GUSTE I, LLC

Financial Statements and Supplementary Information

December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Guste I, LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Guste I, LLC (the "Company"), which comprises the balance sheet as of December 31, 2022, and the related statement of operations, members' deficit, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Company, as of December 31, 2022, and the results of operations and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

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

Responsibilities of Management for the Financial Statements

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

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2023 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

August 7, 2023
Melbourne, Florida

GUSTE I, LLC

BALANCE SHEET

December 31, 2022

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents - unrestricted	$ 13,865
Cash and cash equivalents - restricted	679,322
Tenant accounts receivable	43,042
Due from HANO	156,682
Accounts receivable - other	7,326
Prepaid expenses	37,946
Prepaid ground lease	471
Total current assets	938,654
NONCURRENT ASSETS	
Prepaid ground lease	32,545
Investment in rental property, net	8,028,216
Total noncurrent assets	8,060,761
Total assets	$ 8,999,415
LIABILITIES AND MEMBERS' DEFICIT	
CURRENT LIABILITIES	
Accounts payable	$ 96,879
Due to affiliates	1,022,825
Accrued interest payable - construction loan	106,373
Accrued interest payable - mortgage note payable	3,109,219
Tenant security deposits	19,800
Other accrued liabilities	33,883
Total current liabilities	4,388,979
NONCURRENT LIABILITIES	
Notes payable - related party, net	14,841,642
Total noncurrent liabilities	14,841,642
Total liabilities	19,230,621
MEMBERS' DEFICIT	
Managing member deficit	(1,440)
Limited members deficit	(10,229,766)
Total members' deficit	(10,231,206)
Total liabilities and members' deficit	$ 8,999,415

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

GUSTE I, LLC

STATEMENT OF OPERATIONS

For the year ended December 31, 2022

REVENUES	
Rental income, net	$ 467,494
Other operating income	79,414
Total operating revenues	546,908
OPERATING EXPENSES	
Insurance	197,437
Utilities	198,299
Repairs and maintenance	190,428
Protective services	132,784
General and administrative	76,432
Tenant services	62,201
Salaries	23,536
Asset management fee	7,089
Miscellaneous	1,812
Advertising and marketing	165
Total operating expenses	890,183
NET OPERATING LOSS	(343,275)
OTHER INCOME (EXPENSES)	
Interest income	1,378
Depreciation	(353,289)
Interest expense - note payable	(454,053)
Total other income (expenses)	(805,964)
NET LOSS	$ (1,149,239)

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

GUSTE I, LLC

STATEMENT OF MEMBERS' DEFICIT

	Managing member	Limited Members: Special member	Limited Members: Investor member	Total members' deficit
Members' deficit, January 1, 2022	$ (1,434)	$ -	$ (10,173,566)	$ (10,175,000)
Prior period adjustment	109	-	1,092,924	1,093,033
Net loss	(115)	-	(1,149,124)	(1,149,239)
Members' deficit, December 31, 2022	$ (1,440)	$ -	$ (10,229,766)	$ (10,231,206)

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

GUSTE I, LLC

STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$	(1,149,239)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation		353,289
Amortization - debt issuance costs		69,660
(Increase) decrease in assets:		
Tenant accounts receivable		(35,668)
Due from affiliates		845,843
Due from HANO		(85,230)
Accounts receivable - other		19,976
Prepaid expenses		18,014
Prepaid ground lease		472
Increase (decrease) in liabilities:		
Accounts payable		7,742
Due to affiliates		168,528
Accrued interest payable		384,393
Tenant security deposits		(200)
Other accrued liabilities		(479,908)
Net cash provided by operating activities		117,672
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for capital improvements		(85,230)
NET INCREASE IN CASH		32,442
Cash and cash equivalents - beginning of the year		660,745
CASH AND CASH EQUIVALENTS - END OF THE YEAR	$	693,187
RECONCILIATION TO BALANCE SHEET		
Cash and cash equivalents - unrestricted	$	13,865
Cash and cash equivalents - restricted		679,322
	$	693,187

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of operations

Guste I, LLC (the "Company"), was formed as a limited liability company under the laws of the State of Louisiana on December 11, 2003 to construct, develop and operate an 82-unit apartment complex known as Guste I Apartments (the "Apartments") in New Orleans, Louisiana. The Apartments are rented to low-income tenants and is operated in a manner necessary to qualify for federal low-income housing tax credits as provided under Section 42 ("Section 42") of the Internal Revenue Code.

The Managing Member is Lune d'Or Enterprises LLC, a Louisiana limited liability company. The Investor Member is MMA Guste I, LLC, a Delaware limited liability company. The Special Member was MMA Special Limited Partner, Inc., a Florida corporation. Effective August 1, 2011, MunniMae SLP II, LLC, became the new special member. In addition, the liability of the members of the Company is limited to the members' total capital contributions. The ownership of the Company is as follows:

Entity	Role	Percentage Ownership
Lune d'Or Enterprises, LLC	Managing Member	0.01%
MMA Guste I, LLC	Investor Member	99.99%
MunniMae SLP II, LLC	Special Member	0.00%
		100.00%

Each building of the Apartments has qualified for and been allocated low-income housing tax credits pursuant to Section 42 which regulates the use of the Apartments to occupant eligibility and unit gross rent, among other requirements. The total low-income housing credits generated from the State of Louisiana was $6,178,690 and were available for use by the members pro rata over a ten-year period. Each building of the complex must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits. The credits have all been allocated and the compliance period ended on December 31, 2022. The term of the Company shall continue until December 31, 2104, unless sooner dissolved in accordance with the provisions of the Amended and Restated Operating Agreement (the "Operating Agreement").

Guste I, LLC, is a component unit of the Housing Authority of New Orleans (the "Authority" or "HANO") under the requirements of Governmental Accounting Standards Board's Codification of *Governmental Accounting and Financial Reporting Standards* ("GASB Codification"), Section 2100, *Defining the Financial Reporting Entity*. The Company is presented as a discretely presented component unit of HANO as there is a financial benefit/burden relationship with HANO.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Accounting method

The financial statements have been prepared on the accrual basis of accounting. Accordingly, income is recognized as earned and expenses as incurred, regardless of the timing of payments.

3. 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 estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities during the reporting period, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates and those differences could be material.

4. Cash and cash equivalents

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

5. Accounts receivables and bad debts

Management individually reviews all accounts receivable periodically and assesses the portions, if any, of the balance that will not be collected. Tenant accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management based on prior experience with similar accounts. Accounting principles generally accepted in the United States of America 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.

6. Investment in rental property

Investment in rental property consists of property and equipment, which is recorded at cost. Expenditures for maintenance and repairs are charged to expenses as incurred while major renewals and betterments are capitalized. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of operations.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Investment in rental property (continued)

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Investment in rental property, net, is comprised of the following as of December 31:

	2022	Useful Lives
Building and improvements	$ 12,496,407	40 years
Land improvements	2,401,278	20 years
Furniture, fixtures and equipment	281,800	10 years
	15,179,485	
Less accumulated depreciation	(7,151,269)	
	$ 8,028,216	

7. Impairment of long-lived assets

The Company evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Company determines that a long-lived asset is impaired, and that the impairment is significant and other-than-temporary, then an impairment loss will be recorded in the Company's financial statements. Management has determined that there were no impairments as of December 31, 2022.

8. Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is being computed using an imputed interest rate.

9. Leases

Under Financial Accounting Standards Board ("FASB") ASC 2016-02, *Leases* ("Topic 842"), the determination of whether an arrangement is a lease is made at the lease's inception and a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. Operating leases are included in ground lease as a right-of-use ("ROU") assets and other long-term liabilities on the Company's balance sheet.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Leases (continued)

ROU assets represent the right to use an underlying asset for the lease term, and the lease liabilities represent the obligation to make lease payments. The lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company uses the implicit rate when it is readily determinable. Lease ROU assets also include any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company's lease terms may include options to extend or terminate the lease. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

10. Rental income

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

11. Income taxes

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

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

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

12. Economic concentrations

The Company operates one property in New Orleans, Louisiana. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Standards that were adopted

In February 2016, FASB issued Topic 842, that requires lessees to recognize most leases on their balance sheet related to the rights and obligations created by those leases. The accounting treatment for leases and lessors remains relatively unchanged. The accounting standards update also requires additional qualitative and quantitative disclosures related to the nature, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB approved an amendment to the new guidance that introduced an alternative modified retrospective transition approach granting companies the option of using the effective date of the new standard as the date of initial application. The Company adopted the standard using the effective date method on January 1, 2022.

The implementation of the standards resulted in no significant impacts to the financial statements.

NOTE B - CASH AND CASH EQUIVALENTS

As of December 31, 2022, the Company's cash and cash equivalents including restricted balances totaled $693,187.

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

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

Replacement reserve	$ 260,374
ACC subsidy reserve	228,227
Operating reserve	170,921
Tenant security deposits	19,800
	$ 679,322

NOTE B - ESCROW DEPOSITS AND RESTRICTED BALANCES (continued)

1. Replacement reserve

Pursuant to the Operating Agreement, the Company 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 $2,280, increasing annually by the Consumer Price Index commencing on the completion date. The activity in the replacement reserve for the year ended December 31, 2022 is as follows:

Balance, January 1, 2022	$	240,728
Deposits		31,224
Withdrawals		(11,578)
Balance, December 31, 2022	$	260,374

2. ACC subsidy reserve

Pursuant to the Operating Agreement, the Company shall establish a reserve account in the amount of $227,000 as set forth in the Regulatory and Operating Agreement between the Company and HANO. Funds in the ACC subsidy reserve may be used to pay operating expenses subject to approval and consent of the Investor Member.

3. Operating reserve

Pursuant to the Operating Agreement, the Managing Member is required to establish an operating reserve of $170,000 in a separate reserve account to fund operating expenses, to the extent required, subject to any requisite approvals and to the consent of the Investor Member.

NOTE C - RELATED PARTY TRANSACTIONS

1. Operating subsidy from HANO

HANO has entered into an Amended and Restated Regulatory and Operating Agreement (the “Agreement”) with the Company that provides for an operating subsidy amount for annual operations. Pursuant to the Agreement, sixty-seven units of the Apartments are to be operated as Public Housing Units and are subject to all regulations therein. During 2022, the Company received operating subsidy, from HANO in the amount of $32,260, which is included in rental income on the statement of operations.

NOTE C - RELATED PARTY TRANSACTIONS (continued)

2. Voucher subsidy from HANO

The Company is eligible to house tenants receiving Housing Choice Voucher rental assistance through vouchers issued by HANO. During 2022, the Company received voucher subsidy from HANO in the amount of $175,559, which is included in rental income on the statements of operations.

3. Receivable from HANO

As of December 31, 2022, HANO owed the Company for reimbursement of miscellaneous costs associated with ongoing operation of the Project. The amount due from HANO as of December 31, 2022 is $156,682 and is included in due from HANO in the accompanying balance sheet.

4. Due to affiliates

Due to affiliates consists of the following at December 31, 2022:

Developer fee payable - CAHC	$	899,510
Due to management company		116,542
Asset management fee payable		6,773
	$	1,022,825

a. Developer fee payable - CAHC

The Company has a developer agreement with Crescent Affordable Housing Corporation ("CAHC"), an affiliate of the Managing Member. The agreement provides for development fee and overhead in the amount of $1,199,510 for services in connection with the development of the Apartments and supervision of the construction. Development fees are earned based upon the occurrence of certain events, as defined, during development and construction. The development fee bears no interest.

NOTE C - RELATED PARTY TRANSACTIONS (continued)

4. Due to affiliates (continued)

b. Due to management company

The Company has entered into a management agreement with Guste Homes Resident Management Corporation ("GHRMC") for a monthly management fee equal to $23.50 per each occupied unit per month. For the year ended December 31, 2022, $21,808 was charged to operations and is included in other general and administrative expense.

The Company has a payable to GHRMC of $116,542 at December 31, 2022 for unpaid management fees, reimbursement of payroll, and other services.

c. Asset management fee

Pursuant to the Operating Agreement, the Investor Member shall earn an annual cumulative fee in the amount of $5,000 per annum. The fee is adjusted each year for the changes in the Consumer Price Index. For the year ended December 31, 2022, $7,089 was charged to operations.

NOTE D - NOTES PAYABLE

Notes payable consists of the following at December 31, 2022:

Mortgage note payable	$ 12,672,614
Supplemental loan	2,039,988
Construction loan	140,511
Debt issuance costs, net	(11,471)
	$ 14,841,642

1. Mortgage note payable

In December 2003, the Company 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 Apartments and payment of bond redemption. The principal amount of the note was $13,189,372. In January 2005, the Company entered into a new financing agreement in the amount of $10,634,312 with HANO. During 2014, the Company converted the construction mortgage note into the permanent loan of $8,698,042 plus capitalized interest of $3,974,572 for a total of $12,672,614 which accrues interest at 3.00%. Any principal and interest payments are subject to available cash flow. The entire amount of unpaid principal and interest is due January 31, 2060. This note is secured by the real property. Outstanding principal as of December 31, 2022 was $12,672,614. Total interest expense for 2022 was $380,178 and accrued interest as of December 31, 2022 was $3,109,219.

NOTE D - NOTES PAYABLE (continued)

1. Mortgage note payable (continued)

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

2. Supplemental loan

In November 2006, the Company obtained a supplemental loan in the amount of $2,939,998 from HANO. The supplemental loan does not bear interest. The entire amount of unpaid principal is due and payable on November 1, 2061. This loan is secured by a program income construction loan mortgage. The outstanding principal as of December 31, 2022 is $2,039,988.

3. Construction loan

In January 2005, the Company obtained a construction loan in the amount of $248,999 from HANO. The construction loan accrues interest at 3% with both the unpaid principal and interest due on January 31, 2060. Outstanding principal as of December 31, 2022 is $140,511. For the year ended December 31, 2022, the Company incurred interest of $4,215, and it is included in interest expense - mortgage note payable to related party in the accompanying statements of operations. Accrued interest associated with the construction loan at December 31, 2022 is $106,373.

NOTE E - MEMBERS' CAPITAL AND CASH FLOW DISTRIBUTION

Capital contributions totaling $4,817,971, including an upward adjuster of $11,722, are to be funded from the Investor Member when certain milestones are achieved as disclosed in the Operating Agreement. As of December 31, 2022 the Investor Member has funded $4,163,722. The above contributions are subject to adjustment as defined in the Operating Agreement. As of December 31, 2022, $654,249 remains to be contributed. The Managing Member was required to make contributions of $100 and the Special Member is required to make contributions of $10, both of which have been contributed.

NOTE E - MEMBERS' CAPITAL AND CASH FLOW DISTRIBUTION (continued)

Cash Flow, as defined in the Operating Agreement, subject to certain restrictions outlined in the Operating Agreement, is to be distributed as follows:

1. To the payment of any Tax Credit Shortfall Payments owed to the Investor Member;
2. To replenish any amounts withdrawn in such year from the Operating Reserve or the ACC Subsidy Reserve;
3. To pay the Company Management Fee to the Managing Member;
4. To the repayment of any Operating Expense Loans or Working Capital Loans then outstanding;
5. To make payment on the HANO Loans until the HANO Loans have been paid in full, with payment applied first to accrued interest and then to principal; and
6. Any balance shall be distributed, 0.01% to the Managing Member and 99.99% to the Investor Member.

NOTE F - COMMITMENTS AND CONTINGENCIES

1. Ground lease

On December 30, 2003, the Company entered into an 89-year ground lease with HANO. In consideration of a $41,979 lump sum payment from the Company on January 20, 2005, the payment obligations have been fully satisfied and discharged. As of December 31, 2022, the prepaid ground lease was $33,016, of which $32,545 is classified as noncurrent.

2. Legal

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

3. Operating deficit guaranty

Pursuant to the Operating Agreement, if at any time the Company requires funds to discharge operating expenses, the Managing Member shall furnish to the Company the funds required. Amounts furnished to fund operating expenses incurred prior to the Development Obligation Date shall be deemed Special Capital Contributions and amounts furnished on or after the Development Obligation Date shall constitute Operating Expense Loans. Any such Operating Expense Loans shall not bear interest and be repayable only as provided for in the Operating Agreement. As of December 31, 2022, no amounts have been funded.

NOTE G - PRIOR PERIOD ADJUSTMENT

For the fiscal year ended December 31, 2022, the statement of members' deficit reflects a prior period adjustment increasing equity by $1,093,033. During the year, a reconciliation was performed that resulted in restatements of historical accounts receivable and accounts payable balances. The prior period adjustment reflects restatements to due from affiliates and due to affiliates that have been recorded as of January 1, 2022.

NOTE H - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through August 7, 2023, the date which the financial statements were available to be issued, and noted no items to be disclosed.

SUPPLEMENTARY INFORMATION

GUSTE I, LLC

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

December 31, 2022

Agency Head Name: Evette Hester
Executive Director and Chief Administrative Officer of the Housing Authority of New Orleans

Purpose	Amount
Salary	None
Benefits-insurance	None
Benefits-retirement	None
Benefits-deferred comp	None
Car allowance	None
Vehicle provided by government	None
Per diem	None
Reimbursements	None
Travel	None
Registration fees	None
Conference travel	None
Continuing professional education fees	None
Housing	None
Unvouchered expenses	None
Special meals	None

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

See independent auditor's report.

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

To the Members of
Guste I, LLC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Guste I, LLC (the "Company"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated August 7, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as **Finding No. 2022-001** that we consider to be a significant deficiency.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's 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 financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Company's Response to Findings

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

Purpose of this Report

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

August 7, 2023
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Guste I, LLC

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

For the year ended December 31, 2022

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

2022-001 Financial Reporting

Significant Deficiency in Internal Control

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

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

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

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

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

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

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