

Fischer I, LLC

**Financial Statements
and Supplemental
Information**

**Years ended
December 31, 2019 and 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Fischer I, LLC

We have audited the accompanying financial statements of Fischer I, LLC (the "Company"), which comprise the balance sheet as of December 31, 2019, and the related statements of operations, members' capital (deficit), 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2020 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, 2020
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

FISCHER I, LLC

BALANCE SHEETS

December 31,

ASSETS	2019	2018
Investment in rental property, net	\$ 2,381,572	\$ 2,472,281
Cash and cash equivalents - unrestricted	267,452	242,144
Cash and cash equivalents - restricted	153,161	159,646
Accounts receivable, net	2,496	-
Prepaid expenses	11,060	3,326
Tax credit monitoring fees, net	243	376
Other assets	50	50
Total assets	\$ 2,816,034	\$ 2,877,823
LIABILITIES AND MEMBERS' CAPITAL (DEFICIT)		
LIABILITIES		
Accounts payable	\$ 15,175	\$ 9,629
Property management fee payable	8,540	1,785
Asset management fee payable	3,301	833
Developer fees payable	173,600	173,600
Accrued interest payable	1,343,288	1,210,472
Tenant security deposits	4,550	5,350
Tenant prepaid rent	515	292
Due to related parties	251,798	243,775
Other current liabilities	595	595
Notes payable	1,850,359	1,850,359
Total liabilities	3,651,721	3,496,690
MEMBERS' CAPITAL (DEFICIT)		
Managing member deficit	(193)	(171)
Investor member deficit	(835,494)	(618,696)
Total members' capital (deficit)	(835,687)	(618,867)
Total liabilities and members' capital (deficit)	\$ 2,816,034	\$ 2,877,823

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

FISCHER I, LLC

STATEMENTS OF OPERATIONS

Years ended December 31,

	2019	2018
REVENUES		
Rental income, net	\$ 122,073	\$ 128,964
Operating subsidy	60,076	52,787
Vacancies and concessions	(27,388)	(19,502)
Total tenant revenue, net	154,761	162,249
Other income	3,839	84,427
Total operating revenues	158,600	246,676
EXPENSES		
Bad debt expense	4,216	3,864
Insurance	39,763	36,595
Other general and administrative	11,421	23,380
Management fees	15,761	9,465
Protective services	-	17,017
Repairs and maintenance	41,461	22,498
Salaries	7,119	6,401
Tenant services	67	6,106
Utilities	32,066	29,165
Total operating expenses	151,874	154,491
NET OPERATING INCOME	6,726	92,185
OTHER INCOME (EXPENSES)		
Interest income	754	527
Depreciation	(91,351)	(91,351)
Amortization	(133)	(133)
Interest expense	(132,816)	(126,865)
Total other income (expenses)	(223,546)	(217,822)
NET LOSS	\$ (216,820)	\$ (125,637)

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

FISCHER I, LLC

STATEMENTS OF MEMBERS' CAPITAL (DEFICIT)

Years ended December 31,

	Managing Member	Special Member	Investor Member	Total Members' Capital
Members' capital (deficit), January 1, 2018	\$ (158)	\$ -	\$ (493,072)	\$ (493,230)
Net loss	<u>(13)</u>	<u>-</u>	<u>(125,624)</u>	<u>(125,637)</u>
Members' capital (deficit), December 31, 2018	(171)	-	(618,696)	(618,867)
Net loss	<u>(22)</u>	<u>-</u>	<u>(216,798)</u>	<u>(216,820)</u>
Members' capital (deficit), December 31, 2019	<u>\$ (193)</u>	<u>\$ -</u>	<u>\$ (835,494)</u>	<u>\$ (835,687)</u>

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

FISCHER I, LLC

STATEMENTS OF CASH FLOWS

Years ended December 31,

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2019</u>	<u>2018</u>
Net loss	\$ (216,820)	\$ (125,637)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	91,351	91,351
Amortization	133	133
(Increase) decrease in assets:		
Accounts receivable, net	(2,496)	157
Prepaid expenses	(7,734)	5,621
Increase (decrease) in liabilities:		
Accounts payable	5,546	6,535
Property management fee payable	6,755	1,190
Asset management fee payable	2,468	625
Due to related parties	8,023	(122,496)
Accrued interest payable	132,816	126,865
Tenant security deposits	(800)	500
Tenant prepaid rent	223	281
Other current liabilities	-	425
Net cash provided by (used in) operating activities	<u>19,465</u>	<u>(14,450)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for investment in rental property	<u>(642)</u>	<u>-</u>
Net increase (decrease) in cash	18,823	(14,450)
Cash and cash equivalents at beginning of year	<u>401,790</u>	<u>416,240</u>
Cash and cash equivalents at end of year	<u><u>\$ 420,613</u></u>	<u><u>\$ 401,790</u></u>
RECONCILIATION TO BALANCE SHEET:		
Cash and cash equivalents - unrestricted	\$ 267,452	\$ 242,144
Cash and cash equivalents - restricted	<u>153,161</u>	<u>159,646</u>
	<u><u>\$ 420,613</u></u>	<u><u>\$ 401,790</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

Fischer I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of operations

Fischer I, LLC (the Company), a Louisiana limited liability company, was formed in March 2004 to construct, develop and operate a 20-unit apartment project, known as Fischer I Apartments (the Apartment) in New Orleans, Louisiana. The Apartment is 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 ("Section 42").

The managing member is Lune d'Or Enterprises, LLC (the "Managing Member"). The limited members (the Limited Members) are MMA Special Limited Partner, Inc. (the "Special Member") and MMA Fischer I, LLC (the "Investor Member").

Profits, losses and tax credits are allocated in accordance with the Amended and Restated Operating Agreement, dated January 1, 2005 (the "Operating Agreement"). Profits and losses from operations and low-income housing tax credits in any one year is allocated 99.99 percent to the Investor Member and 0.01 percent to the Managing Member.

Each building of the Apartment has qualified for and been allocated low-income housing tax credits pursuant to Section 42 which regulates the use of the Apartment to occupant eligibility and unit gross rent, among other requirements. The total low-income housing credits generated from the State of Louisiana was \$2,551,600 and is available for use by the members pro rata over a ten-year period. Each building of the Apartment 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 Company will operate until December 31, 2102 or until its earlier dissolution or termination.

Fischer 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 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.

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.

Fischer I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

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. The Company maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. As of December 31, 2019, none of the bank balance was in excess of FDIC insurance and collateral. The Company has not experienced any losses in such accounts.

5. 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. The allowance for uncollectible accounts as of December 31, 2019 was \$275. There was no allowance for uncollectible accounts as of December 31, 2018.

6. Tax credit monitoring fees

Tax credit monitoring fees are being amortized using the straight-line method over the fifteen-year tax credit compliance period. Accumulated amortization at December 31, 2019 and 2018 is \$1,807 and \$1,674, respectively.

Estimated amortization expense for the remainder of the years is as follows:

Year	Amortization
2020	\$ 133
2021	110
Total	<u>\$ 243</u>

Fischer I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. 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 using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Useful Lives</u>
Buildings and improvements	40 years
Land and improvements	20 years
Furniture and Equipment	10 years

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

	2019	2018
Buildings and improvements	\$ 3,654,063	\$ 3,654,063
Land and improvements	261,845	261,845
Furniture and equipment	67,267	66,625
	<u>3,983,175</u>	<u>3,982,533</u>
Less accumulated depreciation	(1,601,603)	(1,510,252)
	<u>\$ 2,381,572</u>	<u>\$ 2,472,281</u>

8. Impairment of long-lived assets

The Company reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended December 31, 2019 and 2018.

Fischer I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

10. Advertising costs

The Company's policy is to expense advertising costs when incurred. For the years ended December 31, 2019 and 2018, the Company had no advertising expense charged to operations.

11. Income taxes

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

The Company's income tax filings are subject to audit by various taxing authorities. The Company's open audit periods are 2015 to 2019. 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.

12. Economic concentrations

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

Fischer I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE B - RESTRICTED CASH

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

	2019	2018
Replacement reserve	\$ 65,023	\$ 70,251
ACC subsidy reserve	33,751	33,700
Operating reserve	49,837	50,345
Tenant security deposits	4,550	5,350
	<u>\$ 153,161</u>	<u>\$ 159,646</u>

Replacement reserve

Pursuant to the Operating Agreement, the Managing Member shall establish a reserve account for capital replacements, funded by monthly deposits of \$519 and \$509 for 2019 and 2018, respectively, increasing annually by the Consumer Price Index commencing on the completion date. The activity in the replacement reserve for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Balance, January 1,	\$ 70,251	\$ 64,023
Deposits	6,324	6,228
Withdrawals	(11,552)	-
Balance, December 31,	<u>\$ 65,023</u>	<u>\$ 70,251</u>

ACC subsidy reserve

Pursuant to the Operating Agreement, the Company shall establish a reserve account equal to \$33,627 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, 2019 and 2018, \$33,751 and \$33,700 has been funded, respectively.

Operating reserve

Pursuant to the Operating Agreement, the Managing Member is required to establish an operating reserve 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, 2019 and 2018, \$49,837 and \$50,345 has been funded, respectively.

Fischer I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE C - OPERATING DEFICIT GUARANTY

Pursuant to the Operating Agreement, the Managing Member has guaranteed to fund, without limitation, all operating deficits, as defined. 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, as defined. Any such Operating Expense Loans shall not bear interest and are repayable only as provided for in the Operating Agreement. As of December 31, 2019 and 2018, there were no guaranty amounts due or payable.

NOTE D - 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, the eight units at the Apartment are to be operated as Public Housing Units and subject to all regulations therein. During 2019 and 2018, the Company received an operating subsidy from HANO in the amount of \$60,076 and \$52,787, respectively.

Voucher subsidy from HANO

The Company is eligible to house tenants receiving Housing Choice Voucher rental assistance subsidy through vouchers issued by HANO. During 2019 and 2018, the Company received voucher subsidy from HANO in the amount of \$46,785 and \$59,830, respectively and is included in rental income on the statement of operations.

Asset management fee

Pursuant to the Operating Agreement, an annual cumulative asset management fee in the amount of \$2,500 per annum to the investor member is incurred. To the extent that it is not paid in full in any fiscal year, it shall accrue and be payable in the future. During 2019 and 2018, fees of \$9,006 and \$2,500, respectively, were charged to operations. As of December 31, 2019 and 2018, \$3,301 and \$833, respectively, remains payable.

Developer agreement

The Company entered into a development 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 \$279,026 for services in connection with the development of the Apartment and supervision of the construction. Payments of the development fee are to be made from designated proceeds or from development advances, as defined in the Operating Agreement and the Development Services Agreement, respectively. As of December 31, 2019 and 2018, \$173,600 remains payable.

Fischer I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE D - RELATED PARTY TRANSACTIONS (continued)

Operating expenses

The Company owes CAHC for property insurance and other operating expenses paid by CAHC on behalf of the Company. As of December 31, 2019 and 2018, the balance owed to CAHC are \$144,187 and \$136,164, respectively, and is included in due to related parties in the accompanying balance sheets.

Due to HANO

As of December 31, 2019 and 2018, the Company owed HANO for advances related to miscellaneous costs associated with the construction and operation of the Project. Related party payables bear no interest, are collateralized by the Project, and are payable from remaining capital contributions and available cash flows from the Project. Amounts due to HANO as of December 31, 2019 and 2018 is \$107,611 and is included in due to related parties in the accompanying balance sheets.

NOTE E - NOTES PAYABLE TO RELATED PARTY

Notes payable consists of the following at December 31,

	2019	2018
Capital funds note payable	\$ 1,424,059	\$ 1,424,059
Program income note payable	196,300	196,300
Supplemental loan	130,000	130,000
Affordable Housing Program loan	100,000	100,000
	<u>\$ 1,850,359</u>	<u>\$ 1,850,359</u>

Capital funds note

During 2005, the Company entered into a Capital Funds Note with HANO to provide financing for the development of the Project. During 2007, there was an addition to the balance of this loan when HANO reimbursed JPMorgan Chase Bank for an outstanding construction loan on behalf of the Company. The loan bears interest at the long term applicable federal rate, which was 4.68% at the time the loan was funded, and is collateralized by the Project. All unpaid principal and interest is due on January 31, 2060, and payments on the loan are to be made from surplus cash. As of December 31, 2019 the balances of the HANO Capital Funds Note are included in notes and accrued interest payable in the accompanying balance sheets. The note payable balance was \$1,424,059 for both years. Interest incurred during the years ending December 31, 2019 and 2018 was \$114,944 and \$109,805, respectively. Accrued interest payable on the note as of December 31, 2019 and 2018 is \$1,146,953 and \$1,032,009, respectively.

Fischer I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE E - NOTES PAYABLE TO RELATED PARTY (continued)

Program income note

On January 20, 2005, the Company entered into a Program Income Construction Mortgage Note with HANO in the amount of \$196,300. The loan was obtained in connection with the financing of the acquisition, development, and construction of the Projects and bears interest annually at the long term applicable federal rate, which was 4.76% at the time the loan was funded. The loan is collateralized by the Project, and the entire amount of unpaid principal and interest is due and payable on January 31, 2060. Interest incurred during the years ended December 31, 2019 and 2018 is \$17,872 and \$17,060, respectively. Accrued interest payable on the note as of December 31, 2019 and 2018 is \$196,335 and \$178,463, respectively. The current balance on the note as of December 31, 2019 and 2018 is \$196,300.

Supplemental loan

On November 1, 2006, the Company entered into a Supplemental Loan with HANO in the amount of \$130,000. The loan bears no interest and is collateralized by the Project. All unpaid principal is due on November 1, 2061, and payments on the loan are to be made from surplus cash. The current balance on the loan as of December 31, 2019 and 2018 is \$130,000.

Affordable housing program loan

On November 16, 2005, the Company entered into an Affordable Housing Program Loan with HANO in the amount of \$100,000 to assist the Company in financing the Project. The loan bears no interest, and is collateralized by the Project. The loan matures fifteen years from completion of the Project, which occurred on May 27, 2006. The Affordable Housing Program Loan is payable from remaining mortgage proceeds, capital contributions, and available cash flow from the Project. The current loan balance as of December 31, 2019 and 2018 is \$100,000.

NOTE F - MEMBERS' CAPITAL

Capital contributions totaling \$2,079,000, including a downward adjuster of \$45, are due from the Investor Member when certain milestones are achieved as disclosed in the Operating Agreement. As of December 31, 2019 and 2018, the Investor Member had funded \$2,078,955. The above contributions are subject to adjustment as defined in the Operating Agreement. The Managing Member is required to make contributions of \$100 and the Special Member is required to make contributions of \$10.

Fischer I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE G - MANAGEMENT AGREEMENT

Effective October 2015, the Apartment is now managed by HANO, an affiliate of the Managing Member. As of December 31, 2019 and 2018, \$6,755 and \$6,965, respectively, was charged to operations and \$8,540 and \$1,785, respectively, remains payable.

NOTE H - GROUND LEASE

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

NOTE I - COMMITMENTS AND CONTINGENCIES

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 Apartment's low-income housing tax 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 noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest.

NOTE J - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through February 28, 2020 the date which the financial statements were available to be issued, and noted no issues to be disclosed.

SUPPLEMENTAL INFORMATION

FISCHER I, LLC

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

December 31, 2019

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 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 Fischer 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
Fischer 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 Fischer I, LLC (the "Company"), as of and for the year ended December 31, 2019, 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, 2020.

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.

February 28, 2020
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP