaid ground lease was \$37,268 and \$37,740, respectively.

Note 12 - Contingencies

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

Note 13 - Subsequent Events

Events that occur after the date of the consolidated statement of financial position but before the consolidated financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the consolidated statement of financial position are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the date of the statements of net assets require disclosure in the accompanying notes. Management evaluated the activity of the Company through June 30, 2014 (the date the consolidated financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.

Supplementary Information

Crescent Affordable Housing Corporation and Affiliates

**Consolidating Statement of Financial Position
December 31, 2013**

	Crescent Affordable Housing Corporation	Place d'Genesis, LLC	Lune d'Or Enterprises, LLC	Guste Homes III, LLC	Eliminations	Total
Current Assets						
Cash and cash equivalents	\$ 1,869,360	\$ -	\$ 1,305,783	\$ -	\$ -	\$ 3,175,143
Development fees receivable	2,186,110	-	-	-	(2,186,110)	-
Accounts receivable - tenant	-	-	42,047	-	-	42,047
Due from other governments	346,760	-	-	-	-	346,760
Accounts receivable - other	15,981	-	-	-	-	15,981
Prepaid expenses	-	-	27,777	-	-	27,777
Due from related party	284,062	25,353	486,674	-	(33,486)	762,603
Total Current Assets	4,702,273	25,353	1,862,281	-	(2,219,596)	4,370,311
Restricted Deposits and Funded Reserves						
Resident security deposits	-	-	37,128	-	-	37,128
Replacement reserves	-	-	172,223	-	-	172,223
Total Restricted Deposits and Funded Reserves	-	-	209,351	-	-	209,351
Rental Property						
Buildings and improvements	-	-	33,666,875	-	-	33,666,875
Land improvements	-	-	4,860,619	-	-	4,860,619
Furniture, equipment and machinery	54,053	-	880,539	-	-	934,592
Construction in progress	-	-	-	2,719,016	-	2,719,016
	54,053	-	39,408,033	2,719,016	-	42,181,102
Less accumulated depreciation	(18,256)	-	(9,122,717)	-	-	(9,140,973)
Total Rental Property	35,797	-	30,285,316	2,719,016	-	33,040,129
Other Noncurrent Assets						
Loan fees	-	-	1,017,607	-	-	1,017,607
Tax credit monitoring fees	-	-	7,177	-	-	7,177
Prepaid ground lease	-	-	74,530	-	-	74,530
Other assets	651,342	-	475	-	(651,342)	475
Total Other Noncurrent Assets	651,342	-	1,099,789	-	(651,342)	1,099,789
Total Assets	\$ 5,389,412	\$ 25,353	\$ 33,456,737	\$ 2,719,016	\$ (2,870,938)	\$ 38,719,580

Crescent Affordable Housing Corporation and Affiliates

**Consolidating Statement of Financial Position
December 31, 2013**

	Crescent Affordable Housing Corporation	Place d'Genesis, LLC	Lune d'Or Enterprises, LLC	Guste Homes III, LLC	Eliminations	Total
Current Liabilities						
Accounts payable	\$ 15,468	\$ 6,734	\$ 109,776	\$ -	\$ -	\$ 131,978
Accrued expenses	-	-	1,142,791	-	(33,486)	1,109,305
Property management fee payable	-	-	48,808	-	-	48,808
Asset management fee payable	-	-	84,631	-	-	84,631
Developer fee payable	-	-	2,186,110	-	(2,186,110)	-
Due to related parties	1,067,429	-	1,824,818	-	-	2,892,247
Deferred revenue	607,375	-	-	-	-	607,375
Construction note payable to related party	-	-	25,344,940	636,461	-	25,981,401
Accrued interest payable to related party	-	-	11,618,542	-	-	11,618,542
Total Current Liabilities	1,690,272	6,734	42,360,416	636,461	(2,219,596)	42,474,287
Deposits and Prepaid Liability						
Resident security deposits	-	-	37,280	-	-	37,280
Total Deposits and Prepaid Liability	-	-	37,280	-	-	37,280
Long-Term Liabilities						
Notes payable - related party	-	-	8,798,089	-	-	8,798,089
Accrued interest payable	-	-	713,522	-	-	713,522
Total Long-Term Liabilities	-	-	9,511,611	-	-	9,511,611
Net Assets						
Unrestricted Net Assets, Crescent Affordable Housing Corporation	3,699,140	18,619	(1,845)	187	(651,342)	3,064,759
Unrestricted Net Assets, Noncontrolling Interest	-	-	(18,450,725)	2,082,368	-	(16,368,357)
Total net assets	3,699,140	18,619	(18,452,570)	2,082,555	(651,342)	(13,303,598)
Total Liabilities and Net Assets	\$ 5,389,412	\$ 25,353	\$ 33,456,737	\$ 2,719,016	\$ (2,870,938)	\$ 38,719,580

Crescent Affordable Housing Corporation and Affiliates

**Consolidating Statement of Financial Position
December 31, 2012**

	Crescent Affordable Housing Corporation	Place d'Genesis, LLC	Lune d'Or Enterprises, LLC	Eliminations	Total
Current Assets					
Cash and cash equivalents	\$ 31,505	\$ -	\$ 918,566	\$ -	\$ 950,071
Development fees receivable	2,186,110	-	-	(2,186,110)	-
Accounts receivable - tenant	-	-	43,097	-	43,097
Due from other government	296,521	-	-	-	296,521
Accounts receivable - other	18,681	-	64,154	-	82,835
Prepaid expenses	-	-	22,273	-	22,273
Due from related party	-	25,353	670,147	-	695,500
Total Current Assets	2,532,817	25,353	1,718,237	(2,186,110)	2,090,297
Restricted Deposits and Funded Reserves					
Resident security deposits	-	-	29,381	-	29,381
Replacement reserves	-	-	171,536	-	171,536
Total Restricted Deposits and Funded Reserves	-	-	200,917	-	200,917
Rental Property					
Buildings and improvements	-	-	33,666,875	-	33,666,875
Land improvements	-	-	4,860,619	-	4,860,619
Furniture, equipment and machinery	45,640	-	880,539	-	926,179
	45,640	-	39,408,033	-	39,453,673
Less accumulated depreciation	(9,128)	-	(7,968,931)	-	(7,978,059)
Total Rental Property	36,512	-	31,439,102	-	31,475,614
Other Noncurrent Assets					
Loan fees	-	-	1,124,957	-	1,124,957
Tax credit monitoring fees	-	-	8,084	-	8,084
Prepaid ground lease	-	-	75,473	-	75,473
Other assets	651,342	-	475	(651,342)	475
Total Other Noncurrent Assets	651,342	-	1,208,989	(651,342)	1,208,989
Total Assets	\$ 3,220,671	\$ 25,353	\$34,567,245	\$ (2,837,452)	\$34,975,817

Crescent Affordable Housing Corporation and Affiliates

**Consolidating Statement of Financial Position
December 31, 2012**

	Crescent Affordable Housing Corporation	Place d'Genesis, LLC	Lune d'Or Enterprises, LLC	Eliminations	Total
Current Liabilities					
Accounts payable	\$ 11,198	\$ 6,734	\$ 178,265	\$ -	\$ 196,197
Accrued expenses	-	-	699,293	-	699,293
Property management fee payable	-	-	48,808	-	48,808
Asset management fee payable	-	-	70,039	-	70,039
Developer fee payable	-	-	2,186,110	(2,186,110)	-
Due to related parties	527,592	-	1,833,811	-	2,361,403
Construction note payable to related party	-	-	25,344,940	-	25,344,940
Accrued interest payable to related party	-	-	10,858,194	-	10,858,194
Total Current Liabilities	538,790	6,734	41,219,460	(2,186,110)	39,578,874
Deposits and Prepaid Liability					
Resident security deposits	-	-	46,092	-	46,092
Total Deposits and Prepaid Liability	-	-	46,092	-	46,092
Long-Term Liabilities					
Notes payable - related party	-	-	8,798,089	-	8,798,089
Accrued interest payable	-	-	603,451	-	603,451
Total Long-Term Liabilities	-	-	9,401,540	-	9,401,540
Net Assets					
Unrestricted Net Assets, Crescent Affordable Housing Corporation	2,681,881	18,619	(1,610)	(651,342)	2,047,548
Unrestricted Net Assets, Noncontrolling Interest	-	-	(16,098,237)	-	(16,098,237)
Total net assets	2,681,881	18,619	(16,099,847)	(651,342)	(14,050,689)
Total Liabilities and Net Assets	\$ 3,220,671	\$ 25,353	\$34,567,245	\$ (2,837,452)	\$34,975,817

Crescent Affordable Housing Corporation and Affiliates

**Consolidating Statement of Activities
Year Ended December 31, 2013**

	Crescent Affordable Housing Corporation	Place d'Genesis, LLC	Lune d'Or Enterprises, LLC	Guste Homes III, LLC	Eliminations	Total
Revenue						
Rental income	\$ -	\$ -	\$ 1,538,842	\$ -	\$ -	\$ 1,538,842
Vacancies and concessions	-	-	(182,378)	-	-	(182,378)
Other operating income	1,843,402	-	138,926	-	-	1,982,328
Total Revenue	1,843,402	-	1,495,390	-	-	3,338,792
Operating Expenses						
Salaries and employee benefits	-	-	468,852	-	-	468,852
Repairs and maintenance	-	-	364,775	-	-	364,775
Utilities	-	-	321,959	-	-	321,959
Property management fee	-	-	73,492	-	-	73,492
Property insurance	-	-	327,828	-	-	327,828
Miscellaneous operating expenses	819,052	-	144,076	-	-	963,128
Total Operating Expenses	819,052	-	1,700,982	-	-	2,520,034
Net Operating Income (Loss)	1,024,350	-	(205,592)	-	-	818,758
Nonoperating Income (Expense)						
Interest income	2,037	-	784	-	-	2,821
Interest expense	-	-	(870,419)	-	-	(870,419)
Other financial income (expense)	-	-	(861)	-	-	(861)
Miscellaneous other income (expense)	-	-	-	-	-	-
Annual fee to affiliate of limited partner	-	-	(14,592)	-	-	(14,592)
Gain (loss) on disposal of assets	-	-	-	-	-	-
Depreciation	(9,128)	-	(1,153,786)	-	-	(1,162,914)
Amortization	-	-	(108,257)	-	-	(108,257)
Total Nonoperating Income (Expense)	(7,091)	-	(2,147,131)	-	-	(2,154,222)
Change in Net Assets	1,017,259	-	(2,352,723)	-	-	(1,335,464)
Attributable to Non-controlling Interest	-	-	(2,352,488)	-	-	(2,352,488)
Change in Net Assets Attributable to Crescent Affordable Housing Corporation	\$ 1,017,259	\$ -	\$ (235)	\$ -	\$ -	\$ 1,017,024
Equity transfer to HANO	-	-	-	-	-	-
Net change in equity	\$ 1,017,259	\$ -	\$ (235)	\$ -	\$ -	\$ 1,017,024

Crescent Affordable Housing Corporation and Affiliates

**Consolidating Statement of Activities
Year Ended December 31, 2012**

	Crescent Affordable Housing Corporation	Place d'Genesis, LLC	Lune d'Or Enterprises, LLC	Eliminations	Total
Revenue					
Rental income	\$ -	\$ -	\$ 1,446,077	\$ -	\$ 1,446,077
Vacancies and concessions	-	-	(22,039)	-	(22,039)
Other operating income	-	-	452,851	-	452,851
Total Revenue	-	-	1,876,889	-	1,876,889
Operating Expenses					
Salaries and employee benefits	-	-	396,366	-	396,366
Repairs and maintenance	1,750	-	265,450	-	267,200
Utilities	-	-	237,478	-	237,478
Property management fee	-	-	73,280	-	73,280
Property insurance	-	-	267,828	-	267,828
Miscellaneous operating expenses	350,091	-	149,488	-	499,579
Total Operating Expenses	351,841	-	1,389,890	-	1,741,731
Net Operating Income (Loss)	(351,841)	-	486,999	-	135,158
Nonoperating Income (Expense)					
Interest income	1,342	-	944	-	2,286
Interest expense	-	-	(865,900)	-	(865,900)
Other financial income (expense)	(177,429)	-	(1,089)	-	(178,518)
Miscellaneous other income (expense)	5,512	-	(166,500)	-	(160,988)
Annual fee to affiliate of limited partner	-	-	(14,414)	-	(14,414)
Gain (loss) on disposal of assets	-	-	-	-	-
Depreciation	(9,128)	-	(1,200,845)	-	(1,209,973)
Amortization	-	-	(108,257)	-	(108,257)
Total Nonoperating Income (Expense)	(179,703)	-	(2,356,061)	-	(2,535,764)
Change in Net Assets	(531,544)	-	(1,869,062)	-	(2,400,606)
Attributable to Non-controlling Interest	-	-	(1,702,392)	-	(1,702,392)
Change in Net Assets Attributable to Crescent Affordable Housing Corporation	\$ (531,544)	\$ -	\$ (166,670)	\$ -	\$ (698,214)

Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Board of Directors,
Crescent Affordable Housing Corporation

We have audited, 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, the consolidated financial statements of Crescent Affordable Housing Corporation and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon June 30, 2014.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Crescent Affordable Housing Corporation and Affiliates' consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions and requirements was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Crescent Affordable Housing Corporation and Affiliates' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Crescent Affordable Housing Corporation and Affiliates' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Charlotte, North Carolina
June 30, 2014