FISCHER III, LLC

Financial Statements and Supplementary Information

December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Fischer III, LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Fischer III, LLC (the "Company"), which comprise the balance sheet as of December 31, 2023, and the related statement of income, members' equity, 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, 2023, and the results of operations and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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.

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.

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.

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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 June 27, 2024 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

June 27, 2024
Melbourne, Florida

FISCHER III, LLC

BALANCE SHEET

December 31, 2023

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents - unrestricted	$ 451,674
Cash and cash equivalents - restricted	515,469
Tenant accounts receivable, net	23,656
Prepaid expenses	63,654
Total current assets	1,054,453
NONCURRENT ASSETS	
Prepaid ground lease	32,549
Investment in rental property, net	11,349,896
Total noncurrent assets	11,382,445
Total assets	$ 12,436,898
LIABILITIES AND MEMBERS' EQUITY	
CURRENT LIABILITIES	
Accounts payable	$ 147,882
Due to affiliates	2,645,146
Tenant security deposits	20,222
Tenant prepaid rent	361
Total current liabilities	2,813,611
MEMBERS' EQUITY	
Managing member's equity	865
Assigned member's equity	9,622,422
Total members' equity	9,623,287
Total liabilities and members' equity	$ 12,436,898

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

FISCHER III, LLC

STATEMENT OF INCOME

For the year ended December 31, 2023

Rental income, net	$ 759,217
Other operating income	11,160
Total operating revenues	770,377
OPERATING EXPENSES	
Insurance	450,926
Repairs and maintenance	260,185
Utilities	198,886
Salaries	78,092
Protective services	204,468
General and administrative	60,394
Management fees	43,484
Tenant services	64,742
Miscellaneous	16,571
Advertising and marketing	422
Total operating expenses	1,378,170
NET OPERATING LOSS	(607,793)
OTHER INCOME (EXPENSES)	
Interest income	9,942
Depreciation	(515,040)
Total other income (expenses)	(505,098)
NET LOSS	$ (1,112,891)

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

FISCHER III, LLC

STATEMENT OF MEMBERS' EQUITY

	Managing member	Assigned member	Total members' equity
Members' equity, January 1, 2023	$ 976	$ 10,735,202	$ 10,736,178
Net loss	(111)	(1,112,780)	(1,112,891)
Members' equity, December 31, 2023	$ 865	$ 9,622,422	$ 9,623,287

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

FISCHER III, LLC

STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$	(1,112,891)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation		515,040
Changes in provision for credit losses		(109,997)
(Increase) decrease in assets:		
Tenant accounts receivable, net		(131,157)
Prepaid expenses		(25,592)
Prepaid ground lease		472
Increase (decrease) in liabilities:		
Accounts payable		96,743
Due to affiliates		(53,998)
Tenant security deposits		4,638
Tenant prepaid rent		(3,417)
Net cash used in operating activities		(820,159)
NET DECREASE IN CASH		(820,159)
Cash and cash equivalents at beginning of the year		1,567,308
CASH AND CASH EQUIVALENTS END OF THE YEAR	$	747,149
RECONCILIATION TO BALANCE SHEET		
Cash and cash equivalents - unrestricted	$	451,674
Cash and cash equivalents - restricted		515,469
	$	967,143

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of operations

Fischer III, LLC (the "Company"), was recognized by the State of Louisiana as a limited liability on December 11, 2003. The primary purpose of the Company is to construct, develop and operate a 103-unit apartment complex known as Fischer III Apartments (the "Apartments") located in New Orleans, Louisiana. The Apartments are rented to low-income tenants and operated in a manner necessary to qualify for federal low-income housing tax credits as provided under Internal Revenue Code Section 42 ("Section 42").

As of July 31, 2020, there was an amendment to the partnership agreement to permit the withdrawal of the existing Investment Member and Special Member and to add a new Assigned Member, the Housing Authority of New Orleans (the "Authority" or "HANO"). Profits, losses, and ownership is allocated 0.01% to the Managing Member, Lune d'Or Enterprises, LLC, and 99.99% to the Assigned Member, HANO.

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 $9,075,650 and is 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 compliance period ended in December 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").

Fischer III, LLC is a component unit of HANO under the requirements of Governmental Accounting Standards Board Codification of *Governmental Accounting and Financial Reporting Standards*, Section 2100, *Defining the Financial Reporting Entity*. The Company is presented as a blended component as it is 100% owned by HANO and its affiliated entities.

2. Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and other accounting standards in accordance with Financial Accounting Standards Board ("FASB"). Accordingly, income is recognized as earned and expenses as incurred, regardless of the timing of payments.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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. Tenant accounts receivables, net

The Company's accounts receivable include rent due but not collected. Tenants are not charged interest on past due rent. Tenant security deposits are used to help offset any uncollected rent. Accounts receivable are stated net of an allowance for credit losses. The Company periodically assesses its methodologies for estimating credit losses in consideration of actual experience, trends and changes in the overall economic environment. Management writes off accounts receivable as a change to the allowance for credit losses when it is probable that the amount will not be collected.

Changes in the allowance for credit losses during the year ended December 31, 2023 were as follows:

	2023
Beginning balance	$ 5,318
Increase in allowance for credit loss	109,997
Write-offs	(107,667)
	$ 7,648

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2023:

Description	Amount	Useful Lives
Building and improvements	$ 18,849,557	40 years
Land improvements	2,197,496	20 years
Furniture and equipment	563,199	10 years
	21,610,252	
Less accumulated depreciation	(10,260,356)	
	$ 11,349,896	

7. Impairment of long-lived assets

The Company reviews its investment in 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. Management has determined that there were no impairments as of December 31, 2023.

8. Rental income

Rental income is recognized as rents become due. Rental payments received in advance are deferred until earned and presented as prepaid rent on the balance sheet. All leases between the Company and the tenants of the Apartments are considered operating leases.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Leases

Under FASB Accounting Standards Codification ("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 reevaluates its determination if the terms and conditions of the contract are changed. Operating leases are included in prepaid ground lease as a right-of-use ("ROU") assets and other long-term liabilities on the Company's balance sheet.

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. Income taxes

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

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

The Company's income tax filings are subject to audit by various taxing authorities. The Company is no longer subject to income tax examinations by tax authorities for years before 2020.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. 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.

12. Recently adopted accounting standards

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses* ("Topic 326"): *Measurement of Credit Losses on Financial Instruments*, that requires certain financial assets to be measured at amortized cost net of an allowance for estimated credit losses, such that the net receivable represents the present value of expected cash collection. This allowance must be based on all relevant information, such as historical information, current conditions, and reasonable and supportable forecasts that could impact the collectability of the amounts.

As part of the implementation of Topic 326, the Company must reflect a cumulative-effect adjustment to members' equity as of the beginning of the first reporting period in which the guidance is adopted.

The Company adopted Topic 326 as of January 1, 2023 using the modified retrospective approach with a cumulative-effect adjustment to opening members' equity recorded at the beginning of the period of adoption. Management determined that there were no significant impacts to the financial statements as a result of the implementation of this standard.

NOTE B - CASH AND CASH EQUIVALENTS

The Company maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. As of December 31, 2023, none of the bank balance was in excess of FDIC insurance and collateral. The Company has not experienced any losses in such accounts.

As of December 31, 2023, restricted cash and cash equivalents consist of:

Replacement reserve	$ 445,247
Utility escrow	50,000
Tenant security deposits	20,222
	$ 515,469

NOTE B - CASH AND CASH EQUIVALENTS

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 $3,282, increasing annually by the Consumer Price Index commencing on the completion date. The activity in the replacement reserve for the year ended December 31, 2023 is as follows:

Balance, January 1, 2023	$	407,868
Deposits		39,382
Withdrawals		(2,003)
Balance, December 31, 2023	$	445,247

2. Utility escrow

The Investment Member required the Company to establish a utility escrow of $50,000 before they released the equity installments due to the Authority. As of December 31, 2023, the utility escrow remains fully funded.

NOTE C - RELATED PARTY TRANSACTIONS

1. Operating subsidy from HANO

HANO entered into the Operating Agreement with the Company which provides for an operating subsidy amount for annual operations. Pursuant to the Agreement, sixty-nine units of the Apartments are to be operated as Public Housing Units and are subject to all regulations therein. During 2023, the Company received an operating subsidy from HANO in the amount of $363,291, which is included in rental subsidy 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 2023, the Company received voucher subsidy from HANO in the amount of $155,626, which is included in rental subsidy on the statement of operations.

3. Due to affiliates

Due to affiliates consists of the following at December 31, 2023:

Due to HANO - operating advances	$	1,089,538
Developer fee payable		1,055,564
Due to HANO - Hurricane Katrina		261,379
Management fees payable		204,123
Asset management fee payable		34,542
	$	2,645,146

a. Due to HANO

During 2006, HANO advanced funds to the Company to cover additional costs incurred due to damage caused by Hurricane Katrina. These payables bear no interest, are collateralized by the Apartments, and are payable from remaining mortgage proceeds, capital contributions, and available cash flows from the Apartments. As of December 31, 2023, advances totaling $261,379 were outstanding. Additionally, as of December 31, 2023, the Company owes HANO $1,089,538 for advances to fund operations.

b. Developer fee payable

The Company has a developer agreement with Crescent Affordable Housing Corporation ("CAHC"), an affiliate of the Managing Member. The agreement provides for a development fee and overhead in the amount of $1,355,564 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. As of December 31, 2023, $1,055,564 remains payable.

NOTE C - RELATED PARTY TRANSACTIONS (continued)

3. Due to affiliates (continued)

   c. Company management fee

   Pursuant to the Operating Agreement, the Managing Member earns a company management fee in the amount of $15,450 per annum in consideration for its services in the day-to-day administration of the business affairs of the Company. The fee is payable from available cash flow, subject to the terms of the Operating Agreement, and is noncumulative. As of December 31, 2023, unpaid property management fees totaled $12,600.

   d. Property management agreement

   The Company has entered into a management agreement with HANO for a monthly management fee equal to $30 per each occupied unit per month. For the year ended December 31, 2023, $36,085 was charged to operations and $191,523 remains payable for management fees and is included in due to affiliates on the balance sheet.

   e. Asset management fee

   Pursuant to the Operating Agreement, the original Investment 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. As of July 2020, this amount is now paid to the Assigned Member. For the year ended December 31, 2023, $7,399 was charged to operations and $34,542 remains payable for asset management fees.

NOTE D - MEMBERS' CAPITAL AND CASH FLOW DISTRIBUTION

Capital contributions were due from the original Investment Member when certain milestones were achieved as disclosed in the Operating Agreement. Before exiting the Partnership, the original Investor Member had funded the full adjusted amount of $1,977,094.

The Managing Member and Special Member are required and have made contributions of $100 and $10, respectively.

NOTE D - 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 Assigned 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 Assigned Member.

NOTE E - COMMITMENTS AND CONTINGENCIES

1. Legal

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

2. Tax credits

The Company's low-income housing credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent or to correct non-compliance within a specified time period could result in recapture of previously taken tax credits plus interest.

3. Ground lease

On January 20, 2005, 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, 2023, the prepaid ground lease was $32,549.

NOTE E - COMMITMENTS AND CONTINGENCIES (continued)

4. 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 so 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, 2023, no amounts have been funded.

NOTE F - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 27, 2024 , the date which the financial statements were available to be issued, and noted no issues to be disclosed.

SUPPLEMENTARY INFORMATION

FISCHER III, LLC

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

December 31, 2023

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

Fischer III, 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 Fischer III, 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
Fischer III, 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 Fischer III, LLC (the "Company"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated June 27, 2024.

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. 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 or significant deficiencies may exist that were not identified.

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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*.

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.

June 27, 2024
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP