

Stone Mountain Place Limited Partnership

**Financial Statements
Years Ending December 31, 2009 and 2008**

**And Supplementary Information
Year Ending December 31, 2009**

Stone Mountain Place Limited Partnership

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Kenneth C. Boothe & Co., PC

Certified Public Accountants

1001 East Farm Road 700 • Big Spring, Texas 79720 • (432) 263-1324 • FAX (432) 263-2124

INDEPENDENT AUDITOR'S REPORT

To Mr. Hector Balderas,
New Mexico State Auditor, and
The Members of,
Stone Mountain Place Limited Partnership

We have audited the accompanying balance sheet of Stone Mountain Place Limited Partnership as of December 31, 2009 and the related statements of operations, changes in partners' equity (deficit), and cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Stone Mountain Place Limited Partnership as of December 31, 2008 were audited by other auditors whose report dated May 1, 2009, expressed an unqualified 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2009 financial statements referred to above present fairly, in all material respects, the financial position of Stone Mountain Place Limited Partnership as of December 31, 2009, and the results of its operations, changes in partners' equity (deficit), and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 22, 2010, on our consideration of the Partnership's internal control over financial reporting. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing and not to provide an opinion on the internal control over financial reporting. In accordance with *Government Auditing Standards*, we have also issued an opinion dated April 22, 2010, on the Partnership's compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters that could have a direct and material effect on a major HUD-assisted program. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information shown on Pages 17-19 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Partnership. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Kenneth C. Boothe & Co., PC

April 22, 2010
Big Spring, Texas

Stone Mountain Place Limited Partnership
Balance Sheets
December 31, 2009 and 2008

ASSETS

	12/31/2009	12/31/2008
Current Assets:		
Cash and Cash Equivalents	\$ 7,961	\$ 52,860
Accounts Receivable - Tenants	2,486	3,557
Prepaid Expenses	18,605	19,887
Total Current Assets	29,052	76,304
Deposits Held In Trust - Funded:		
Tenant Security Deposits Held in Trust	35,971	34,776
Total Deposits Held In Trust	35,971	34,776
Restricted Deposits & Funded Reserves:		
Real Estate Tax & Insurance Escrows	32,054	19,399
Operating Reserve	207,896	206,929
Replacement Reserve Escrow	36,032	10,529
Miscellaneous Escrows	2,817	6,176
(MIP, Loan Guaranty)		
Total Restricted Deposits & Funded Reserves	278,799	243,033
Property & Equipment:		
Land	699,742	699,742
Buildings	7,975,464	7,975,464
Site Improvements/Building Equipment	652,112	651,194
Furnishings	262,157	254,959
Total Fixed Assets	9,589,475	9,581,359
Less: Accumulated Depreciation	(774,420)	(494,123)
Net Fixed Assets	8,815,055	9,087,236
Other Assets:		
Finance Cost	115,425	115,425
Less: Accumulated Amortization	(5,771)	(2,886)
Total Other Assets	109,654	112,539
Total Assets	\$ 9,268,531	\$ 9,553,888

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

Stone Mountain Place Limited Partnership
Balance Sheets
December 31, 2009 and 2008

LIABILITIES & PARTNERS' EQUITY

	<u>12/31/2009</u>	<u>12/31/2008</u>
Liabilities:		
Current Liabilities:		
Current Maturities of Long-Term Debt	\$ 15,152	\$ 14,258
Accounts Payable	2,494	10,111
Management Fees Payable	516	559
Accrued Interest	11,965	12,037
Accrued Property Taxes	18,944	32,544
Accrued Liabilities	12,932	10,596
Total Current Liabilities	<u>62,003</u>	<u>80,105</u>
Deposits & Prepaid Liabilities:		
Tenant Security Deposit	35,971	34,276
Prepaid Tenant Rents	2,661	654
Total Deposits & Prepaid Liabilities	<u>38,632</u>	<u>34,930</u>
Long-Term Liabilities:		
NMMFA Loan Payable (net of current maturities)	2,269,900	2,285,053
HOME Loan Payable	419,116	419,116
Developer Fees Payable	481,779	516,779
Asset Management Fee / Return to Owner	3,501	0
Total Long-Term Liabilities	<u>3,174,296</u>	<u>3,220,948</u>
Total Liabilities	3,274,931	3,335,983
Partners' Equity (Deficit)	<u>5,993,600</u>	<u>6,217,905</u>
Total Liabilities & Partners' Equity	<u>\$ 9,268,531</u>	<u>\$ 9,553,888</u>

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

Stone Mountain Place Limited Partnership
Statements of Operations
For the Years Ended December 31, 2009 and 2008

	12/31/2009	12/31/2008
Rental Income:		
Rental Income - Tenant	\$ 387,748	\$ 385,652
Rental Income - PHA	99,816	92,401
Rental Income - Gross Potential Rent	487,564	478,053
Lease Excess	19,006	11,969
Total Lease Excess	19,006	11,969
Vacancies	(9,434)	(13,991)
Concessions	(3,706)	(9,691)
Total Vacancies and Concessions	(13,140)	(23,682)
Total Rental Income	493,430	466,340
 Other Income:		
Interest Income	1,246	2,147
Laundry & Vending Income	141	1,151
Tenant Charges	18,585	21,418
Miscellaneous Income	0	2,238
Total Other Income	19,972	26,954
Total Income	513,402	493,294
 Operating Expenses:		
Administrative	109,928	128,801
Utilities	38,033	38,885
Maintenance	60,298	54,859
Taxes and Insurance	83,670	108,833
Financial Expenses	158,881	71,194
Total Cost Of Operations Before Depreciation	450,810	402,572
Net Income (Loss) Before Depreciation	62,592	90,722
 Depreciation & Amortization:		
Depreciation	280,298	278,987
Amortization	2,886	2,886
Total Depreciation Expense	283,184	281,873
Net Operating Income / (Loss)	(220,592)	(191,151)
 Other Income (Expense):		
Administrative Fees	3,713	7,105
Total Other Income (Expense)	3,713	7,105
Net Income / (Loss)	\$ (224,305)	\$ (198,256)

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

Stone Mountain Place Limited Partnership
Statements of Changes in Partners' Equity (Deficit)
For the Years Ended December 31, 2009 and 2008

	<u>Total</u>	<u>General Partner Equity</u>	<u>Limited Partner Equity</u>
Partners' Equity (Deficit), December 31, 2007	\$ 6,045,690	(21)	6,045,711
Net Income (Loss): 12/31/2008	(198,256)	(20)	(198,236)
Partners' Capital Contributions	370,471	0	370,471
Partners' Distributions	<u>0</u>	<u>0</u>	<u>0</u>
Partners' Equity (Deficit), December 31, 2008	\$ 6,217,905	(41)	6,217,946
Net Income (Loss): 12/31/2009	(224,305)	(22)	(224,283)
Partners' Capital Contributions	0	0	0
Partners' Distributions	<u>0</u>	<u>0</u>	<u>0</u>
Partners' Equity (Deficit), December 31, 2009	<u>\$ 5,993,600</u>	<u>(63)</u>	<u>5,993,663</u>

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part of these financial statements*

Stone Mountain Place Limited Partnership
Statements of Cash Flows
For the Years Ended December 31, 2009 and 2008
Increase (Decrease) in Cash and Cash Equivalents

	12/31/2009	12/31/2008
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Rental Receipts	396,692	374,475
Cash Received from Housing Assistance Payments	99,816	92,401
Financial Revenue	1,246	2,147
Tenant Charges	18,726	22,569
Other Operating Receipts	0	2,238
Total Receipts	516,480	493,830
Administrative	(55,473)	(69,514)
Management Fees	(30,481)	(29,722)
Utilities	(38,033)	(38,885)
Operating and Maintenance	(36,985)	(43,086)
Salaries and Wages	(51,329)	(44,552)
Real Estate Taxes	(51,487)	(39,545)
Payroll Taxes	(4,566)	(4,389)
Property Insurance	(20,610)	(27,070)
Miscellaneous Taxes and Insurance	(20,607)	(6,551)
Mortgage Insurance Premium	(13,524)	(3,063)
Interest on Mortgage Note	(144,054)	(70,360)
Miscellaneous Financial Expense	(1,375)	(7,105)
Construction Accounts Payable	0	(49,230)
Administrative Fees	(212)	0
Tenant Security Deposits	500	(109)
Total Disbursements	(468,236)	(433,181)
Net Cash Provided by (Used In) Operating Activities	48,244	60,649
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase Property and Equipment	(8,116)	(105,247)
Finance Costs	0	(47,487)
Operating Reserve - Deposits	(967)	(206,929)
Replacement Reserve - Deposits	(25,503)	(10,529)
Real Estate Tax & Insurance - Deposits	(12,655)	(29,663)
Miscellaneous Escrows	3,357	(6,176)
Net Cash Provided (Used by) Investing Activities	(43,884)	(406,031)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Development Fees Paid	(35,000)	(138,468)
Construction Loan Closed	0	(2,300,000)
Proceeds from NMMFA Loan	0	2,305,000
Principal Payments on Mortgage	(14,259)	(5,689)
Limited Partner Capital Contribution	0	370,471
Net Cash Provided (Used by) Financing Activities	(49,259)	231,314
Increase (Decrease) in Cash	(44,899)	(114,068)
Cash at Beginning of Year	52,860	166,928
CASH AT END OF YEAR	\$ 7,961	\$ 52,860
<u>SUPPLEMENTAL DISCLOSURES:</u>		
Interest Paid	\$ 144,054	\$ 133,295

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

Stone Mountain Place Limited Partnership
Statements of Cash Flows
For the Years Ended December 31, 2009 and 2008
Increase (Decrease) in Cash and Cash Equivalents

	<u>12/31/2009</u>	<u>12/31/2008</u>
<u>RECONCILIATION OF NET INCOME (LOSS) TO NET</u>		
<u>CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Net Income (Loss)	\$ (224,305)	\$ (198,256)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	280,298	278,987
Amortization	2,886	2,886
(Increase) Decrease In Assets		
Accounts Receivable - Tenants	1,071	536
Prepaid Expenses	1,282	(6,019)
Tenant Security Deposits - Funded	(1,195)	(109)
Increase (Decrease) in Liabilities		
Accounts Payable	(7,617)	9,228
Construction Accounts Payable	0	(49,230)
Management Fees Payable	(43)	(39)
Accrued Interest	(72)	(2,336)
Accrued Property Taxes	(13,600)	25,544
Accrued Liabilities	2,336	(543)
Prepaid Tenant Rents	2,007	0
Asset Management Fee / Return to Owner	3,501	0
Tenant Security Deposit Held	1,695	0
Net Cash Provided (Used by) Operating Activities	48,244	60,649

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

Stone Mountain Place Limited Partnership

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE A - ORGANIZATION

Stone Mountain Place Limited Partnership is a New Mexico Limited Partnership that was formed on August 4, 2005. The Partnership was organized to acquire, construct, rehabilitate, and operate an 84 unit apartment building in Las Cruces, New Mexico for rental to low and middle income tenants. The major activities of the Partnership are governed by the Partnership Agreement and the Internal Revenue Code Section 42.

The management of the Partnership and the ongoing management of Stone Mountain Place Apartments are vested in the Partners. The Partnership has hired JL Gray Company to provide day to day management for the property. Compensation for such services is as determined under the Partnership Agreement and Management Agreement.

The Project is financed and constructed under Section 542(c) of the Housing and Community Development Act, as amended, and is administered by the New Mexico Mortgage Finance Authority (MFA). Under this program, the Company provides housing to low and moderate income tenants, subject to regulation by MFA and the United States Department of Housing and Urban Development (HUD), as to rental charges and operating methods. Lower rental charges to tenants are recovered by the Project through rent subsidies provided by the local Public Housing Authority (PHA).

The Partnership is reported as a component unit of the Housing Authority of the City of Las Cruces because the Housing Authority of the City of Las Cruces (HACLIC) is the General Partner of the Partnership. The Partnership has no component units.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Partnership are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States.

Cash Equivalents

Cash and cash equivalents consist of short-term investments with an original maturity of three months or less, cash on deposit, money market funds and certificate of deposit. Cash for purposes of the Statements of Cash Flows does not include Tenant Security Deposits Held in Trust.

Tenant Receivable and Bad Debt Policy

Tenant rent charges for the current month are due on the first of the month. The Partnership does not accrue interest on the tenant receivable balances. The Partnership has not established an allowance for doubtful accounts and does not use the reverse method for recognizing bad debts. Bad debts are treated as direct write-offs in the period management determines that collection is not probable.

Income Taxes

No provision or benefit for income taxes has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the Partners individually.

Stone Mountain Place Limited Partnership

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Rental Property

Rental property is recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred. 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 statements of operations. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method over a recovery period of 3 to 40 years.

The Partnership reviews its investments in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flows expected to be generated by the rental property including Low Income Housing Tax Credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the moment by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2009 and 2008.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

Rental Income

Rental Income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and the tenants of the property are operating leases.

Amortization

Organization costs are expensed as incurred. Permanent loan fees of \$115,425 are amortized on a straight-line basis over the life of the respective loan.

Reclassifications

Certain items in the 2008 financial statements have been reclassified to conform to the 2009 presentation.

Collateralization of Deposits

Even though the Partnership is a component unit of the Housing Authority of the City of Las Cruces (HACLCL), it is not subject to the requirement to secure collateralization on cash deposits.

Stone Mountain Place Limited Partnership

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE C - PARTNERS' PROFIT AND LOSS ALLOCATION AND DISTRIBUTIONS

The Partners of Stone Mountain Place Limited Partnership and their respective profit and loss percentages are as follows at December 31, 2009:

General Partner	
<i>Stone Mountain Place, LLC</i>	0.01%
Limited Partner	
<i>TGIG Tax Credit Fund II, LLC</i>	99.99%
TOTAL	<u>100.00%</u>

Profit, losses, and Tax Credits generally are to be allocated to the Partners in accordance with their ownership interests.

Provided that all required reserves have been funded, net cash flow from operations, as defined, is to be distributed annually as follows:

- a. First, to the Limited Partner, an amount equal to the credit deficiency;
- b. Second, to the Limited Partner to pay the Asset Management Fee, as defined;
- c. Third, to maintain the Operating Reserve at \$205,000;
- d. Fourth, to the payment of any operating deficit loans and interest thereon;
- e. Fifth, to the Developer to pay the deferred Development Fee;
- f. Sixth, 10% of the remaining balance to the Limited Partner;
- g. Seventh, to the General Partner to pay the Incentive Management Fee, as defined;
- h. Eighth, the balance shall be distributed to the General Partner.

Partner Contributions

The General Partner is to contribute \$10 for a .01% interest in the Partnership. The Limited Partner is to contribute, subject to certain Tax-Credit adjustment terms, \$6,689,469 for a 99.99% interest in the Partnership. As of December 31, 2009 and 2008, the Limited Partner had contributed a cumulative total of \$6,637,708 and \$6,637,708, respectively. Future Limited Partner capital contributions are contingent upon the achievement of certain financing, operating, and reporting milestones, as defined in the Partnership Agreement.

NOTE D – RESERVE ACCOUNTS

Operating Reserve

In accordance with the Partnership Agreement, the General Partner shall cause the Partnership to establish and maintain an Operating Reserve with a bank designated by the Lender in an amount not less than \$205,000. At the termination of the Compliance Period, the General Partner and the Limited Partner shall release the funds, if any, remaining in the Operating Reserve Account. The Operating Reserve Account had a balance of \$207,896 and \$206,929 as of December 31, 2009 and 2008, respectively.

Stone Mountain Place Limited Partnership

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE D – RESERVE ACCOUNTS *(continued)*

Replacement Reserve

In accordance with the Partnership Agreement, the General Partner shall cause the Partnership to establish and maintain a Replacement Reserve. The Account should be funded monthly at a rate of \$200 per dwelling unit per year, totaling \$16,800 per year. At the termination of the Compliance Period, the General Partner and the Limited Partner shall release the funds, if any, remaining in the Replacement Reserve Account. The Replacement Reserve Account had a balance of \$36,032 and \$10,529 as of December 31, 2009 and 2008, respectively.

	<u>Operating</u>	<u>Replacement</u>
Beginning Balance, January 1, 2009	\$ 206,929	\$ 10,529
Deposits	0	25,200
Interest Earned (Net of Fees)	967	303
Withdrawals	0	0
Ending Balance, December 31, 2009	\$ 207,896	\$ 36,032

NOTE E – LONG-TERM DEBT

As of December 31, 2009 and 2008, notes payable consist of the following:

	<u>12/31/2009</u>	<u>12/31/2008</u>
May 31, 2006 the Partnership executed a \$2,300,000 construction loan agreement (the “Construction Loan”) with Wachovia Bank; interest only monthly payments are due and accrue at a variable rate of LIBOR plus 2%; the loan matures May 31, 2008, is collateralized by the Project’s real property and is guaranteed by the General Partner and the Developer. As of December 31, 2008 this loan was paid in full.	\$ 0	\$ 0
6.1% note payable to New Mexico Mortgage Finance Authority in the original amount of \$2,305,000; monthly payments, principal and interest of \$12,843; the loan originated on June 10, 2008 and will mature in 40 years; loan will be secured by a first lien position on the Project.	2,285,052	2,299,311
1% note payable to the City of Las Cruces in the original amount of \$419,116, payable in 180 monthly interest only payments of \$349 for the first fifteen years; in year sixteen the note will be payable in 360 monthly installments of \$1,348, principle and interest; the note matures 45 years from August 1, 2006 or at the sell or refinancing of the Project.	419,116	419,116
	2,704,168	2,718,427
Less: current portion	(15,152)	(14,258)
Long-term notes payable	\$ 2,689,016	\$ 2,704,169

Stone Mountain Place Limited Partnership

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE E – LONG-TERM DEBT *(continued)*

Wachovia Bank is a related party to the Limited Partner. Interest paid to Wachovia Bank on the construction loan in the amount \$62,935 was capitalized into the basis of the building for the year ended December 31, 2008.

The schedule of maturities for the mortgages noted above is as follows:

		<u>Principal</u>	<u>Interest</u>
December 31,	2010	\$ 15,152	\$ 143,160
	2011	16,103	142,210
	2012	17,113	141,200
	2013	18,187	140,126
	2014	19,328	138,985
	2015-2019	116,421	675,143
	2020-2024	185,079	633,452
	2025-2029	276,756	574,735
	2030-2034	356,045	495,445
	2035-2039	462,549	388,942
	2040-2044	605,893	245,598
	2045-2049	571,680	61,472
	2050-2052	43,862	624
Total		\$ <u>2,704,168</u>	\$ <u>3,781,092</u>

NOTE F - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Property Management Fee

In accordance with the Management Agreement, the Partnership has incurred Management Fee expenses for services rendered in connection with the leasing and operation of the Project. The current year Management Fee expense is equal to 6% of the monthly gross rental income. Property Management Fees expensed were \$30,438 and \$29,683 during 2009 and 2008, respectively. The fee is payable out of available cash flow as further detailed in the Partnership Agreement. The amounts due to the Management Agent related to Property Management Fees were \$516 and \$559 as of December 31, 2009 and 2008, respectively.

Asset Management Fee

In accordance with the Partnership Agreement, the Limited Partner is entitled to receive an Asset Management Fee in the annual cumulative amount of \$3,500. The fee will increase by three percent (3%) each year. The fee is payable out of available cash flow as further detailed in the Partnership Agreement. Asset Management Fees of \$3,713 and \$7,105 were recognized during 2009 and 2008, respectively. The amounts due to the Limited Partner related to Asset Management Fees were \$3,501 and \$0 as of December 31, 2009 and 2008, respectively.

Stone Mountain Place Limited Partnership

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE F - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES (continued)

Incentive Management Fee

In accordance with the Partnership Agreement, the Partnership shall pay to the General Partner a noncumulative Incentive Management Fee. The fee shall equal 90% of cash flow remaining after the priorities set forth in the Partnership Agreement. In no event, shall the Incentive Management Fee and the Property Management Fee exceed, in the aggregate, 12% of the gross revenues of the Project in any fiscal year. There were no Incentive Management Fees accrued during 2009 and 2008, respectively. There were no amounts due to the General Partner related to Incentive Management Fees as of December 31, 2009 and 2008, respectively.

Development Fee

The Partnership entered into a Development Services Agreement with the Housing Authority of the City of Las Cruces (Owner), an affiliate of the General Partner, and JL Gray Company, Inc. (Developer). The Development Fee is payable 30% to the Owner and 70% to the Developer. The fee is payable out of available cash flow as further detailed in the Partnership Agreement. The amounts due to the Owner related to Development Fees were \$256,574 and \$256,574 as of December 31, 2009 and 2008, respectively. The amounts due to the Developer related to Development Fees were \$225,205 and \$260,205 as of December 31, 2009 and 2008, respectively.

Reimbursed Expenses

The Management Agent is reimbursed for a few expenses that are directly related to this property. Due to the nature and function of the Management Agent, some expenses are incurred for the property by the Management Agent. For example, the properties do not have access to credit cards in order to directly pay necessary items such as seminars and motels. These reimbursements qualify as eligible project expenses and do not duplicate expenses that are included in the management fee. The reimbursement is considered both reasonable and immaterial. There were no amounts due to the Management Agent related to the reimbursed expenses as of December 31, 2009 and 2008, respectively.

Schedule of Related Party Transactions

Payments in the years ended December 31, 2009 and 2008, and related balances as of December 31, 2009 and 2008, with the above related parties and/or affiliates were as follows:

	2009		2008	
	Paid	Payable	Paid	Payable
Deferred Development Fees - HACLC	0	256,574	0	256,574

Stone Mountain Place Limited Partnership

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE G – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Partnership's sole asset is Stone Mountain Place Apartments. The Partnership's operations are concentrated in the multifamily real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directive, rules and regulations are subject to change by an act of Congress or administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

NOTE H – COMMITMENTS AND CONTINGENCIES

Guaranty of Tax Credits

Under the terms of the Partnership Agreement, the General Partner has the duty to use its best efforts to ensure that the Partnership qualifies for the maximum lawful Low-Income-Housing Tax Credits. In the event that actual Low-Income-Housing Tax Credits accruing to the benefit of the Limited Partner are less than the amount of credits that were projected at the formation of the Partnership, the contributions of capital otherwise required of the Limited Partner may be reduced, or constructive advances deemed made, in accordance with applicable provisions of the Partnership Agreement.

Operating Deficit and Completion Guarantees

The General Partner is obligated to make contributions to the Partnership as necessary to fund operating expenses, debt service payments, reserve and escrow accounts, capital improvements and maintenance expenses that occur during certain specified periods, as defined. The General Partner's obligation to make operating deficits is unlimited prior to the later of (1) permanent loan closing and (2) the achievement of debt service coverage ratio of 1.15:1 for ninety consecutive days. Subsequently, the General Partner's obligation to make operating deficit contributions is limited to \$205,000 and terminates upon the achievement of certain operating milestones. Operating deficit loans bear interest at 10% per annum and are repayable subject to distributable cash flow, as defined.

Additionally, the General Partner has guaranteed to fund any cost overruns necessary to complete the Project. The Developer has guaranteed the operating deficit and construction completion obligations.

Regulatory Agreement Provisions

On February 5, 2001, the Company executed a 542 (c) Multifamily Insurance Program Regulatory Agreement with the New Mexico Mortgage Finance Authority in order to obtain the "risk-sharing" mortgage loan. The Company is required to abide by the regulatory agreement provisions including, but not limited to, (1) the maintenance of certain tenant income requirements, (2) limitations on surplus cash distributions, (3) Replacement Reserve requirements, and (4) compliance with Affirmative Fair Housing marketing plans.

Stone Mountain Place Limited Partnership

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE H – COMMITMENTS AND CONTINGENCIES (continued)

Housing Tax Credits

The Project has received an allocation of Low Income Housing Tax Credits from the New Mexico Mortgage Finance Authority under Section 42 of the Internal Revenue Code of 1986, as amended. As such, the Project has a requirement of minimum units that shall be leased to families based on the level of income.

As incentive for investment equity, the Partnership applied for and received an allocation certificate for Housing Tax Credits established by the Tax Reform Act of 1986. To qualify for the Tax Credits, the Partnership must meet certain requirements, including attaining a qualified basis sufficient to support the credit allocation. In addition, tenant eligibility and rental charges are restricted in accordance with Internal Revenue Code Section 42. Management has certified that each Tax Credit unit has met these qualifications to allow the Credits allocated to each unit to be claimed.

Compliance with these regulations must be maintained in each of the fifteen consecutive years of the compliance period. Failure to maintain compliance with occupant eligibility, unit gross rent, or to correct noncompliance within a reasonable time period could result in recapture of previously claimed Tax Credits plus interest.

Floating HOME Assisted Units

The Partnership received funding from the HOME Investment Partnerships Program to assist with financing the development of the Project. Under the terms of the agreement, eight units shall be designated as floating HOME assisted units.

NOTE I – TAXABLE INCOME

A reconciliation of financial statement net earnings (loss) to taxable income (loss) of the Partnership for the year ended December 31, 2009 is as follows:

Financial statement net earnings (loss)	\$ (224,305)
Adjustments	3,939
Timing difference of Depreciation	<u>(108,668)</u>
Taxable income (loss) as shown on tax return	\$ <u><u>(329,034)</u></u>

NOTE J – ACCRUED LIABILITIES

The accrued liabilities on the balance sheet contain the following:

Miscellaneous Accrued Expenses	\$ 1,182
Accrued - Audit Fees	<u>11,750</u>
Total Accrued Liabilities	\$ <u><u>12,932</u></u>

**Stone Mountain Place Limited Partnership
Supplementary Information Required by HUD
Year Ending December 31, 2009**

Stone Mountain Place Limited Partnership
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
Year Ending December 31, 2009

1. DELINQUENT TENANT ACCOUNTS RECEIVABLE

	NUMBER OF <u>TENANTS</u>	AMOUNT <u>PAST DUE</u>	
0-30 Days	3	\$ 1,152	
31-60 Days	3	774	
61-90 Days	2	560	
Over 90 Days	0	0	
Total	8	\$ 2,486	

2. TENANT SECURITY DEPOSITS

Tenant Security deposits are held in a separate bank account in the name of the Project. See Item 5 below.

3. RESERVE FOR REPLACEMENTS

In accordance with the provisions of the Loan Agreement, restricted cash is held by New Mexico Mortgage Finance Authority, to be used for replacement of property with the approval of MFA as follows:

Balance, January 1, 2009	\$ 10,529
Deposits - \$200 per unit per year	25,200
Interest Earned on Reserve Account (Net of Service Fees)	303
Withdrawals As Approved by MFA None Noted	0
Balance, December 31, 2009, confirmed by Mortgagee	\$ 36,032

4. RESIDUAL RECEIPTS ACCOUNT

None.

5. SCHEDULE OF FUNDS

Funds Held by Mortgagor			
Petty Cash		\$	100
Wells Fargo Bank, N.A.			
Operating Account	\$ 1,777		
Tenant Security Deposits	35,971		
Tax and Insurance Escrow	6,084		
Operating Reserve	207,896		251,728
Total Funds held by Mortgagor		\$	251,828
Funds Held by Mortgagee			
New Mexico Mortgage Finance Authority, Albuquerque, NM			
Escrow - Property Insurance	\$ 2,904		
Escrow - MIP - HUD	2,535		
Escrow - Property Taxes	29,150		
Escrow - MIP - Loan Guaranty - NMMFA	282		
Escrow - Operating Deficit Reserve - NMMFA	0		
Replacement Reserve Account	36,032		
Total Funds Held by Mortgagee			70,903
Total Funds		\$	322,731

6. CHANGES IN FIXED ASSETS

	F I X E D A S S E T S				NET BOOK VALUE 12/31/2009
	BALANCE 12/31/08	ADDITIONS	DEDUCTIONS	BALANCE 12/31/2009	
Land	\$ 699,742	\$ 0	\$ 0	\$ 699,742	
Buildings	\$ 7,975,464	0	0	7,975,464	
Site Improvements/Building Equipment	\$ 651,194	918	0	652,112	
Furnishings	\$ 254,959	7,198	0	262,157	
Totals	\$ 9,581,359	\$ 8,116	\$ 0	\$ 9,589,475	

Stone Mountain Place Limited Partnership
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
Year Ending December 31, 2009

6. CHANGES IN FIXED ASSETS *(continued)*

DEPRECIATION EXPENSE & ACCUMULATED DEPRECIATION

Depreciation Expense	280,298				
Totals	\$ 494,123	\$ 280,298	\$ 0	\$ 774,421	\$ 8,815,054

7. ACCRUED PROPERTY TAXES

Accrued Property Taxes of \$18,944 are for 2009 property taxes accrued to December 31, 2009, and due by April 10, 2010.

8. MANAGEMENT FEES

Management Fees are calculated at 6% of monthly gross rental collections excluding any service or laundry income as specified in the Management Agreement.

9. IDENTITY OF INTEREST COMPANIES

Identity of Interest Companies doing business with the mortgagor and/or management agent of the project, along with a breakdown of services and amounts received for the year ending December 31, 2009, is as follows:

<u>COMPANY NAME</u>	<u>TYPE OF SERVICE</u>	<u>AMOUNT RECEIVED</u>
JL Gray Company	Management Fees	\$ 30,481
	Administrative Reimbursements	503
	Technical	1,800
	Deferred Development Fee	35,000

10. LOANS (OTHER THAN INSURED MORTGAGES) AND NOTES PAYABLE

- a) Note Payable-New Mexico Mortgage Finance Authority is a note dated June 10, 2008, which is payable to NMMFA, at 6.1% interest.
- b) Note Payable-City of Las Cruces is a note dated August 1, 2006, which is payable to an affiliate of the General Partner, at 1% interest. The note is payable in interest only payments for the first fifteen years, and in year sixteen the note will be payable in monthly installments of principal plus interest. The note matures 45 years from the date of origination or at the sell or refinancing of the Project.

11. CHANGES IN PARTNERSHIP INTERESTS

There were no partner changes for the year ended December 31, 2009.

12. COMMENTS ON BALANCE SHEET ITEMS

None.

13. AUTHORIZED / UNAUTHORIZED DISTRIBUTIONS TO PARTNERS

None.

14. COMPENSATION PAID TO PARTNERS

None.

15. OTHER COMMENTS

None.

**Computation of Surplus Cash,
Distributions and Residual
Receipts**

**U.S. Department of Housing
and Urban Development**
Office of Housing
Federal Housing Commissioner

Project Name		Fiscal Period Ended:		Project Number	
Stone Mountain Place Limited Partnership		December 31, 2009			
Part A - Compute Surplus Cash					
Cash					
1.	Cash (Accounts 1110,1120,1191, 1192)	\$	43,932		
2.	Tenant subsidy vouchers due for period covered by financial statement	\$	0		
3.	Other (describe)	\$	0		
(a) Total Cash (Add Lines 1,2, and 3)			\$	43,932	
Current Obligations					
4.	Accrued mortgage interest payable	\$	11,965		
5.	Delinquent mortgage principal payments	\$	0		
6.	Delinquent deposits to reserve for replacements	\$	0		
7.	Accounts payable (due within 30 days)	\$	3,010		
8.	Loans and notes payable (due within 30 days)	\$	0		
9.	Deficient Tax Insurance or MIP Escrow deposits	\$	0		
10.	Accrued expenses (not escrowed)	\$	12,932		
11.	Prepaid rents (Account 2210)	\$	2,661		
12.	Tenant security deposits liability (Account 2191)	\$	35,971		
13.	Other (Describe) Accounts Payable - PHA	0	\$	0	
(b) Less Total Current Obligations (Add Lines 4 through 13)			\$	66,539	
(c) Surplus Cash (Deficiency)(Line (a) minus Line (b))			\$	(22,607)	
Part B - Compute Distributions to Owners and Required Deposit to Residual Receipts					
1.	Surplus Cash	\$	0		
Limited Dividend Projects					
2a.	Annual Distribution Earned During Fiscal Period Covered by the Statement	\$			
2b.	Distribution Accrued and Unpaid as of the End of the Prior Fiscal Period	\$			
2c.	Distributions Paid During Fiscal Period Covered by Statement	\$			
3.	Amount to be Carried on Balance Sheet as Distribution Earned but Unpaid (Line 2a plus 2b minus 2c)	\$			
4.	Amount Available for distribution during next Fiscal Period	\$			
5.	Deposit Due Residual Receipts (Must be deposited with Mortgagee within 60 days after the Fiscal Period ends)	\$			
Prepared By			Reviewed By		
Loan Technician	Date	Loan Servicer	Date		

rm HUD-93486 (8/95)

Kenneth C. Boothe & Co., PC

Certified Public Accountants

1001 East Farm Road 700 • Big Spring, Texas 79720 • (432) 263-1324 • FAX (432) 263-2124

INDEPENDENT AUDITOR'S COMBINED REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS AND INTERNAL CONTROL OVER COMPLIANCE FOR HUD-ASSISTED PROGRAMS

To Mr. Hector Balderas,
New Mexico State Auditor, and
The Members of,
Stone Mountain Place Limited Partnership

We have audited the financial statements of Stone Mountain Place Limited Partnership, as of and for the year ended December 31, 2009, and have issued our report thereon dated April 22, 2010. We have also audited the Partnership's compliance with requirements applicable to major U.S. Department of Housing and Urban Development (HUD)-assisted programs for the year ended December 31, 2009, and have issued our report thereon dated April 22, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide"), issued by the HUD Office of the Inspector General. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether Stone Mountain Place Limited Partnership complied with laws and regulations, noncompliance with which would be material to a major HUD-assisted program.

The management of Stone Mountain Place Limited Partnership is responsible for establishing and maintaining effective internal control over financial reporting and internal control over compliance. In planning and performing our audits of the financial statements and compliance, we considered the Partnership's internal control over financial reporting and its internal control over compliance with requirements that could have a direct and material effect on a major HUD-assisted program as basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and compliance, but not for the purpose of expressing an opinion on the effectiveness of Stone Mountain Place Limited Partnership's internal control over financial reporting and internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Stone Mountain Place Limited Partnership's internal control over financial reporting and internal control over compliance.

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 1) misstatements of the entity's financial statements or 2) noncompliance with applicable requirements of a HUD-assisted program on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that 1) a material misstatement of the entity's financial statements or 2) material noncompliance with applicable requirements of a HUD-assisted program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and the use of the partners, management, the U.S. Department of Housing and Urban Development, City of Las Cruces, Office of the State Auditor, and the New Mexico Department of Finance and Administration – Local Government Division and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Kenneth C. Boothe & Co., PC". The signature is written in a cursive style with a horizontal line underneath the company name.

Kenneth C. Boothe & Co., PC

April 22, 2010
Big Spring, Texas

Kenneth C. Boothe & Co., PC

Certified Public Accountants

1001 East Farm Road 700 • Big Spring, Texas 79720 • (432) 263-1324 • FAX (432) 263-2124

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR HUD PROGRAMS

To Mr. Hector Balderas,
New Mexico State Auditor, and
The Members of,
Stone Mountain Place Limited Partnership

We have audited Stone Mountain Place Limited Partnership's compliance with the specific program requirements governing federal financial reports; mortgage status; the replacement reserve; distributions to members; tenant application, eligibility, and recertification; and management functions, cash receipts and disbursements, unauthorized loans of project funds, and excess income that are applicable to each major HUD-assisted program for the year ended December 31, 2009. Compliance with those requirements is the responsibility of the management of Stone Mountain Place Limited Partnership. Our responsibility is to express an opinion on Stone Mountain Place Limited Partnership's compliance with those requirements based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide"), issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a direct and material effect on a major HUD-assisted program occurred. An audit includes examining, on a test basis, evidence about Stone Mountain Place Limited Partnership's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Stone Mountain Place Limited Partnership's compliance with those requirements.

The results of our audit procedures did not disclose any immaterial instances of noncompliance with the requirement referred to above.

In our opinion, Stone Mountain Place Limited Partnership complied, in all material respects, with the requirements described above that are applicable to each of its major HUD-assisted programs for the year ended December 31, 2009.

This report is intended solely for the information and the use of the partners, management, the U.S. Department of Housing and Urban Development, City of Las Cruces, Office of the State Auditor, and the New Mexico Department of Finance and Administration – Local Government Division and is not intended to be and should not be used by anyone other than these specified parties.



Kenneth C. Boothe & Co., PC

April 22, 2010
Big Spring, Texas

Kenneth C. Boothe & Co., PC

Certified Public Accountants

1001 East Farm Road 700 • Big Spring, Texas 79720 • (432) 263-1324 • FAX (432) 263-2124

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO FAIR HOUSING AND NON-DISCRIMINATION

To Mr. Hector Balderas,
New Mexico State Auditor, and
The Members of,
Stone Mountain Place Limited Partnership

We have applied procedures to test Stone Mountain Place Limited Partnership's compliance with the Fair Housing and Non-Discrimination requirements applicable to its HUD-assisted programs, for the year ended December 31, 2009.

Our procedures were limited to the applicable compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide"), issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Stone Mountain Place Limited Partnership's compliance with the Fair Housing and Non-Discrimination requirements. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under the Guide.

This report is intended solely for the information and the use of the partners, management, the U.S. Department of Housing and Urban Development, City of Las Cruces, Office of the State Auditor, and the New Mexico Department of Finance and Administration – Local Government Division and is not intended to be and should not be used by anyone other than these specified parties.



Kenneth C. Boothe & Co., PC

April 22, 2010
Big Spring, Texas

Audit Findings

Stone Mountain Place Limited Partnership
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2009

No matters were reported for the year ended December 31, 2009.

Stone Mountain Place Limited Partnership
AUDITOR'S COMMENTS ON AUDIT RESOLUTION
MATTERS RELATING TO HUD PROGRAMS
Year Ended December 31, 2009

Matters reported for the year ended December 31, 2008:

Finding 08-01 Completion of Audit Report

Condition

The audit report was not completed and forwarded to the New Mexico State Auditor in a timely manner. The report was delivered on June 8, 2009.

Criteria

As per SAO 2.2.2.9, A (4), the New Mexico State Audit contract calls for this audit report to be delivered by May 1, 2009.

Cause

Additional time was needed by the auditor to assemble the necessary financial information.

Effect

Violation of the State Auditor's Rule. Audited financial information is not available for the management to use and distribute as necessary.

Recommendation

The management, along with the auditor, must implement procedures that would produce a timely audit.

Response

The Finance Officer shall be monitored on a monthly basis as per the reports and reconciliations. The fee accountant shall work diligently with the Finance Officer.

Current Condition

The required information was readily available for the performance of the audit. The report has been timely submitted in accordance with the audit contract. This issue was resolved.

Stone Mountain Place Limited Partnership

PARTNER'S CERTIFICATION

December 31, 2009

We hereby certify that we have examined the accompanying financial statements and supplemental information of Stone Mountain Place Limited Partnership as of December 31, 2009, and to the best of our knowledge and belief, the same are complete and accurate.

Date 5-10-10

By Thomas S. Hassell

Housing Authority of the City of Las Cruces
Federal ID No. 85-0163852


Stone Mountain Place Limited Partnership

MANAGEMENT AGENT'S CERTIFICATION

December 31, 2009

We hereby certify that we have examined the accompanying financial statements and supplemental information of Stone Mountain Place Limited Partnership as of December 31, 2009, and to the best of our knowledge and belief, the same are complete and accurate.

Date 5/10/10

By 

Bobby Griffith
Management Agent
JL Gray Company
1816 East Mojave Street
Farmington, NM 87401
Federal I.D. No. 85-0327246

Stone Mountain Place Limited Partnership

INFORMATION ON AUDITOR

December 31, 2009

The following information regarding the lead auditor is submitted pursuant to paragraph 2-2 of Handbook IG 2000.04 REV 1, *Consolidated Audit Guide for Audits of HUD Programs*, issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General.

1. Lead Auditor - Name and Licensing

Kenneth C. Boothe
State of Texas License No. 11767
State of New Mexico License No. 10015

2. Lead Auditor Office Address and I. D. Number

Kenneth C. Boothe & Co., PC
1001 East Farm Road 700
Big Spring, Texas 79720
Phone 432-263-1324
Federal I.D. No. 75-1607295

Stone Mountain Place Limited Partnership

EXIT CONFERENCE

Year Ended December 31, 2009

EXIT CONFERENCE

An exit conference was held on April 22, 2010, which was attended by the following:

Housing Authority Administration

Thomas Hassell	Executive Director
Robbie Levey	Deputy Director
Sharon Hansen	Accountant

Kenneth C. Boothe & Co., PC

Kenneth Boothe	Owner
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Management Agent

Bobby Griffith	Chief Financial Officer
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Preparation of Financial Statements

The financial statements presented in this report were compiled by the auditors, Kenneth C. Boothe & Co., PC. However, the contents of the financial statements remain the responsibility of management.