

Fischer I, LLC
Financial Statements
and Supplementary
Information
December 31, 2023
and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Fischer I, LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Fischer I, LLC (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, member's deficit, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Company, as of December 31, 2023 and 2022, and the results of operations and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2024 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

February 28, 2024
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

FISCHER I, LLC
BALANCE SHEETS

December 31,

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	\$ 50,001	\$ 5,957
Cash and cash equivalents - restricted	55,553	61,061
Tenant accounts receivable, net	5,448	3,800
Prepaid expenses	47,638	50,509
Other assets	50	50
Total current assets	158,690	121,377
NONCURRENT ASSETS		
Investment in rental property, net	2,243,863	2,344,222
Total assets	\$ 2,402,553	\$ 2,465,599
LIABILITIES AND MEMBERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	\$ 67,653	\$ 72,851
Asset management fee payable	32,200	26,250
Property management fee payable - HANO	13,048	10,385
Developer fees - CAHC	173,600	173,600
Accrued interest payable - HANO	1,939,847	1,780,301
Tenant security deposits	3,350	5,300
Tenant prepaid rent	5	23
Due to related parties	550,357	403,109
Other current liabilities	41,977	41,977
Total current liabilities	2,822,037	2,513,796
NONCURRENT LIABILITIES		
Notes payable to the Authority	1,750,359	1,850,359
Total liabilities	4,572,396	4,364,155
MEMBERS' DEFICIT		
Managing member deficit	(326)	(299)
Investor member deficit	(2,169,517)	(1,898,257)
Total members' deficit	(2,169,843)	(1,898,556)
Total liabilities and members' deficit	\$ 2,402,553	\$ 2,465,599

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

FISCHER I, LLC

STATEMENTS OF OPERATIONS

For the years ended December 31,

	2023	2022
OPERATING REVENUES		
Rental income, net	\$ 97,589	\$ 86,126
Rental subsidy	97,222	66,230
Vacancies and concessions	(32,457)	(34,176)
Total tenant revenue, net	162,354	118,180
Other income	9,188	12,476
Total operating revenues	171,542	130,656
OPERATING EXPENSES		
Insurance	81,882	65,607
Repairs and maintenance	55,608	44,133
Protective services	32,246	29,182
Utilities	31,789	50,871
Bad debt expense	24,267	3,317
General and administrative	17,366	21,198
Tenant services	16,516	16,240
Salaries	14,759	14,950
Management fees	8,613	10,872
Total operating expenses	283,046	256,370
NET OPERATING LOSS	(111,504)	(125,714)
OTHER INCOME (EXPENSES)		
Interest income	122	199
Depreciation	(100,359)	(99,775)
Interest expense	(159,546)	(152,397)
Forgiveness of debt	100,000	-
Total other income (expenses)	(159,783)	(251,973)
NET LOSS	\$ (271,287)	\$ (377,687)

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

FISCHER I, LLC

STATEMENTS OF MEMBERS' DEFICIT

	Managing member	Investor member	Total members' deficit
Members' deficit, January 1, 2022	\$ (261)	\$ (1,520,608)	\$ (1,520,869)
Net loss	(38)	(377,649)	(377,687)
Members' deficit, December 31, 2022	(299)	(1,898,257)	(1,898,556)
Net loss	(27)	(271,260)	(271,287)
Members' deficit, December 31, 2023	\$ (326)	\$ (2,169,517)	\$ (2,169,843)

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

FISCHER I, LLC

STATEMENTS OF CASH FLOWS

For the years ended December 31,

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (271,287)	\$ (377,687)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	100,359	99,775
Change in provision for allowance for doubtful accounts	24,267	3,317
Forgiveness of debt	(100,000)	-
(Increase) decrease in assets:		
Tenant accounts receivable, net	(25,915)	(6,394)
Prepaid expenses	2,871	(36,770)
Increase (decrease) in liabilities:		
Accounts payable	(5,198)	45,173
Asset management fee payable	2,663	5,565
Property management fee payable	5,950	3,663
Accrued interest payable	159,546	152,398
Tenant security deposits	(1,950)	2,150
Tenant prepaid rent	(18)	(4,277)
Due to related parties	147,248	139,139
Other current liabilities	-	41,977
Net cash provided by operating activities	38,536	68,029
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for capital improvements	-	(240,249)
NET INCREASE (DECREASE) IN CASH	38,536	(172,220)
Cash and cash equivalents at beginning of the year	67,018	239,238
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	\$ 105,554	\$ 67,018
RECONCILIATION TO BALANCE SHEET		
Cash and cash equivalents - unrestricted	\$ 50,001	\$ 5,957
Cash and cash equivalents - restricted	55,553	61,061
	\$ 105,554	\$ 67,018

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

Fischer I, LLC

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

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, of which eight units are Public Housing and twelve units are Section 8, 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 Regulatory and Operating Agreement, dated January 20, 2005 (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 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 ended December 2021.

The Company 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*, 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. Basis of accounting

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

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.

Fischer I, LLC

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Cash and cash equivalents

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

5. Tenant accounts receivables, net

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

Changes in the allowance for credit losses during the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Beginning balance	\$ 3,168	\$ 1,942
Bad debt expense	24,267	3,317
Write-offs	(26,267)	(2,091)
Ending balance	<u>\$ 1,168</u>	<u>\$ 3,168</u>

6. Investment in rental property

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

Fischer I, LLC

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Investment in rental property (continued)

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Investment in rental property, net, is comprised of the following as of December 31,

	2023	2022	Useful lives
Buildings and improvements	\$ 4,156,157	\$ 4,156,157	40 years
Furniture and equipment	76,128	76,128	10 years
	4,232,285	4,232,285	
Less accumulated depreciation	(1,988,422)	(1,888,063)	
	<u>\$ 2,243,863</u>	<u>\$ 2,344,222</u>	

7. Impairment of long-lived assets

The Company reviews its investment in rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. Management has determined that there were no impairments as of December 31, 2023 or 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 reevaluates its determination if the terms and conditions of the contract are changed. Operating leases are included in ground lease as a right-of-use ("ROU") assets and other long-term liabilities on the Company's balance sheet.

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

Fischer I, LLC

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

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 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 2020.

11. 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.

12. Recently adopted accounting standards

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

Fischer I, LLC

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Recently adopted accounting standards (continued)

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

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

NOTE B - CASH AND CASH EQUIVALENTS

As of December 31, 2023, the Company's cash and cash equivalents totaled \$105,554.

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.

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

	2023	2022
Replacement reserve	\$ 9,237	\$ 1,797
ACC subsidy reserve	33,942	33,903
Operating reserve	7,074	20,061
Tenant security deposits	5,300	5,300
	<u>\$ 55,553</u>	<u>\$ 61,061</u>

1. Replacement reserve

Pursuant to the Operating Agreement, the Managing Member shall establish a reserve account for capital replacements, increasing annually by the Consumer Price Index commencing on the completion date. Monthly funding for the replacement reserve for the years ended December 31, 2023 and 2022 were \$620 and \$608, respectively.

Fischer I, LLC

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

NOTE B - CASH AND CASH EQUIVALENTS (continued)

1. Replacement reserve (continued)

The activity in the replacement reserve for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Balance, January 1,	\$ 1,797	\$ 69,188
Deposits	7,440	7,295
Withdrawals	-	(74,686)
Balance, December 31,	\$ 9,237	\$ 1,797

2. ACC subsidy reserve

Pursuant to the Operating Agreement, the Company shall establish a reserve account of \$33,627 as set forth in the Operating Agreement between the Company and HANO. Funds in the ACC Subsidy Reserve may be used to pay operating expenses for the eight units that are designated for Public Housing, subject to approval and consent of the Investor Member.

3. Operating reserve

Pursuant to the Operating Agreement, the Managing Member is required to establish an operating reserve 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.

	2023	2022
Balance, January 1,	\$ 20,061	\$ 49,987
Deposits	13	74
Withdrawals	(13,000)	(30,000)
Balance, December 31,	\$ 7,074	\$ 20,061

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, 2023 and 2022, there were no guaranty amounts due or payable.

Fischer I, LLC

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

NOTE D - RELATED PARTY TRANSACTIONS

1. Operating subsidy from HANO

The Company has entered into the Operating Agreement with HANO that provides for an operating subsidy amount for annual operations. Pursuant to the Agreement, eight units at the Apartment are to be operated as Public Housing Units and subject to all regulations therein. During 2023 and 2022 the Company received rental subsidy from HANO in the amount of \$42,366 and \$40,605 respectively.

2. Voucher subsidy from HANO

The Company is eligible to house tenants receiving Housing Choice Voucher rental assistance subsidy through vouchers issued by HANO in twelve units. During 2023 and 2022, the Company received voucher subsidy from HANO in the amount of \$54,856 and \$25,625, respectively, and is included in rental subsidy on the statement of operations.

3. 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 2023 and 2022, fees of \$5,950 and \$5,565, respectively, were charged to operations. As of December 31, 2023 and 2022, \$32,200 and \$26,250, respectively, remains payable.

4. 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. The balance of this developer fee payable as of December 31, 2023 and 2022 is \$173,600.

5. 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, 2023 and 2022, the balance owed to CAHC is \$395,299 and \$295,498, respectively, and is included in due to related parties in the accompanying balance sheets.

Fischer I, LLC

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

NOTE D - RELATED PARTY TRANSACTIONS (continued)

6. Due to HANO

As of December 31, 2023 and 2022, 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. The amount due to HANO as of December 31, 2023 and 2022 is \$155,058 and \$107,611, respectively, and is included in due to related parties in the accompanying balance sheets.

NOTE E - NOTES PAYABLE TO THE AUTHORITY

Notes payable consists of the following at December 31,

	2023	2022
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
	<u>\$ 1,750,359</u>	<u>\$ 1,850,359</u>

1. 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, 2023 the balances of the HANO Capital Funds Note are included in notes and accrued interest payable in the accompanying balance sheets. Interest incurred during the years ending December 31, 2023 and 2022 was \$138,020 and \$131,849, respectively. Accrued interest payable on the note as of December 31, 2023 and 2022 is \$1,663,100 and \$1,525,080, respectively.

Fischer I, LLC

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

NOTE E - NOTES PAYABLE TO THE AUTHORITY (continued)

2. 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, 2023 and 2022 is \$21,526 and \$20,548, respectively. Accrued interest payable on the note as of December 31, 2023 and 2022 is \$276,747 and \$255,221, respectively.

3. 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.

4. 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 compliance period of 15 years ended during the year ended December 31, 2023 and forgiveness of debt of \$100,000 is reflected as other income on the statement of operations. As of December 31, 2022, the principal balance of the loan was \$100,000.

NOTE F - MEMBERS' CAPITAL

Capital contributions totaling \$2,079,000, including a downward adjuster of \$46, are due from the Investor Member when certain milestones are achieved as disclosed in the Operating Agreement. The Investor Member contributions have been fully funded. The Managing Member was required to make contributions of \$100 and the Special Member was required to make contributions of \$10, both of which have been paid.

NOTE G - MANAGEMENT AGREEMENT

Effective October 2015, the Apartment is managed by HANO, the governmental unit that controls Fischer I, LLC, as well as Lune d'Or Enterprises, LLC. As of December 31, 2023 and 2022, \$2,663 and \$3,663, respectively, was charged to operations and \$13,048 and \$10,385, respectively, remains payable.

Fischer I, LLC

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

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 Ground Lease has provisions to extend it beyond those noted above, but in no event will the Ground Lease extend beyond 95 years.

NOTE I - COMMITMENTS AND CONTINGENCIES

1. Legal

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

2. Tax credits

The 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 - CASH FLOW TRANSACTIONS

Cash flow, which means the excess of cash receipts over cash expenditures as determined for each fiscal year or portion thereof, shall be distributed in the following order of priority as defined in the Operating Agreement:

1. To the payment of any Tax Credit Shortfall Payments owed to the Investor Member;
2. To replenish any amounts withdrawn in such year from the Operating Reserve or the ACC Subsidy Reserve;
3. To the repayment of any Operating Expense Loans or Working Capital Loans then outstanding;
4. To make payment on the HANO Loans until the HANO Loans has been paid in full, with payment applied first to accrued interest and then to principal; and
5. Any balance shall be distributed, 0.01% to the Managing Member and 99.99% to the Investor Member.

NOTE K - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through February 28, 2024 the date which the financial statements were available to be issued, and noted no issues to be disclosed.

SUPPLEMENTARY INFORMATION

FISCHER I, LLC

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

December 31, 2023

Agency Head Name: Evette Hester

Executive Director and Chief Administrative Officer of the
Housing Authority of New Orleans

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

Fischer 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, as well as Lune d'Or Enterprises, 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, 2023, and the related notes to the financial statements, which collectively comprise the Company’s basic financial statements, and have issued our report thereon dated February 28, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

February 28, 2024
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP