

**GUSTE I, LLC.**

**Financial Statements**

**Year ended  
December 31, 2017**

BERMAN HOPKINS  
WRIGHT & LAHAM  
CPAS AND ASSOCIATES, LLP

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## INDEPENDENT AUDITOR'S REPORT

To the Members of  
Guste I, LLC

We have audited the accompanying financial statements of Guste I, LLC. (the "Company"), which comprise the balance sheet as of December 31, 2017, and the related statements of operations, members' capital, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental 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 record 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 financial statements or to the 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 financial statements as a whole.

April 3, 2018  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

**GUSTE I, LLC**

**BALANCE SHEET**

**December 31, 2017**

**ASSETS**

Investment in rental property, net	\$ 9,846,401
Cash and cash equivalents - unrestricted	692,678
Cash and cash equivalents - restricted	648,783
Accounts receivable, net	11,039
Due from affiliates	377,600
Prepaid expenses	9,578
Prepaid ground lease	35,375
	<hr/>
Total assets	<u>\$ 11,621,454</u>

**LIABILITIES AND MEMBERS' CAPITAL**

**LIABILITIES**

Accounts payable	\$ 32,221
Due to affiliates	1,999,630
Accrued interest payable - first mortgage	85,388
Accrued interest payable - related party	1,330,624
Tenant security deposits	19,300
Other accrued liabilities	77,188
Mortgage note payable - related party, net	12,312,843
Multifamily mortgage note payable, net	2,180,499
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Total liabilities	<u>18,037,693</u>

**MEMBERS' CAPITAL**

General partner deficit	(1,058)
Investment limited partners	(6,415,181)
	<hr/>
Total members' capital	<u>(6,416,239)</u>
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Total liabilities and members' capital	<u>\$ 11,621,454</u>

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

**GUSTE I, LLC**

**STATEMENT OF OPERATIONS**

**Year ended December 31, 2017**

**REVENUES**

Rental income	\$ 687,596
Other operating income	<u>13,737</u>
Total operating revenues	<u>701,333</u>

**EXPENSES**

Insurance	178,535
Other general and administrative	47,147
Asset management fee	27,860
Protective services	54,642
Repairs and maintenance	322,208
Salaries	41,028
Tenant services	2,846
Utilities	167,761
Miscellaneous	<u>26,151</u>
Total operating expenses	<u>868,178</u>

**NET OPERATING LOSS**

(166,845)

**OTHER INCOME (EXPENSES)**

Interest income	626
Depreciation	(482,537)
Interest expense - first mortgage	(449,898)
Interest expense - related party	<u>(4,215)</u>
Total other income (expenses)	<u>(936,024)</u>

**NET LOSS**

\$ (1,102,869)

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

**GUSTE I, LLC**

**STATEMENT OF MEMBERS' CAPITAL**

Years ended December 31,

	Managing Member	Limited Partners		Total Members' Capital (Deficit)
		Special Member	Investor Member	
<b>Partners' capital (deficit), December 31, 2016</b>	\$ (948)	\$ -	\$ (5,312,422)	\$ (5,313,370)
Net loss	(110)	-	(1,102,759)	(1,102,869)
<b>Partners' capital (deficit), December 31, 2017</b>	\$ (1,058)	\$ -	\$ (6,415,181)	\$ (6,416,239)

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

**GUSTE I, LLC**

**STATEMENT OF CASH FLOWS**

Year ended December 31, 2017

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net loss	\$ (1,102,869)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	482,537
Amortization of debt issue costs	69,660
(Increase) decrease in assets:	
Accounts receivable, net	1,204
Due from affiliates	(88,658)
Prepaid expenses	(1,505)
Prepaid ground lease	471
Increase (decrease) in liabilities:	
Accounts payable	598
Due to affiliate	148,634
Tenant security deposits	(1,000)
Accrued interest payable	384,393
Other accrued liabilities	(11,418)
Net cash used in operating activities	<u>(117,953)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Cash paid for investment in rental property	<u>(1,350)</u>
Net decrease in cash	(119,303)
Cash and cash equivalents at beginning of year	<u>1,460,764</u>
Cash and cash equivalents at end of year	<u>\$ 1,341,461</u>

**RECONCILIATION TO BALANCE SHEET:**

Cash and cash equivalents - unrestricted	\$ 692,678
Cash and cash equivalents - restricted	<u>648,783</u>
	<u>\$ 1,341,461</u>

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

Guste I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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 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 is 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	Percentage Ownership
Managing Member	0.01%
Investor Member	99.99%
Special Member	0.00%
	100.00%

Each building of the Apartments has qualified for and been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42 (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 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 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 (HANO) under the requirements of Governmental Accounting Standards Board (GASB) Statement No. 61, The Financial Reporting Entity: Omnibus an Amendment of GASBs No. 14 and No. 34. 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

December 31, 2017

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. Tenant 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. 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.

5. 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.

6. 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 federal income taxes has been included in the financial statements.

Guste I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Income taxes (continued)

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. It requires a two-step approach to evaluate tax positions and determine if they should be recognized in the financial statements. Management regularly reviews and analyzes all tax positions and has determined no aggressive tax positions have been taken.

The Company's income tax filings are subject to audit by various taxing authorities. The Company's open audit periods are 2014-2017. 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.

7. Cash and cash equivalents

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

8. Deferred fees and amortization

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. 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. Depreciation is provided over the estimated useful lives of the assets as follows:

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

Guste I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Investment in rental property (continued)

Investment in rental property, net, is comprised of the following as of December 31, 2017:

Building and improvements	\$ 12,316,642
Leasehold Improvements	2,401,278
Furniture, fixtures and equipment	281,800
	<hr/>
	14,999,720
Less accumulated depreciation	(5,153,319)
	<hr/>
	\$ 9,846,401
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10. 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. In the current year, the Company did not recognize any loss on impairment related to its long-lived assets.

11. 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 computed using an imputed interest rate on the related loan.

12. Advertising costs

The Company's policy is to expense advertising costs when incurred. For the year ended December 31, 2017, the Company had no advertising expense charged to operations.

13. 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.

Guste I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

14. 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**

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 \$2,416, increasing annually by the Consumer Price Index commencing on the completion date. As of December 31, 2017, \$232,059 has been funded.

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. As of December 31, 2017, \$227,000 has been funded.

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. As of December 31, 2017 \$170,000, has been funded.

**NOTE C - RELATED PARTY TRANSACTIONS**

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 2017, the Company received an operating subsidy from HANO in the amount of \$253,824. The Company is due \$377,600 as of December 31, 2017, as a result of the operating subsidy due from HANO.

Guste I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE C - RELATED PARTY TRANSACTIONS (continued)

Voucher subsidy from HANO

The Company is eligible to house tenants receiving Housing Choice Voucher rental assistance through vouchers issued by HANO. During 2017, the Company received voucher subsidy from HANO in the amount of \$176,590, which is included in rental income on the statements of operations.

Due to affiliates

Due to affiliates consists of the following at December 31, 2017:

Developer fee payable	\$	899,510
Due to CAHC		223,748
Due to HANO - City grant funds		402,235
Due to HANO - periodic expenses		450,255
Asset management fee payable		23,882
	\$	<u>1,999,630</u>

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 development fee and overhead in the amount of \$1,199,510 for services in connection with the development of the Project 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, 2017, the developer fee payable is \$899,510.

Due to CAHC

CAHC incurs costs related to construction, development and property insurance on behalf of the Company. As of December 31, 2017, the Company has a payable due to CAHC of \$223,748 for these payments.

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. As of December 31, 2017, the Company has a payable due to CAHC of \$402,235 for these payments. This amount is payable according to the order of priority as defined in the Operating Agreement (see Note F).

Guste I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE C - RELATED PARTY TRANSACTIONS (continued)**

Due to HANO (continued)

In addition, HANO periodically pays for expenses on behalf of the Company. As of December 31, 2017, the amount due to HANO for these expenses was \$450,255.

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, 2017, \$6,428 was charged to operations.

**NOTE D - MORTGAGE NOTES PAYABLE**

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. The loan bears interest at 3 percent with both the unpaid principal and interest due and payable on February 1, 2007. During 2014, the Company converted the construction mortgage note into the permanent loan of \$8,698,042 plus capitalized interest of \$3,974,572. The new mortgage is for \$12,672,614 and accrues interest at 3.00 percent. Any principal and interest payments are subject to available cash flow. The entire amount of unpaid principal and interest is due January 31, 2060. Total combined interest expense for 2017 was \$449,898. Accrued interest at December 31, 2017 was \$1,330,624. A debt issuance cost, net of accumulated amortization, totaled \$359,771 as of December 31, 2017 and is related to the mortgage note payable. Amortization of debt issuance costs on the above loan is being amortized using an imputed interest rate of 3.272 percent.

Supplemental loan

In November 2006, the Company obtained a supplemental loan in the amount of \$2,939,498 from HANO. The supplemental loan does not bear interest. The entire amount of unpaid principal is due and payable on November 1, 2061. The outstanding principal as of December 31, 2017 is \$2,039,988.

## Guste I, LLC

### NOTES TO FINANCIAL STATEMENTS

December 31, 2017

#### NOTE D - MORTGAGE NOTES PAYABLE (continued)

##### 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, 2017 is \$140,511. For the year ended December 31, 2017, the Company incurred interest of \$4,215, and it is included in interest expense - note payable to related party in the accompanying statements of operations. Accrued interest at December 31, 2017 is \$85,388.

#### NOTE E - MEMBERS' CAPITAL AND CASH FLOW DISTRIBUTION

Capital contributions totaling \$4,817,971, including an upward adjuster of \$11,722, are due from the Investor Member when certain milestones are achieved as disclosed in the Operating Agreement. As of December 31, 2017 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, 2017 \$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. First, to the payment of any Tax Credit Shortfall Payments owed to the Investor Member;
2. Second, to replenish any amounts withdrawn in such year from the Operating Reserve or the ACC Subsidy Reserve;
3. Third, to pay the Company Management Fee to the Managing Member;
4. Fourth, to the repayment of any Operating Expense Loans or Working Capital Loans then outstanding;
5. Fifth, 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. Sixth, 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 Homes Resident Management Corporation ("Guste RMC") for a monthly management fee equal to \$23.50 per each occupied unit per month. For the year ended December 31, 2017, \$21,432 was charged to operations.

**Guste I, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE F - MANAGEMENT AGREEMENT (continued)**

The Company has a payable to Guste RMC of \$42,510 at December 31, 2017 for unpaid management fees, reimbursement of payroll, and other services. These amounts are included in accrued expenses on the balance sheet.

**NOTE G - COMMITMENTS AND CONTINGENCIES**

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, 2017, the prepaid ground lease was \$35,375.

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, there are no known threatened or pending legal actions against the Company.

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.

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, 2017 no amounts have been funded.

**NOTE H - SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through April 3, 2018, the date which the financial statements were available to be issued, and noted no issues to be disclosed.

**SUPPLEMENTAL INFORMATION**

**GUSTE I, LLC**

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

**December 31, 2017**

Agency Head Name: Greg Fortner

Executive Director of the Housing Authority of New Orleans

<b>Purpose</b>	<b>Amount</b>
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 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, 2017, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated April 3, 2018.

**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) to determine the 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 may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.

April 3, 2018  
Melbourne, Florida

*Berman Hopkins Wright & Latham*  
*CPAs and Associates, LLP*