GUSTE HOMES III, LLC

Financial Statements and Supplementary Information

December 31, 2022

TABLE OF CONTENTS

BERMAN HOPKINS
CPAs & ASSOCIATES, LLP

INDEPENDENT AUDITOR'S REPORT

To the Members of
Guste Homes III, LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Guste Homes III, LLC (the "Company"), which comprises the balance sheet as of December 31, 2022, and the statement of operations, member's capital (deficit), cash flows, 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 Company, as of December 31, 2022, and the results of operations and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of a Matter

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

Responsibilities of Management for the Financial Statements

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

bermanhopkins.com

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 August 7, 2023 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

August 7, 2023
Melbourne, Florida

GUSTE HOMES III, LLC

BALANCE SHEET

December 31, 2022

ASSETS

CURRENT ASSETS	
Cash and cash equivalents - unrestricted	$ 14,086
Cash and cash equivalents - restricted	1,616,870
Tenants accounts receivable	41,755
Due from HANO	52,343
Accounts receivable - other	3,288
Prepaid expenses	69,060
Tax credit monitoring fees, net	6,866
Total current assets	1,804,268
NONCURRENT ASSETS	
Tax credit monitoring fees, net	54,921
Investment in rental property, net	42,103,981
Total noncurrent assets	42,158,902
Total assets	$ 43,963,170

LIABILITIES AND MEMBERS' CAPITAL (DEFICIT)

CURRENT LIABILITIES	
Accounts payable	$ 302,307
Tenant security deposits	35,500
Developer fee payable	3,982,645
Due to affiliates	827,186
Total current liabilities	5,147,638
NONCURRENT LIABILITIES	
Mortgage loan due to affiliates	38,045,199
Total liabilities	43,192,837
MEMBERS' CAPITAL (DEFICIT)	
Managing member deficit	(875)
Investor member capital	771,208
Total members' capital (deficit)	770,333
Total liabilities and members' capital (deficit)	$ 43,963,170

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

GUSTE HOMES III, LLC

STATEMENT OF OPERATIONS

For the year ended December 31, 2022

REVENUES		
Rental income	$	519,334
Rental subsidy		659,230
Vacancies and concessions		(17,536)
Total tenant revenue, net		1,161,028
Other operating income		97,422
Total operating revenues		1,258,450
OPERATING EXPENSES		
Utilities		443,372
Repairs and maintenance		311,110
Insurance		304,516
Protective services		166,728
Other general and administrative		209,930
Salaries		113,752
Tenant services		74,494
Management fees		60,270
Advertising and marketing		165
Total operating expenses		1,684,337
NET OPERATING LOSS		(425,887)
OTHER INCOME (EXPENSES)		
Interest income		2,265
Depreciation		(1,864,664)
Amortization - tax credit monitoring fee		(6,866)
Total other income (expenses)		(1,869,265)
NET LOSS	$	(2,295,152)

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

GUSTE HOMES III, LLC

STATEMENT OF MEMBERS' CAPITAL (DEFICIT)

	Managing Member	Special Member	Investor Member	Total Members' Capital
Members' capital, January 1, 2022	$ (722)	$ -	$ 2,214,279	$ 2,213,557
Prior period adjustment	77	-	851,851	851,928
Net loss	(230)	-	(2,294,922)	(2,295,152)
Members' capital, December 31, 2022	$ (875)	$ -	$ 771,208	$ 770,333

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

GUSTE HOMES III, LLC

STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$	(2,295,152)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation		1,864,664
Amortization - tax credit monitoring fees		6,866
(Increase) decrease in assets:		
Tenant accounts receivable		(28,704)
Due from HUD		(37,172)
Accounts receivable - other		43,425
Prepaid expenses		735
Increase (decrease) in liabilities:		
Accounts payable		50,083
Tenant security deposits		6,100
Due to affiliates		(740,908)
Net cash used in operating activities		(1,130,063)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital assets purchased		(37,172)
NET DECREASE IN CASH		(1,167,235)
Cash and cash equivalents - beginning of the year		2,798,191
CASH AND CASH EQUIVALENTS - END OF THE YEAR	$	1,630,956
RECONCILIATION TO BALANCE SHEET		
Cash and cash equivalents - unrestricted	$	14,086
Cash and cash equivalents - restricted		1,616,870
	$	1,630,956

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of operations

Guste Homes III, LLC (the “Company”), was formed as a limited liability company under the laws of the State of Louisiana on January 1, 2012 to construct, develop and operate a 155-unit apartment project known as Guste Homes Phase III (the “Project”) in New Orleans, Louisiana. The Project 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 Crescent Affordable Housing Corporation (“CAHC”), a Louisiana not-for-profit corporation. The Investor Member is RBC Tax Credit Equity National Fund 19, LP, an Illinois limited liability company. The Special Member is RBC Tax Credit Manager II, Inc., an Illinois corporation. In addition, the liability of the members of the Company is limited to the members' total capital contributions. The ownership of the Company is as follows:

Entity	Role	Percentage Ownership
Crescent Affordable Housing Corporation	Managing Member	0.01%
RBC Tax Credit Equity National Fund 19, LP	Investor Member	99.99%
RBC Tax Credit Manager II, Inc.	Special Member	0.00%
		100.00%

Profits, losses and tax credits are allocated in accordance with the Amended and Restated Operating Agreement, dated November 1, 2013 (the “Operating Agreement”). Profits and losses from operations and low-income housing tax credits in any one year are allocated 99.99% to the Investor Member and 0.01% to the Managing Member.

Each building of the Project is expected to qualify for low-income housing tax credits pursuant to Section 42 which regulates the use of the Project to occupant eligibility and unit gross rent, among other requirements. The total low-income housing credits expected to be generated from the State of Louisiana is $19,014,160 and will be available for use by the members pro rata over a ten-year period. Each building of the Project 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 will end 15 years after the Project is placed into service. In addition, the Company has executed an extended use regulatory agreement and declaration of restrictive covenants which requires the utilization of the Project pursuant to Section 42 for a minimum of 50 years.

The term of the Company shall continue in perpetuity, unless sooner dissolved in accordance with the provisions of the Operating Agreement.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Nature of operations (continued)

The Company is a component unit of the Housing Authority of New Orleans ("HANO") under the requirements of Governmental Accounting Standards Board Codification of *Governmental Accounting and Financial Reporting Standards* Section 2100, *Defining the Financial Reporting Entity*. The Company is presented as a 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.

3. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities during the reporting period, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates and those differences could be material.

4. Cash and cash equivalents

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

5. Accounts receivable 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 on management's prior experience with similar types of receivables and periodic aging. 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Investment in rental property

Investment in rental property consists of property and equipment, which is recorded at cost. Expenditures for maintenance and repairs are charged to expenses as incurred while major renewals and betterments are capitalized. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of operations. Depreciation is to be provided using the straight-line method over the estimated useful lives of 27.5 years for buildings and improvements and 5-7 years for furniture and equipment.

Investment in rental property, net, is comprised of the following as of December 31, 2022:

Buildings and improvements	$ 51,272,028
Less accumulated depreciation	(9,168,047)
	$ 42,103,981

7. Impairment of long-lived assets

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

8. Leases

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

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

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. 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 or state 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. In evaluating the Company's tax provisions and accruals, future taxable income, the reversal of temporary differences, interpretations, and tax planning strategies are considered. The Company believes their estimates are appropriate based on current facts and circumstances.

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

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 A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Tax credit monitoring fees

Costs totaling $102,983 related to obtaining low-income housing tax credits will be amortized over the mandatory 15-year compliance period. Accumulated amortization at December 31, 2022 is $41,196. Estimated amortization expense for each of the following years is as follows:

	Guste Homes III, LLC
2023	$ 6,866
2024	6,866
2025	6,866
2026	6,866
Thereafter	34,323
	$ 61,787

13. Standards that were adopted

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

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

NOTE B - CASH AND CASH EQUIVALENTS

As of December 31, 2022, the Company's cash and cash equivalents including restricted amounts totaled $1,630,956.

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.

NOTE B - CASH AND CASH EQUIVALENTS (continued)

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

ACC subsidy reserve	$	367,058
Replacement reserve		143,993
Operating reserve		481,304
Rental achievement reserve		100,272
Property security reserve		175,475
Tax and insurance escrow		272,200
Development escrow		41,068
Tenant security deposits		35,500
	$	1,616,870

1. <u>ACC subsidy reserve</u>

Pursuant to the Operating Agreement, the Company shall establish a reserve account in the amount of $365,000 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 HANO. The ACC subsidy reserve was funded $165,000 from the second capital contribution and $200,000 from the seventh capital contribution from the investor member.

		2022
Balance, January 1,	$	366,509
Deposits		549
Balance, December 31,	$	367,058

2. <u>Replacement reserve</u>

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. Annual deposits are required in the amount of $46,500, increasing annually by 3% commencing on the date of substantial completion.

		2022
Balance, January 1,	$	90,101
Deposits		53,892
Balance, December 31,	$	143,993

NOTE B - CASH AND CASH EQUIVALENTS (continued)

3. Operating reserve

Pursuant to the Operating Agreement, the Managing Member is required to establish an operating reserve of $480,000 in a separate reserve account to fund excess operating expenses over revenues and debt service, to the extent required, subject to any requisite approvals and to the consent of the Special Member.

4. Rental achievement reserve

Pursuant to the Operating Agreement, the Managing Member is required to establish a rental achievement reserve of $100,000 in a separate reserve account in order to ensure that the Project will maintain an average income to expense ratio of 1.05 to 1.0 or such greater ratio as may be required to maintain breakeven operations throughout the Compliance Period.

5. Property security reserve

Pursuant to the Operating Agreement, the Managing Member is required to establish an initial Property Security Reserve of $175,000 in a separate reserve account in order to provide for physical security of the Project. The reserve is to be funded from capital contributions and/or loan proceeds and shall be held throughout the Compliance Period. CAHC may draw down up to $35,000 annually for providing security to the Project without consent of the Special Member, provided CAHC verifies that such funds are utilized for security purposes.

6. Tax and insurance escrow

Pursuant to the Operating Agreement, the Managing Member is required to establish an initial tax and insurance escrow of $271,463 in a separate escrow account in order to provide for insurance and tax payments for the Project. The initial escrow was to be funded from capital contributions and/or loan proceeds.

7. Development escrow

In connection with the construction of the Project, the Investor Member has established an escrow account to pay for future development costs.

NOTE C - RELATED PARTY TRANSACTIONS

1. Operating subsidy from HANO

The Company has entered into a Regulatory and Operating Agreement (the “Agreement”) with HANO that provides for an operating subsidy amount for annual operations. Pursuant to the Agreement, 109 units of the Apartments are to be operated as Public Housing Units and are subject to all regulations therein. During 2022, the Company received an operating subsidy from HANO in the amount of $225,106, which is included in rental subsidy on the statement of operations.

2. Voucher subsidy from HANO

The Company is eligible to house tenants receiving Housing Choice Voucher rental assistance through vouchers issued by HANO. During 2022, the Company received voucher subsidy from HANO in the amount of $434,124, which is included in rental subsidy on the statement of operations.

3. Receivables from HANO

As of December 31, 2022, HANO owed the Company for reimbursement of miscellaneous costs associated with ongoing operation of the Project. The amount due from HANO as of December 31, 2022 is $52,343 and is included in due from HANO in the accompanying balance sheet.

4. Asset management fee

Pursuant to the Operating Agreement, a one-time asset management fee in the amount of $75,000 was paid to the Investor Member for an annual review, during the 15-year compliance period, of the operations of the Company and the Project. The asset management fee is being amortized over the 15 year compliance period. As of December 31, 2022, $30,000 remains unamortized and is included in prepaid expenses on the balance sheet.

5. Developer fee payable

The Company has entered into a development agreement with CAHC. The agreement provides for a development fee in the amount of $5,310,193, for services in connection with the development of the Project and the supervision of construction. Development fees are recognized as incurred ratably over the course of construction. Development fees are deferred until certain Investor Member capital contributions milestones are met. As of December 31, 2022, the entire amount has been earned by CAHC, of which $3,982,645 remains unpaid.

NOTE C - RELATED PARTY TRANSACTIONS (continued)

6. Due to affiliates

   a. *Management company*

   The Company has entered into a management agreement with Guste Homes Resident Management Corporation ("GHRMC") for a monthly management fee equal to $35 per month per unit for all units, whether they are occupied or not. The agreement is effective upon completion of the Project. For the year ended December 31, 2022, $60,270 was charged to operations.

   The Company has a payable to GHRMC of $374,782 at December 31, 2022 for unpaid management fees, reimbursement of payroll, and other services.

   b. *Crescent Affordable Housing Corporation*

   In addition to the mortgage loan (see Note D), the Company borrowed $13,827,653 from HANO to complete construction of the Project. As of December 31, 2022, $452,404 of this amount remains and is reported as due to affiliates on the balance sheet.

NOTE D - MORTGAGE LOAN DUE TO AFFILIATE

On February 1, 2021, the Company converted a construction loan to permanent financing through a multifamily leasehold mortgage in the amount of $38,045,199 from HANO. This loan bears interest at a rate of 0.95% and the principal and interest are due upon maturity on February 1, 2071.

NOTE E - MEMBERS' CAPITAL

Capital contributions totaling $18,109,177 are due from the Investor Member when certain milestones are achieved as disclosed in the Operating Agreement. As of December 31, 2022, the Investor Member has funded $9,497,969. The above contributions are subject to adjustment as defined in the Operating Agreement. The Managing Member was required to make contributions of $100 and the Special member was required to make contributions of $10.

NOTE F - COMMITMENTS AND CONTINGENCIES

1. Ground lease

On November 1, 2013, the Company entered into a 40 year ground lease with HANO. The lease requires an annual rent payment of $10 per year and expires 40 years after the commencement date. As of December 31, 2022, the base rent for the entire term has been paid in full.

NOTE F - 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. Management is not aware of any non-compliance as of the date of this report.

NOTE G - PRIOR PERIOD ADJUSTMENT

For the fiscal year ended December 31, 2022, the statement of members' capital (deficit) reflects a prior period adjustment increasing equity by $851,928. During the year, a reconciliation was performed that resulted in restatements of historical accounts receivable and accounts payable balances. The prior period adjustment reflects restatements to due from affiliates and due to affiliates that have been recorded as of January 1, 2022.

NOTE H - SUBSEQUENT EVENTS

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

SUPPLEMENTARY INFORMATION

GUSTE HOMES III, LLC

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

December 31, 2022

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

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

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

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 Homes III, LLC

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

Report on Internal Control Over Financial Reporting

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

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

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

bermanhopkins.com

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Company's Response to Findings

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

Purpose of this Report

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

August 7, 2023
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Guste Homes III, LLC

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

For the year ended December 31, 2022

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

2022-001 Financial Reporting
Significant Deficiency in Internal Control

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

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

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

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

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

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

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