

GUSTE I, LLC

**Financial Statements
and Supplementary
Information**

December 31, 2021

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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 the business-type activities of Guste I, LLC (the "Company"), as of December 31, 2021, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Company, as of December 31, 2021, and the respective changes in financial position 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 opinions.

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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

MELBOURNE

8035 Spyglass Hill Road
Melbourne, FL 32940
321-757-2020

ORLANDO

255 South Orange Avenue, #1200
Orlando, FL 32801
407-841-8841

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 opinions. 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 that collectively comprise the Company's basic financial statements. 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 information is fairly stated, in all material respects, in relation to the basic 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 February 28, 2022 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.

February 28, 2022
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

GUSTE I, LLC

BALANCE SHEET

December 31, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$ 869
Cash and cash equivalents - restricted	659,876
Tenant accounts receivable	34,676
Due from affiliates	1,192,943
Prepaid expenses	55,960
Prepaid ground lease	471
Total current assets	<u>1,944,795</u>

NONCURRENT ASSETS

Prepaid ground lease	33,017
Investment in rental property, net	8,296,275
Total noncurrent assets	<u>8,329,292</u>
Total assets	<u><u>\$ 10,274,087</u></u>

LIABILITIES AND MEMBERS' DEFICIT

CURRENT LIABILITIES

Accounts payable	\$ 89,138
Due to affiliates	2,222,978
Accrued interest payable - construction loan	102,158
Accrued interest payable - mortgage note payable	2,729,040
Tenant security deposits	20,000
Other accrued liabilities	513,791
Total current liabilities	<u>5,677,105</u>

NONCURRENT LIABILITIES

Notes payable - related party, net	<u>14,771,982</u>
Total liabilities	<u>20,449,087</u>

MEMBERS' DEFICIT

Managing member deficit	(1,434)
Limited members deficit	<u>(10,173,566)</u>
Total members' deficit	<u>(10,175,000)</u>
Total liabilities and members' deficit	<u><u>\$ 10,274,087</u></u>

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

GUSTE I, LLC

STATEMENT OF OPERATIONS

For the year ended December 31, 2021

REVENUES

Rental income, net	\$ 514,167
Other operating income	183,203
Total operating revenues	<u>697,370</u>

OPERATING EXPENSES

Repairs and maintenance	158,829
Utilities	194,822
Insurance	186,981
Tenant services	73,779
Protective services	115,534
Other general and administrative	71,557
Salaries	26,245
Miscellaneous	4,727
Asset management fee	6,984
Advertising and marketing	762
Total operating expenses	<u>840,220</u>

NET OPERATING LOSS (142,850)

OTHER INCOME (EXPENSES)

Interest income	882
Depreciation	(405,556)
Interest expense - note payable	(454,053)
Total other income (expenses)	<u>(858,727)</u>

NET LOSS \$ (1,001,577)

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

GUSTE I, LLC

STATEMENT OF MEMBERS' DEFICIT

For the year ended December 31, 2021

		Limited Members		
	Managing Member	Special Member	Investor Member	Total Members' Deficit
Members' deficit, January 1, 2021	\$ (1,334)	\$ -	\$ (9,172,089)	\$ (9,173,423)
Net loss	(100)	-	(1,001,477)	(1,001,577)
Members' deficit, December 31, 2021	\$ (1,434)	\$ -	\$ (10,173,566)	\$ (10,175,000)

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

GUSTE I, LLC

STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (1,001,577)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	405,556
Amortization - debt issuance costs	69,660
(Increase) decrease in assets:	
Accounts receivable, net	(15,551)
Due from affiliates	(68,491)
Prepaid expenses	(25,179)
Prepaid ground lease	472
Increase (decrease) in liabilities:	
Accounts payable	35,788
Due to affiliates	35,886
Accrued interest payable	384,393
Tenant security deposits	(400)
Other accrued liabilities	162,941
Net cash used in operating activities	<u>(16,502)</u>
Net decrease in cash	<u>(16,502)</u>
Cash and cash equivalents - beginning of year	<u>677,247</u>
Cash and cash equivalents - end of year	<u><u>\$ 660,745</u></u>

RECONCILIATION TO BALANCE SHEET:

Cash and cash equivalents - unrestricted	\$ 869
Cash and cash equivalents - restricted	<u>659,876</u>
	<u><u>\$ 660,745</u></u>

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

Guste I, LLC

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

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:

<u>Entity</u>	<u>Percentage Ownership</u>
Managing Member	0.01%
Investor Member	99.99%
Special Member	0.00%
	<u>100.00%</u>

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 but are still subject to the compliance period which ends December 2021.

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.

Guste I, LLC

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

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. Tenant 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

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

Guste I, LLC

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

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:

	2021	Useful Lives
Building and improvements	\$ 12,411,177	40 years
Land improvements	2,401,278	20 years
Furniture, fixtures and equipment	281,800	10 years
	15,094,255	
Less accumulated depreciation	(6,797,980)	
	<u>\$ 8,296,275</u>	

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, 2021.

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. 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.

Guste I, LLC

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 2018.

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.

NOTE B - ESCROW DEPOSITS AND RESTRICTED BALANCES

As of December 31, 2021, the Company’s cash and cash equivalents totaled \$660,745.

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.

Guste I, LLC

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

NOTE B - ESCROW DEPOSITS AND RESTRICTED BALANCES (continued)

Restricted cash and cash equivalents

Restricted cash and cash equivalents consist of the following at December 31, 2021:

Replacement reserve	\$ 240,728
ACC subsidy reserve	228,227
Operating reserve	170,921
Tenant security deposits	20,000
	<hr/>
	\$ 659,876
	<hr/> <hr/>

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 \$2,139, increasing annually by the Consumer Price Index commencing on the completion date. The activity in the replacement reserve for the year ended December 31, 2021 is as follows:

Balance, January 1, 2021	\$ 252,832
Deposits	28,201
Withdrawals	(40,305)
	<hr/>
Balance, December 31, 2021	\$ 240,728
	<hr/> <hr/>

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.

Guste I, LLC

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

NOTE C - RELATED PARTY TRANSACTIONS

1. Due from affiliates

Guste Homes III, LLC, a related party through common ownership, and Guste Homes Resident Management Corporation (“Guste RMC”), the management company, owe the Company for operating expenses and computer equipment paid on their behalf. As of December 31, 2021, the Company held a receivable of \$1,192,943 from these related parties.

2. 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 2021, the Company received operating subsidy, from HANO in the amount of \$77,172, which is included in rental income on the statement of operations.

3. Voucher subsidy from HANO

The Company is eligible to house tenants receiving Housing Choice Voucher rental assistance through vouchers issued by HANO. During 2021, the Company received voucher subsidy from HANO in the amount of \$189,467, which is included in rental income on the statements of operations.

4. Due to affiliates

Due to affiliates consists of the following at December 31, 2021:

Developer fee payable - CAHC	\$	899,510
Due to CAHC		51,876
Due to HANO - 2008 funds		399,982
Due to HANO - periodic expenses		864,601
Asset management fee payable		7,009
		<u>7,009</u>
	\$	<u>2,222,978</u>

Guste I, LLC

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

NOTE C - RELATED PARTY TRANSACTIONS (continued)

4. Due to affiliates (continued)

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.

b. Due to HANO

The Company received advances from HANO that originated from a 2008 grant from the City of New Orleans. During 2009, it was discovered that a portion of the funds were not qualified costs under the grant and are due back to HANO. This amount is payable according to the order of priority as defined in the Operating Agreement (see Note E).

In addition, HANO periodically pays for expenses on behalf of the Company.

c. Due to CAHC

CAHC incurs costs related to construction, development and property insurance on behalf of the Company.

d. 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, 2021, \$6,984 was charged to operations.

NOTE D - NOTES PAYABLE

Notes payable consists of the following at December 31, 2021:

Mortgage note payable	\$ 12,672,614
Supplemental loan	2,039,988
Construction loan	140,511
Debt issuance costs, net	<u>(81,131)</u>
	<u>\$ 14,771,982</u>

Guste I, LLC

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

NOTE D - NOTES PAYABLE (continued)

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, 2021 was \$12,672,614. Total interest expense for 2021 was \$380,178 and accrued interest as of December 31, 2021 was \$2,729,040.

Debt issuance costs of \$1,253,887 net of accumulated amortization of \$1,172,756 totaling \$81,131 as of December 31, 2021 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, 2021 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, 2021 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, 2021 is \$140,511. For the year ended December 31, 2021, 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, 2021 is \$102,158.

Guste I, LLC

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

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, 2021 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, 2021, \$654,249 remains to be contributed. The Managing Member is required to make contributions of \$100 and the Special Member is required to make contributions of \$10.

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 - MANAGEMENT AGREEMENT

The Company has entered into a management agreement with Guste RMC for a monthly management fee equal to \$23.50 per each occupied unit per month. For the year ended December 31, 2021, \$22,208 was charged to operations and is included in other general and administrative expense.

The Company has a payable to Guste RMC of \$42,510 at December 31, 2021 for unpaid management fees, reimbursement of payroll, and other services. These amounts are included in the other accrued liabilities on the balance sheet.

NOTE G - 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, 2021, the prepaid ground lease was \$33,488.

Guste I, LLC

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2021

NOTE G - COMMITMENTS AND CONTINGENCIES (continued)

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. 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. In addition, such potential non-compliance may require an adjustment to the contributed capital by the Investor Member.

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 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, 2021, no amounts have been funded.

NOTE H - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through February 28, 2022, 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, 2021

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

Gusted 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 the business-type activities of Guste I, LLC (the "Company"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated February 28, 2022.

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 have not been identified.

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.

February 28, 2022
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP