

**STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY**

**Financial Statements
For the Year Ended June 30, 2019**

(With Independent Auditor's Report Thereon)

**STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
June 30, 2019**

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**STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
June 30, 2019**

Official Roster

Board of Directors

Michael Gonzales	Chairperson
Gerard Gonzales	Co-Chairperson
Lynne Canning	Commissioner
Therese Abeyta	Resident/Commissioner
John Wheeler	Commissioner

Management

Ed Romero	Executive Director/ Secretary
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors -
Santa Fe Civic Housing Authority
and
Brian S. Colón
New Mexico State Auditor
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and each discretely presented component unit of Santa Fe Civic Housing Authority (the Housing Authority) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each discretely presented component unit of the Housing Authority as of June 30, 2019, and the changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Presentation of Discretely Presented Component Units

Campo Alegria, LLC; Country Club Apartments, LP; Pasa Tiempo, LLC; Santa Fe Community Living, LLC; Tierra Contenta II, LP; VH Santa Fe, LLC; Villa Alegre Senior, LLC; Villa Alegre Family, LLC; and Village in the Bosque, LLC were formed as limited partnerships for the purpose of renting single-family affordable housing units in locations in Santa Fe County and the City of Santa Fe, New Mexico. The buildings qualify for an allocation of affordable housing tax credits under Section 42 of the Internal Revenue Code of 1986, as amended. The Housing Authority is the general partner of all nine limited partnerships. Each of the nine limited partnerships have separate audited financial statements who are audited by the same auditor as the Housing Authority. Except for Campo Alegria, LLC which has a June 30 year-end, all other limited partnerships have a December 31 year-end. Those separate audited financial statements were presented in accordance with accounting standards prescribed by the Government Accounting Standards Board.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages viii through xiv, the Public Employee Retirement Association (PERA) Plan Disclosures and OPEB Retirement Health Care Disclosure (Schedules 1-4) on pages 130-134, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, the combining and individual fund financial statements, supporting schedules required by 2.2.2 NMAC, and the Financial Data Schedule (primary government amounts only) as required by the U.S. Department of Housing and Urban Development are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, the combining and individual fund financial statements, and supporting schedules (primary government amounts only) in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 Schedule of Expenditures of Federal Awards, the combining and individual fund financial statements and supporting schedules (primary government amounts only) are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019 on our consideration of the Housing Authority'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 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 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 Housing Authority's internal control over financial reporting and compliance.


Robert J. Rivera, CPA, PC
Santa Fe, New Mexico
December 13, 2019

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
Management's Discussion and Analysis
June 30, 2019

Management of Santa Fe Civic Housing Authority (the "Housing Authority") offers the readers of the Housing Authority's financial statements this narrative overview and analysis of the financial activities of the Housing Authority for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements of the Housing Authority and additional information provided. Information relating to the Housing Authority's component units is not included. There are separately issued financial statements for the component units.

Operational Highlights

The 2019 fiscal year had several significant extraordinary changes as follows:

- As noted in the 2017 MD&A, the Authority closed two more RAD projects converting Public Housing(section 9) into LIHTC backed PBRA (section 8) entities. These projects Villa Hermosa(116 units) and Pasa Tiempo(121) units were closed in the spring of 2017 and construction on both projects is proceeding on time and budget. Villa Hermosa was completed in July 2018 and Pasa Tiempo was completed in January 2019. The Authority is a .001% General Partner in these partnerships.
- In July 2019, the Authority was notified of a 2019 award for a 45 unit LIHTC project "Calle Resolana." The project is currently in pre-development stages with construction scheduled in May 2020.
- As of 6/30/2019, the Authority now has 178 Public Housing units in the City of Espanola, 24 Public Housing units in Villa Alegre Senior and 4 Public Housing units in Villa Alegre Family. Prior to the Development activities, the Authority had 461 units in the City of Santa Fe,. Those development activities have resulted in the following partnerships:

Villa Alegre Family (completed 2011) 60 units
Villa Alegre Senior (completed 2011) 50 units
Campo Alegria (completed 2012) 28 units
Village in the Bosque (completed 2015) 98 units
Santa Fe Community Living (completed 2016) 120 units
Villa Hermosa (to be completed 2018) 116 units
Pasa Tiempo (to be completed 2018) 121 units
Tierra Contenta, II - Paseo del Sol (purchased 2016) 80 units
Country Club Apartments (purchased August 2017) 62 units

- Future development is currently being contemplated with 6 additional units in the Pacheco Compound, re-purposing the 8 vacant units on Hopewell Street, the 22.5 acres on Rufina Street and St. Catherine's. All of these are sites have some type of zoning or entitlement process ongoing.

Financial Highlights

- The assets and deferred outflows of the Housing Authority exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$48,578,347 (net position). Of this amount,

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Management's Discussion and Analysis
June 30, 2019

\$35,159,526 (unrestricted net position) may be used to meet the Housing Authority's ongoing obligations to residents and creditors.

- As the end of the current year fiscal year, unrestricted net position of the Housing Authority was \$35,159,526 or 281.2% of the total Housing Authority operating expenses.

Authority Financial Statements

The Housing Authority's mission is to lead the public effort in providing safe, affordable housing and associated services that provide opportunities to eligible persons in the City of Santa Fe.

The Housing Authority, as of June 30, 2019, manages 928 residential units that are leased to low-income families and individuals. In addition, the Housing Authority also oversees the regulatory portion and subsidizes rent for HUD Section 8 Housing Voucher units.

In view of this mission, the Housing Authority's financial reporting objective under GASBS 34 in FY 2019 focuses on the financial activities of the Housing Authority as a whole.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority's basic financial statements comprise two components: 1) basic financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Financial Statements Used in Fiscal Year 2019

The Housing Authority is presenting its fiscal year 2019 discussion and analysis based on the financial results of its enterprise programs in three basic financial statements – the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. Over time, increases or decreases in net position serves as a useful indicator of whether the financial position of the entity is improved or deteriorating.

The Statement of Net Position reports all financial and capital assets of the Housing Authority and is presented in a format where assets plus deferred outflows equal liabilities plus deferred inflows plus net position.

The Statement of Revenues, Expenses and Changes in Net Position (similar to an income statement) includes operating revenues, such as charges for services, operating, grants and miscellaneous revenues. Operating expenses include administration, tenant services, utilities, ordinary maintenance & operations, general, housing assistance payments and depreciation. Non-operating revenues include interest income, capital grants, and gain on disposal of assets. The statement's focus is the change in net position, which is similar to net income or loss.

The Statement of Cash Flows is included, which discloses net cash provided (used) in operating activities, net cash provided (used) in capital and related financing activities, net cash provided (used) in noncapital and related financing activities, and net cash provided (used) in investing activities, if applicable.

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These financial statements utilize the economic resources measurement focus and the full accrual basis of accounting. They report the Housing Authority's net position and changes in net position in full compliance with GASBS 34. Under the full accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period when they are incurred.

Housing Authority's Programs

The Housing Authority maintains four federal programs within its operations. The detailed program financial statements provide separate information for the Low-Rent Public Housing, the Section 8 Housing Choice Vouchers Program, the Resident Opportunity and Supportive Services of the Housing Authority, and the Capital Fund Projects.

Individual program financial statements can be found at Statements 1 through 6, pages 135-143 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements for the primary government can be found on pages 16-49, and the notes to financial statements for component units can be found on pages 50-129.

Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Housing Authority assets and deferred outflows exceeded liabilities and deferred inflows by \$48,578,347 at the close of the most recent fiscal year.

A portion of the Housing Authority's net position (19.8 percent) reflects its investment in capital assets (e.g., land, buildings, and dwelling and administrative equipment), less any related debt used to acquire those assets that is still outstanding. The Housing Authority use these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the Housing Authority's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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SANTA FE CIVIC HOUSING AUTHORITY
Management's Discussion and Analysis
June 30, 2019

Condensed Statement of Net Position

	<u>2019</u>	<u>2018</u>	<u>Amount Change</u>	<u>%</u>
Assets:				
Current assets	\$ 12,965,491	\$ 8,853,232	\$ 4,112,259	\$ 46.45%
Restricted assets	257,697	298,926	(41,229)	-13.79%
Capital Assets, net of accumulated depreciation	13,386,008	10,982,833	2,403,175	21.88%
Other noncurrent assets	<u>31,168,077</u>	<u>31,608,888</u>	<u>(440,811)</u>	<u>-1.39%</u>
Total Assets	<u>57,777,273</u>	<u>51,743,879</u>	<u>6,033,394</u>	<u>11.66%</u>
Deferred outflows	<u>765,781</u>	<u>507,849</u>	<u>257,932</u>	<u>50.79%</u>
Total assets and deferred outflows	<u>\$ 58,543,054</u>	<u>\$ 52,251,728</u>	<u>\$ 6,291,326</u>	<u>\$ 12.04%</u>
Liabilities and Net Position:				
Current liabilities (payable from current assets)	\$ 1,711,897	\$ 967,431	\$ 744,466	\$ 76.95%
Current liabilities (payable from restricted assets)	257,697	298,926	(41,229)	-13.79%
Non-current liabilities	<u>7,482,732</u>	<u>9,528,770</u>	<u>(2,046,038)</u>	<u>-21.47%</u>
Total Liabilities	<u>9,452,326</u>	<u>10,795,127</u>	<u>(1,342,801)</u>	<u>-1.39%</u>
Deferred Inflows	<u>512,381</u>	<u>622,728</u>	<u>(110,347)</u>	<u>11.66%</u>
Net Investment in capital assets	9,621,856	7,235,662	2,386,194	32.98%
Restricted for program activities	32,813	35,284	(2,471)	-7.00%
Unrestricted	<u>38,923,678</u>	<u>33,562,927</u>	<u>5,360,751</u>	<u>15.97%</u>
Total net position	<u>48,578,347</u>	<u>40,833,873</u>	<u>7,744,474</u>	<u>18.97%</u>
Total liabilities, deferred inflows, and net position	<u>\$ 58,543,054</u>	<u>\$ 52,251,728</u>	<u>\$ 6,291,326</u>	<u>\$ 12.04%</u>

The authority has restricted net position in the amount of \$32,813 which is restricted for use in the Authority's Housing Choice Voucher Program.

The remaining balance of unrestricted net position of \$38,923,678 may be used to meet the Housing Authority's ongoing obligations to residents and creditors.

There was an increase of \$5,360,751 (15.97 percent) in unrestricted net position reported by the Housing

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Management's Discussion and Analysis
June 30, 2019

Authority as compared to the prior year.

There was an increase of \$2,386,194 in net investment in capital assets (less loans payable in Cielo Azul Fund) reported in connection with the Housing Authority's activities. The majority of this increase is attributable to ongoing utilization of capital assets (depreciation expense) and dispositions of assets being a larger amount than the Housing Authority's additions to capital assets during the fiscal year.

Housing Authority activities: Key elements of Housing Authority activities are as follows:

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>Amount Change</u>	<u>%</u>
Operating revenues:				
Rental revenue	\$ 1,558,386	\$ 1,727,716	\$ (169,330)	-9.80%
Other tenant revenue	1,727,023	2,423,855	(696,832)	-28.75%
Operating subsidies and grants	<u>8,860,351</u>	<u>9,187,960</u>	<u>(327,609)</u>	<u>-3.57%</u>
Total operating revenues	<u>12,145,760</u>	<u>13,339,531</u>	<u>(1,193,771)</u>	<u>-8.95%</u>
Operating expenses:				
Housing assistance payments	7,431,223	7,700,856	(269,633)	-3.50%
Administration	2,595,070	2,265,686	329,384	14.54%
Maintenance and operations	1,656,371	1,169,685	486,686	41.61%
Utilities	150,495	211,008	(60,513)	-28.68%
Depreciation and amortization	668,769	728,086	(59,317)	-8.15%
Miscellaneous	<u>-</u>	<u>18,421</u>	<u>(18,421)</u>	<u>-100.00%</u>
Total operating expenses	<u>12,501,928</u>	<u>12,093,742</u>	<u>408,186</u>	<u>3.38%</u>
Operating gain (loss)	<u>(356,168)</u>	<u>1,245,789</u>	<u>(1,601,957)</u>	<u>-128.59%</u>

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Condensed Statement of Revenues, Expenses, and Changes in Net Position (continued)

	<u>2019</u>	<u>2018</u>	<u>Amount Change</u>	<u>%</u>
Non-operating revenues (expenses):				
Interest income	39,839	33,777	6,062	17.95%
Interest expense	(288,848)	(337,665)	48,817	-14.46%
Development fees	1,746,837	91,475	1,655,362	1809.63%
Fees for service	728,067	560,391	167,676	29.92%
Management fees and other income	794,392	-	794,392	100.00%
Other expenses	(276,727)	-	(276,727)	-100.00%
Gain (loss) on disposition of assets	<u>5,123,998</u>	<u>4,441,490</u>	<u>682,508</u>	<u>15.37%</u>
Total non-operating revenues (expenses)	<u>7,867,558</u>	<u>4,789,468</u>	<u>3,078,090</u>	<u>64.27%</u>
Capital grants - Public Housing	180,008	-	180,008	100.00%
Equity transfers in (out)	<u>-</u>	<u>(417,276)</u>	<u>417,276</u>	<u>-100.00%</u>
Change in net position	<u>7,691,398</u>	<u>5,617,981</u>	<u>2,073,417</u>	<u>(1)</u>
Net position, beginning of year, as reported	40,833,873	36,803,053	4,030,820	10.95%
Prior-period adjustments	<u>53,076</u>	<u>(1,587,161)</u>	<u>1,640,237</u>	<u>-103.34%</u>
Net position, beginning of year, as restated	<u>40,886,949</u>	<u>35,215,892</u>	<u>5,671,057</u>	<u>16.10%</u>
Net position, end of year	<u>\$ 48,578,347</u>	<u>\$ 40,833,873</u>	<u>\$ 7,744,474</u>	<u>18.97%</u>

Total operating revenues decreased \$1,193,531 (8.95 percent) during the year. Most of this decrease is the decrease in rental and other tenant revenues.

Operating expenses insignificantly increased by \$408,186 (3.38 percent) during the year. Non-operating revenues/expenses overall increased \$3,078,090 (64.27 percent) from the prior year. The majority of this increase is attributable to increases in developer fees, fees for services, management fees and gain on the disposition of capital assets.

Capital Assets

The Housing Authority's net investment in capital assets for its business type activities as of June 30, 2019, amounts to \$9,621,856 (net of accumulated depreciation and notes payable associated with capital assets). This investment in capital assets included land, construction in progress, buildings and improvements, equipment, furniture and fixtures, machinery and vehicles.

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Major capital asset events during the current fiscal year included the following:

Capital assets increased by a net of \$2,403,175, resulting from purchases of land and building improvements, construction in progress of \$3,071,944, deletions of \$3,911,995 and related accumulated depreciation of an equal amount, and current year depreciation expense of \$(668,769).

Capital Assets

	<u>2019</u>	<u>2018</u>	<u>Amount Change</u>
Land	\$ 2,954,924	\$ 1,142,589	\$ 1,812,335
Construction in progress	3,258,969	2,000,000	1,258,969
Buildings and improvements	21,256,875	24,964,743	(3,707,868)
Furniture and fixtures	682,336	882,914	(200,578)
Machinery and equipment	124,579	127,486	(2,907)
Vehicles	420,903	420,903	-
Accumulated depreciation	<u>(15,312,578)</u>	<u>(18,555,802)</u>	<u>3,243,224</u>
Capital assets, net	<u>\$ 13,386,008</u>	<u>\$ 10,982,833</u>	<u>\$ 2,403,175</u>

Long-term debt

At the end of the current fiscal year, Housing Authority had notes payable from various financial institutions in the amount of \$3,783,960, non-current compensated absences outstanding in the amount of \$287,468, net pension liability of \$2,461,707, and net Other Post Employment Benefits (OPEB) liability of \$1,412,346 for Retiree Health Care.. Additional information of the Housing Authority's long-term debt can be found on page 33-46 of this report.

Economic Factors and the Future of the Housing Authority

Funding is determined at the federal funding level by HUD. We are anticipating a lower level of funding from HUD. This has minimal to no impact on current operations since all of the funds of the Housing Authority have a strong Net Position (excess of assets over liabilities). Rental occupancy rates of the Housing Authority remain at capacity.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information would be addressed to the Executive Director, 664 Alta Vista, Santa Fe, NM 87502.

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SANTA FE CIVIC HOUSING AUTHORITY
STATEMENT OF NET POSITION
June 30, 2019

Exhibit A
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	Primary Government 6/30/2019	Campo Alegria 6/30/2019	Country Club Apartments, LP 12/31/2018	Pasa Tiempo, LLC 12/31/2018	Santa Fe Community Living, LLC 12/31/2018
ASSETS					
Current Assets					
Cash, investments and equivalents	\$ 5,399,508	\$ 288,431	\$ 76,302	\$ 3,798,031	\$ 563,178
Tenant receivable, net	32,595	-	49,596	399,722	24,148
Other receivables - related parties	7,441,329	-	-	-	-
Prepaid expenses	92,059	2,584	11,962	-	-
Cash, investments and equivalents - restricted	257,697	10,073	244,798	160,205	686,325
Total current assets	13,223,188	301,088	382,658	4,357,958	1,273,651
Non-current Assets					
Capital Assets					
Land	2,954,924	74,320	492,900	-	-
Construction in progress	3,258,969	-	-	17,089,990	-
Buildings and improvements	21,256,875	6,098,702	3,985,846	-	22,249,903
Furniture and fixtures	682,336	128,889	286,747	-	438,450
Machinery, equipment and vehicles	124,579	-	-	-	-
Vehicles	420,903	-	-	-	-
Accumulated depreciation	(15,312,578)	(1,325,262)	(2,702,488)	-	(1,365,300)
Total capital assets net	13,386,008	4,976,649	2,063,005	17,089,990	21,323,053
Other non-current Assets					
Other assets	-	27,796	198,127	-	152,887
Notes receivable - related parties	31,168,077	-	-	-	-
Total other non-current assets	31,168,077	27,796	198,127	-	152,887
Total non-current assets	44,554,085	5,004,445	2,261,132	17,089,990	21,475,940
Total assets	57,777,273	5,305,533	2,643,790	21,447,948	22,749,591
DEFERRED OUTFLOWS OF RESOURCES					
Change in assumptions	223,189	-	-	-	-
Change in proportion	116,444	-	-	-	-
Net difference between projected and actual investment earnings on plan investments	182,573	-	-	-	-
Differences between expected and actual experience	71,148	-	-	-	-
Employer contributions subsequent to measurement date	172,427	-	-	-	-
Total deferred outflows of resources	765,781	-	-	-	-
Total assets and deferred outflows	\$ 58,543,054	\$ 5,305,533	\$ 2,643,790	\$ 21,447,948	\$ 22,749,591

The Notes to the Financial Statements are an integral part of this statement

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
STATEMENT OF NET POSITION
June 30, 2019

Exhibit A
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Component Units - December 31, 2018

Tierra Contenta II, LP 12/31/2018	VH Santa Fe, LLC 12/31/2018	Villa Alegre Senior 12/31/2018	Villa Alegre Family 12/31/2018	Village in the Bosque, LLC 12/31/2018
\$ 189,352	\$ 14,334	\$ 80,659	\$ 175,727	\$ 81,360
1,965	299,416	409	64	41,392
-	-	-	-	-
23,191	32,780	8,773	9,089	33,963
<u>504,557</u>	<u>82,452</u>	<u>557,926</u>	<u>543,718</u>	<u>502,370</u>
<u>719,065</u>	<u>428,982</u>	<u>647,767</u>	<u>728,598</u>	<u>659,085</u>
1,003,333	128,245	-	-	-
-	-	-	-	-
5,104,090	14,669,219	7,631,157	10,117,476	18,590,163
414,913	418,132	-	-	40,157
-	-	-	-	-
-	-	-	-	-
<u>(4,937,560)</u>	<u>(368,157)</u>	<u>-</u>	<u>-</u>	<u>(1,418,355)</u>
<u>1,584,776</u>	<u>14,847,439</u>	<u>7,631,157</u>	<u>10,117,476</u>	<u>17,211,965</u>
116,582	80,500	378,749	127,353	292,194
-	-	-	-	-
<u>116,582</u>	<u>80,500</u>	<u>378,749</u>	<u>127,353</u>	<u>292,194</u>
<u>1,701,358</u>	<u>14,927,939</u>	<u>8,009,906</u>	<u>10,244,829</u>	<u>17,504,159</u>
<u>2,420,423</u>	<u>15,356,921</u>	<u>8,657,673</u>	<u>10,973,427</u>	<u>18,163,244</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 2,420,423</u>	<u>\$ 15,356,921</u>	<u>\$ 8,657,673</u>	<u>\$ 10,973,427</u>	<u>\$ 18,163,244</u>

The Notes to the Financial Statements are an integral part of this statement

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
STATEMENT OF NET POSITION
June 30, 2019

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	Primary Government 6/30/2019	Campo Alegria 6/30/2019	Country Club Apartments, LP 12/31/2018	Pasa Tiempo, LLC 12/31/2018	Santa Fe Community Living, LLC 12/31/2018
LIABILITIES					
Current Liabilities (payable from unrestricted assets)					
Accounts payable	\$ 18,599	4,110	21,994	1,534,336	54,553
Accrued liabilities	402,928	8,566	26,231	-	-
Other payables - related parties	827,621	-	354,254	163,574	828,547
Compensated absences payable	287,468	-	395,280	-	-
Notes payable	175,281	8,259	81,680	7,914	59,796
Total current liabilities (payable from unrestricted assets)	1,711,897	20,935	879,439	1,705,824	942,896
Current Liabilities (payable from restricted assets)					
Tenant security deposits	117,129	9,800	28,230	100	37,756
Escrows and deposits	140,568	-	-	-	-
Total current liabilities (payable from restricted assets)	257,697	9,800	28,230	100	37,756
Total current liabilities	1,969,594	30,735	907,669	1,705,924	980,652
Noncurrent Liabilities					
Notes payable, less current portion	3,608,679	418,964	3,210,410	18,888,378	15,110,398
Net PERA pension liability	2,461,707	-	-	-	-
Net OPEB liability	1,412,346	-	-	-	-
Total non-current liabilities	7,482,732	418,964	3,210,410	18,888,378	15,110,398
Total liabilities	9,452,326	449,699	4,118,079	20,594,302	16,091,050
DEFERRED INFLOWS OF RESOURCES					
Change in assumptions	277,833	-	-	-	-
Change in proportion	68,671	-	-	-	-
Net difference between expected and actual experience	148,251	-	-	-	-
Net difference between projected and actual investment earnings on plan investments	17,626	-	-	-	-
Total deferred inflows of resources	512,381	-	-	-	-
NET POSITION					
Net invested in capital assets (less notes payable)	9,621,856	4,976,649	2,063,005	17,089,990	21,323,053
Restricted	32,813	-	-	-	-
Unrestricted	38,923,678	(120,815)	(3,537,294)	(16,236,344)	(14,664,512)
Total net position	48,578,347	4,855,834	(1,474,289)	853,646	6,658,541
Total liabilities, deferred inflows of resources and net position	\$ 58,543,054	\$ 5,305,533	\$ 2,643,790	\$ 21,447,948	\$ 22,749,591

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
STATEMENT OF NET POSITION
June 30, 2019

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Component Units - December 31, 2018

Tierra Contenta II, LP 12/31/2018	VH Santa Fe, LLC 12/31/2018	Villa Alegre Senior 12/31/2018	Villa Alegre Family 12/31/2018	Village in the Bosque, LLC 12/31/2018
11,337	29,183	10,417	13,607	93,018
17,560	-	26,641	36,799	3,876
-	1,689,936	-	-	-
-	-	-	-	-
54,937	-	136,790	93,801	348,256
83,834	1,719,119	173,848	144,207	445,150
30,927	2,404	14,700	21,789	29,782
-	-	-	-	-
30,927	2,404	14,700	21,789	29,782
114,761	1,721,523	188,548	165,996	474,932
2,755,820	12,064,645	6,927,261	5,038,472	7,661,754
-	-	-	-	-
-	-	-	-	-
2,755,820	12,064,645	6,927,261	5,038,472	7,661,754
2,870,581	13,786,168	7,115,809	5,204,468	8,136,686
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,584,776	14,847,439	7,631,157	10,117,476	17,211,965
-	-	-	-	-
(2,034,934)	(13,276,686)	(6,089,293)	(4,348,517)	(7,185,407)
(450,158)	1,570,753	1,541,864	5,768,959	10,026,558
\$ 2,420,423	\$ 15,356,921	\$ 8,657,673	\$ 10,973,427	\$ 18,163,244

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2019

	Primary Government 6/30/2019	Campo Alegria 6/30/2019	Country Club Apartments, LP 12/31/2018	Pasa Tiempo, LLC 12/31/2018	Santa Fe Community Living, LLC 12/31/2018
Operating revenues					
Rental revenue	\$ 1,558,386	\$ 217,354	\$ 522,996	\$ 167,420	\$ 1,008,507
Other tenant revenue	1,727,023	622	4,838	398,301	31,935
Operating subsidies and grants	8,860,351	-	-	-	-
Total operating revenues	<u>12,145,760</u>	<u>217,976</u>	<u>527,834</u>	<u>565,721</u>	<u>1,040,442</u>
Operating expenses					
Housing assistance payments	7,431,223	-	-	-	-
Administration	2,595,070	54,473	53,066	133,774	273,956
Maintenance and operations	1,656,371	41,335	175,372	136,035	135,735
Utilities	150,495	3,081	102,879	115,243	230,149
Depreciation and amortization	668,769	176,009	158,052	-	692,943
Miscellaneous	-	25,295	28,822	12,155	93
Total operating expenses	<u>12,501,928</u>	<u>300,193</u>	<u>518,191</u>	<u>397,207</u>	<u>1,332,876</u>
Operating income (loss)	<u>(356,168)</u>	<u>(82,217)</u>	<u>9,643</u>	<u>168,514</u>	<u>(292,434)</u>
Nonoperating revenues (expenses)					
Interest income	39,839	-	-	4,786	117
Interest expense	(288,848)	(26,926)	(167,294)	(2,500)	(185,196)
Development fees	1,746,837	-	-	-	-
Fees for service	728,067	-	-	-	-
Management fees and other income	794,392	-	-	-	-
Other expenses	(276,727)	(17,630)	-	-	-
Gain (loss) on disposition of assets	5,123,998	-	-	-	-
Total nonoperating revenues (expenses)	<u>7,867,558</u>	<u>(44,556)</u>	<u>(167,294)</u>	<u>2,286</u>	<u>(185,079)</u>
Capital grants - Public Housing	180,008	-	-	-	-
Change in net position	<u>7,691,398</u>	<u>(126,773)</u>	<u>(157,651)</u>	<u>170,800</u>	<u>(477,513)</u>
Net position, beginning of year, as reported	40,833,873	4,982,607	(1,367,750)	682,846	7,136,054
Restatements:					
Prior-period adjustments (note 12)	53,076	-	51,112	-	-
Net position, beginning of year, as restated	<u>40,886,949</u>	<u>4,982,607</u>	<u>(1,316,638)</u>	<u>682,846</u>	<u>7,136,054</u>
Net position, end of year	<u>\$ 48,578,347</u>	<u>\$ 4,855,834</u>	<u>\$ (1,474,289)</u>	<u>\$ 853,646</u>	<u>\$ 6,658,541</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
 SANTA FE CIVIC HOUSING AUTHORITY
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 Year Ended June 30, 2019

Exhibit B
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Component Units - Year Ended December 31, 2018

Tierra Contenta II, LP 12/31/2018	VH Santa Fe, LLC 12/31/2018	Villa Alegre Senior 12/31/2018	Villa Alegre Family 12/31/2018	Village in the Bosque, LLC 12/31/2018
\$ 777,338	\$ 521,100	\$ 294,798	\$ 512,930	\$ 685,304
14,148	-	2,530	6,022	35,731
-	-	-	-	-
<u>791,486</u>	<u>521,100</u>	<u>297,328</u>	<u>518,952</u>	<u>721,035</u>
-	-	-	-	-
202,061	170,663	86,798	160,000	164,658
66,264	95,225	30,636	46,650	128,838
156,381	144,368	49,789	66,344	109,092
194,842	373,907	247,195	345,688	486,221
28,293	24,904	16,108	19,508	53,468
<u>647,841</u>	<u>809,067</u>	<u>430,526</u>	<u>638,190</u>	<u>942,277</u>
<u>143,645</u>	<u>(287,967)</u>	<u>(133,198)</u>	<u>(119,238)</u>	<u>(221,242)</u>
307	34	-	-	350
(129,431)	(84,022)	(50,122)	(127,243)	(151,351)
-	-	-	-	-
-	-	-	-	-
(102,345)	(1,952)	(24,957)	(65,493)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(231,469)</u>	<u>(85,940)</u>	<u>(75,079)</u>	<u>(192,736)</u>	<u>(151,001)</u>
-	-	-	-	-
<u>(87,824)</u>	<u>(373,907)</u>	<u>(208,277)</u>	<u>(311,974)</u>	<u>(372,243)</u>
(362,139)	1,944,660	1,750,141	6,080,933	10,298,801
(195)	-	-	-	100,000
<u>(362,334)</u>	<u>1,944,660</u>	<u>1,750,141</u>	<u>6,080,933</u>	<u>10,398,801</u>
<u>\$ (450,158)</u>	<u>\$ 1,570,753</u>	<u>\$ 1,541,864</u>	<u>\$ 5,768,959</u>	<u>\$ 10,026,558</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended June 30, 2019

Exhibit C
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	Primary Government 6/30/2019	Campo Alegria 6/30/2019	Country Club Apartments, LP 12/31/2018	Pasa Tiempo, LLC 12/31/2018	Santa Fe Community Living, LLC 12/31/2018
Cash Flows From Operating Activities					
Cash received from tenant rents	\$ 1,649,469	\$ 217,952	\$ 497,331	\$ 170,833	\$ 1,010,573
Cash received from subsidies, grants and other receipts	14,315,908	622	4,838	4,856	32,052
Cash payments to suppliers for goods and services	(9,792,383)	(126,047)	(527,469)	(294,644)	(685,594)
Cash payments to employees for services	(2,445,292)	(40,064)	(7,882)	-	(139,198)
Net cash provided by operating activities	3,727,702	52,463	(33,182)	(118,955)	217,833
Cash Flows From Capital and Related Financing Activities					
Acquisition and construction of capital assets	(3,071,944)	-	-	(5,285,250)	(884,259)
Gain on sale of assets	5,123,998	-	-	-	-
Principal payments on long-term debt	(2,529,372)	(7,760)	(78,781)	-	(2,049,915)
Interest payments on long-term debt	-	-	-	-	-
Proceeds from debt	-	-	63,153	5,985,250	-
Loans to other related parties	(4,760,385)	-	-	-	-
Other fees	-	-	-	-	-
Prior-period adjustments	53,076	-	51,112	-	-
Net cash used by capital and related financing activities	(5,184,627)	(7,760)	35,484	700,000	(2,934,174)
Cash Flows From Noncapital Financing Activities					
Pension and OPEB liability, deferred outflows/inflows	28,339	-	-	-	-
Net cash used by noncapital financing activities	28,339	-	-	-	-
Cash Flows From Investing Activities					
Other investments	-	(8,960)	(41,779)	(96)	(71,927)
Interest and dividends on investments	41,229	-	-	-	-
Net cash provided by investing activities	41,229	(8,960)	(41,779)	(96)	(71,927)
Net (decrease) in cash and cash equivalents	(1,387,357)	35,743	(39,477)	580,949	(2,788,268)
Cash investments and cash equivalents at beginning of year	6,786,865	84,009	115,779	3,217,082	3,351,445
Cash investments and cash equivalents at end of year	\$ 5,399,508	\$ 119,752	\$ 76,302	\$ 3,798,031	\$ 563,177
Reconciliation of operating income to net cash provided by operating activities					
Operating (loss) income	\$ 7,691,398	\$ (126,773)	\$ (157,651)	\$ 170,800	\$ (477,513)
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation and amortization	668,769	176,009	158,052	-	692,943
(Gain) or loss on disposal of assets	(5,123,998)	-	-	-	-
Change in assets and liabilities					
Accounts receivable	91,083	-	(30,395)	(394,818)	(2,066)
Prepaid expenses	(817)	284	2,008	-	-
Due from other funds	175,723	-	-	-	-
Other receivables	440,811	-	-	12	-
Due from related parties	(829,497)	-	-	27,993	-
Accounts payable	(118,482)	2,191	(34,308)	13,484	52,403
Due to related parties	826,621	-	-	63,574	-
Notes payable	26,989	-	-	-	-
Compensated absences payable	41,147	-	-	-	-
Accrued liabilities	54,907	1,002	24,382	-	-
Security deposits	(41,229)	(250)	4,730	-	(47,933)
Due to other funds	(175,723)	-	-	-	-
Total adjustments	(3,963,696)	179,236	124,469	(289,755)	695,347
Net cash provided by operating activities	\$ 3,727,702	\$ 52,463	\$ (33,182)	\$ (118,955)	\$ 217,834

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended June 30, 2019

Exhibit C
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Component Units - Year Ended December 31, 2018

Tierra Contenta II, LP 12/31/2018	VH Santa Fe, LLC 12/31/2018	Villa Alegre Senior 12/31/2018	Villa Alegre Family 12/31/2018	Village in the Bosque, LLC 12/31/2018
\$ 777,102	\$ 222,453	\$ 294,755	\$ 515,714	\$ 690,383
14,455	34	2,530	6,022	36,081
(550,680)	(259,903)	(202,428)	(388,413)	(538,009)
(124,480)	(97,092)	(39,160)	(79,505)	(83,324)
<u>116,397</u>	<u>(134,508)</u>	<u>55,697</u>	<u>53,818</u>	<u>105,131</u>
-	-	-	-	-
(52,486)	(3,662,370)	(40,000)	(46,862)	(154,173)
(204)	-	-	-	-
-	3,832,642	-	27,499	-
-	(86,250)	-	-	-
-	-	-	-	100,000
<u>(52,690)</u>	<u>84,022</u>	<u>(40,000)</u>	<u>(19,363)</u>	<u>(54,173)</u>
-	-	-	-	-
-	-	-	-	-
(34,912)	(34)	(18,311)	(20,675)	34,023
<u>(34,912)</u>	<u>(34)</u>	<u>(18,311)</u>	<u>(20,675)</u>	<u>34,023</u>
28,795	(50,520)	(2,614)	13,780	84,981
160,557	64,854	83,282	161,947	203,668
<u>\$ 189,352</u>	<u>\$ 14,334</u>	<u>\$ 80,668</u>	<u>\$ 175,727</u>	<u>\$ 288,649</u>
<u>(87,824)</u>	<u>(373,907)</u>	<u>(208,277)</u>	<u>(311,974)</u>	<u>(372,243)</u>
194,842	373,907	247,195	345,688	486,221
-	-	-	-	-
236	(298,647)	(43)	945	(31,002)
(2,660)	(31,568)	(425)	(517)	16,108
-	-	-	-	-
(9)	(954)	-	-	-
-	-	-	-	-
7,846	29,183	17,088	17,837	6,980
-	166,524	-	-	-
-	-	-	-	-
-	-	-	-	-
4,291	-	-	1,239	79
(325)	954	150	600	(1,012)
-	-	-	-	-
<u>204,221</u>	<u>239,399</u>	<u>263,965</u>	<u>365,792</u>	<u>477,374</u>
<u>\$ 116,397</u>	<u>\$ (134,508)</u>	<u>\$ 55,688</u>	<u>\$ 53,818</u>	<u>\$ 105,131</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2019

	Housing Authority	Section 8 Voucher	SF Housing Development Corporation	Cielo Azul
ASSETS				
Current Assets				
Cash, investments and equivalents	\$ 393,058	\$ 1,530,689	\$ 941,838	\$ 1,946,630
Investments in other related party entities	-	-	-	-
Tenant receivable	24,482	-	1,858	5,671
Federal grants receivable	-	-	-	-
Other receivables - related parties	573,477	-	4,760,385	2,107,467
Due from other funds	923,830	-	796,353	-
Prepaid expenses	56,918	-	18,366	9,744
Cash, investments and equivalents- restricted	48,945	140,558	14,631	47,850
Total current assets	<u>2,020,710</u>	<u>1,671,247</u>	<u>6,533,431</u>	<u>4,117,362</u>
Non-current assets				
Capital Assets				
Land	299,637	-	268,652	2,142,335
Construction in progress	500,087	-	686,809	2,072,073
Buildings and improvements	15,304,639	-	-	4,478,479
Furniture and fixtures	682,336	-	-	-
Machinery and equipment	120,164	-	-	-
Vehicles	420,903	-	-	-
Accumulated depreciation	(13,261,105)	-	-	(1,144,775)
Total capital assets (net of depreciation)	<u>4,066,661</u>	<u>-</u>	<u>955,461</u>	<u>7,548,112</u>
Other non-current assets				
Notes receivable - related parties	26,290,750	-	-	4,877,327
Total other non-current assets	<u>26,290,750</u>	<u>-</u>	<u>-</u>	<u>4,877,327</u>
Total non-current assets	<u>30,357,411</u>	<u>-</u>	<u>955,461</u>	<u>12,425,439</u>
Total assets	<u>32,378,121</u>	<u>1,671,247</u>	<u>7,488,892</u>	<u>16,542,801</u>
DEFERRED OUTFLOWS				
Change in assumptions	98,618	48,024	24,172	37,426
Change in proportion	51,452	25,056	12,611	19,526
Net difference between projected and actual investment earnings on plan investments	80,673	39,285	19,773	30,615
Differences between expected and actual experience	31,439	15,309	7,705	11,930
Employer contributions subsequent to measurement date	76,189	37,101	18,675	28,914
Total deferred outflows of resources	<u>338,371</u>	<u>164,775</u>	<u>82,936</u>	<u>128,411</u>
Total assets and deferred outflows	<u>\$ 32,716,492</u>	<u>\$ 1,836,022</u>	<u>\$ 7,571,828</u>	<u>\$ 16,671,212</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2019

<u>La</u> <u>Cieneguita</u>	<u>Sub-</u> <u>Total</u>	<u>Eliminations</u>	<u>Total</u>
\$ 587,293	\$ 5,399,508	\$ -	\$ 5,399,508
584	32,595	-	32,595
-	-	-	-
-	7,441,329	-	7,441,329
-	1,720,183	(1,720,183)	-
7,031	92,059	-	92,059
5,713	257,697	-	257,697
<u>600,621</u>	<u>14,943,371</u>	<u>(1,720,183)</u>	<u>13,223,188</u>
244,300	2,954,924	-	2,954,924
-	3,258,969	-	3,258,969
1,473,757	21,256,875	-	21,256,875
-	682,336	-	682,336
4,415	124,579	-	124,579
-	420,903	-	420,903
<u>(906,698)</u>	<u>(15,312,578)</u>	<u>-</u>	<u>(15,312,578)</u>
<u>815,774</u>	<u>13,386,008</u>	<u>-</u>	<u>13,386,008</u>
-	31,168,077	-	31,168,077
-	31,168,077	-	31,168,077
<u>815,774</u>	<u>44,554,085</u>	<u>-</u>	<u>44,554,085</u>
<u>1,416,395</u>	<u>59,497,456</u>	<u>(1,720,183)</u>	<u>57,777,273</u>
14,949	223,189	-	223,189
7,799	116,444	-	116,444
12,227	182,573	-	182,573
4,765	71,148	-	71,148
<u>11,548</u>	<u>172,427</u>	<u>-</u>	<u>172,427</u>
<u>51,288</u>	<u>765,781</u>	<u>-</u>	<u>765,781</u>
<u>\$ 1,467,683</u>	<u>\$ 60,263,237</u>	<u>\$ (1,720,183)</u>	<u>\$ 58,543,054</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2019

	<u>Housing Authority</u>	<u>Section 8 Voucher</u>	<u>SF Housing Development Corporation</u>	<u>Cielo Azul</u>
LIABILITIES				
Current Liabilities (payable from unrestricted assets)				
Accounts payable	\$ 8,244	\$ -	\$ 2,140	\$ 5,251
Compensated absences payable	287,468	-	-	-
Accrued liabilities	402,928	-	-	-
Other payables-related parties	28,979	-	598,642	200,000
Notes payable	-	-	-	175,281
Due to other funds	-	12,552	214,425	1,284,041
Total current liabilities (payable from unrestricted assets)	<u>727,619</u>	<u>12,552</u>	<u>815,207</u>	<u>1,664,573</u>
Current Liabilities (payable from restricted assets)				
Tenant security deposits	48,935	-	14,631	47,850
Escrows and deposits	10	140,558	-	-
Total current liabilities (payable from unrestricted assets)	<u>48,945</u>	<u>140,558</u>	<u>14,631</u>	<u>47,850</u>
Total current liabilities	<u>776,564</u>	<u>153,110</u>	<u>829,838</u>	<u>1,712,423</u>
Noncurrent Liabilities				
Notes payable	-	-	-	3,608,679
Due to other funds (less current portion)	-	-	-	-
Net PERA pension liability	1,087,739	529,694	266,607	412,794
Net OPEB liability	624,064	303,900	152,960	236,830
Total noncurrent liabilities	<u>1,711,803</u>	<u>833,594</u>	<u>419,567</u>	<u>4,258,303</u>
Total liabilities	<u>2,488,367</u>	<u>986,704</u>	<u>1,249,405</u>	<u>5,970,726</u>
DEFERRED INFLOWS				
Change in assumptions	122,763	59,783	30,090	46,588
Change in proportion	30,343	14,777	7,437	11,515
Difference between expected and actual experience	65,508	31,899	16,056	24,859
Net difference between projected and actual investment earnings on plan investments	7,788	3,792	1,909	2,956
Total deferred inflows	<u>226,402</u>	<u>110,251</u>	<u>55,492</u>	<u>85,918</u>
NET POSITION				
Net invested in capital assets	4,066,661	-	955,461	3,783,960
Restricted	-	32,813	-	-
Unrestricted	25,935,062	706,254	5,311,470	6,830,608
Total net position	<u>30,001,723</u>	<u>739,067</u>	<u>6,266,931</u>	<u>10,614,568</u>
Total liabilities, deferred inflows and net position	<u>\$ 32,716,492</u>	<u>\$ 1,836,022</u>	<u>\$ 7,571,828</u>	<u>\$ 16,671,212</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2019

<u>La</u> <u>Cieneguita</u>	<u>Sub-</u> <u>Total</u>	<u>Eliminations</u>	<u>Total</u>
\$ 2,964	\$ 18,599	\$ -	\$ 18,599
-	287,468	-	287,468
-	402,928	-	402,928
-	827,621	-	827,621
-	175,281	-	175,281
<u>209,165</u>	<u>1,720,183</u>	<u>(1,720,183)</u>	<u>-</u>
<u>212,129</u>	<u>3,432,080</u>	<u>(1,720,183)</u>	<u>1,711,897</u>
5,713	117,129	-	117,129
<u>-</u>	<u>140,568</u>	<u>-</u>	<u>140,568</u>
<u>5,713</u>	<u>257,697</u>	<u>-</u>	<u>257,697</u>
<u>217,842</u>	<u>3,689,777</u>	<u>(1,720,183)</u>	<u>1,969,594</u>
-	3,608,679	-	3,608,679
-	-	-	-
164,873	2,461,707	-	2,461,707
<u>94,592</u>	<u>1,412,346</u>	<u>-</u>	<u>1,412,346</u>
<u>259,465</u>	<u>7,482,732</u>	<u>-</u>	<u>7,482,732</u>
<u>477,307</u>	<u>11,172,509</u>	<u>(1,720,183)</u>	<u>9,452,326</u>
18,609	277,833	-	277,833
4,599	68,671	-	68,671
9,929	148,251	-	148,251
<u>1,181</u>	<u>17,626</u>	<u>-</u>	<u>17,626</u>
<u>34,318</u>	<u>512,381</u>	<u>-</u>	<u>512,381</u>
815,774	9,621,856	-	9,621,856
-	32,813	-	32,813
<u>140,284</u>	<u>38,923,678</u>	<u>-</u>	<u>38,923,678</u>
<u>956,058</u>	<u>48,578,347</u>	<u>-</u>	<u>48,578,347</u>
<u>\$ 1,467,683</u>	<u>\$ 60,263,237</u>	<u>\$ (1,720,183)</u>	<u>\$ 58,543,054</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ENTERPRISE FUNDS
Year Ended June 30, 2019

	Housing Authority	Section 8 Voucher	SF Housing Development Corporation	Cielo Azul	La Cieneguita	Total
Operating Revenues						
Rental revenue	\$ 261,811	\$ -	\$ 619,715	\$ 411,492	\$ 265,368	\$ 1,558,386
Other tenant revenue	969,164	-	-	757,859	-	1,727,023
Operating subsidies and grants	593,164	8,267,187	-	-	-	8,860,351
Total operating revenues	<u>1,824,139</u>	<u>8,267,187</u>	<u>619,715</u>	<u>1,169,351</u>	<u>265,368</u>	<u>12,145,760</u>
Operating Expenses						
Housing assistance payments	-	7,431,223	-	-	-	7,431,223
Administration	1,142,541	639,135	285,215	387,253	140,926	2,595,070
Maintenance and operations	863,244	-	106,368	596,273	90,486	1,656,371
Utilities	27,597	-	49,632	47,399	25,867	150,495
Depreciation	464,155	-	-	140,538	64,076	668,769
Total operating expenses	<u>2,497,537</u>	<u>8,070,358</u>	<u>441,215</u>	<u>1,171,463</u>	<u>321,355</u>	<u>12,501,928</u>
Operating gain (loss)	<u>(673,398)</u>	<u>196,829</u>	<u>178,500</u>	<u>(2,112)</u>	<u>(55,987)</u>	<u>(356,168)</u>
Nonoperating Revenues (Expenses)						
Interest income	140	3,468	7,216	28,017	998	39,839
Interest expense	-	-	(82,923)	(205,925)	-	(288,848)
Development fees	-	-	-	1,746,837	-	1,746,837
Fees for service	728,067	-	-	-	-	728,067
Management fees and other income	4,090	76,924	259,310	445,658	8,410	794,392
Other expense	(170,610)	-	-	(81,881)	(24,236)	(276,727)
Gain (loss) on disposition of assets	-	-	5,123,998	-	-	5,123,998
Total nonoperating revenues	<u>561,687</u>	<u>80,392</u>	<u>5,307,601</u>	<u>1,932,706</u>	<u>(14,828)</u>	<u>7,867,558</u>
Capital grant - Public Housing	180,008	-	-	-	-	180,008
Change in net position	<u>68,297</u>	<u>277,221</u>	<u>5,486,101</u>	<u>1,930,594</u>	<u>(70,815)</u>	<u>7,691,398</u>
Net position, beginning of year, as reported	30,425,209	457,091	778,437	8,147,744	1,025,392	40,833,873
Restatements:						
GASB 68 PERA adjustment	9,764	4,755	2,393	3,706	1,481	22,099
FY18 equity difference-unexplained	(2)	-	-	(257)	-	(259)
Tenant Services	43,407	-	-	-	-	43,407
Other Receivables	(12,171)	-	-	-	-	(12,171)
Net position, beginning of year, as restated	30,466,207	461,846	780,830	8,151,193	1,026,873	40,886,949
Equity transfers in (out)	(532,781)	-	-	532,781	-	-
Net position, end of year	<u>\$ 30,001,723</u>	<u>\$ 739,067</u>	<u>\$ 6,266,931</u>	<u>\$ 10,614,568</u>	<u>\$ 956,058</u>	<u>\$ 48,578,347</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2019

	Housing Authority	Section 8 Voucher	SF Housing Development Corporation	Cielo Azul	La Cieneguita	Total
Cash Flows from Operating Activities						
Cash received from tenant rents	\$ 349,992	\$ -	\$ 622,652	\$ 411,370	\$ 265,455	\$ 1,649,469
Cash received from subsidies, grants and other receipts	2,514,528	8,338,885	1,371,874	2,081,137	9,484	14,315,908
Cash payments to suppliers for goods and services	(692,784)	(7,543,562)	(443,979)	(1,070,288)	(41,770)	(9,792,383)
Cash payments to employees for services	(1,103,960)	(517,645)	(260,076)	(403,163)	(160,448)	(2,445,292)
Net cash provided by operating activities	<u>1,067,776</u>	<u>277,678</u>	<u>1,290,471</u>	<u>1,019,056</u>	<u>72,721</u>	<u>3,727,702</u>
Cash Flows from Capital Financing Activities						
Acquisition and construction of capital assets	(500,087)	-	(686,809)	(1,885,048)	-	(3,071,944)
Gain on sale of assets	-	-	5,123,998	-	-	5,123,998
Principal payments on long-term debt	-	-	(2,539,172)	9,800	-	(2,529,372)
Loans to other related parties	-	-	(4,760,385)	-	-	(4,760,385)
Residual equity transfers (out) - CIP	(532,781)	-	-	532,781	-	-
Prior-period adjustment to equity	40,998	4,755	2,393	3,449	1,481	53,076
Net cash used by capital financing activities	<u>(991,870)</u>	<u>4,755</u>	<u>(2,859,975)</u>	<u>(1,339,018)</u>	<u>1,481</u>	<u>(5,184,627)</u>
Cash Flows from Noncapital Financing Activities						
Pension, OPEB liability, deferred outflows/inflows	53,575	(81,678)	(27,030)	60,718	22,754	28,339
Net cash provided (used) by noncapital financing activities	<u>53,575</u>	<u>(81,678)</u>	<u>(27,030)</u>	<u>60,718</u>	<u>22,754</u>	<u>28,339</u>
Cash Flows from Investing Activities						
Investments in other related parties	-	-	-	-	-	-
Interest and dividends on investments	1,781	8,694	4,769	26,061	(76)	41,229
Net cash provided (used) by investing activities	<u>1,781</u>	<u>8,694</u>	<u>4,769</u>	<u>26,061</u>	<u>(76)</u>	<u>41,229</u>
Net (decrease) increase in cash and cash equivalents	<u>131,262</u>	<u>209,449</u>	<u>(1,591,765)</u>	<u>(233,183)</u>	<u>96,880</u>	<u>(1,387,357)</u>
Cash investments and cash equivalents at beginning of year	261,796	1,321,240	2,533,603	2,179,813	490,413	6,786,865
Cash investments and cash equivalents at end of year	<u>\$ 393,058</u>	<u>\$ 1,530,689</u>	<u>\$ 941,838</u>	<u>\$ 1,946,630</u>	<u>\$ 587,293</u>	<u>\$ 5,399,508</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2019

	<u>Housing Authority</u>	<u>Section 8 Voucher</u>	<u>SF Housing Development Corporation</u>	<u>Cielo Azul</u>	<u>La Cieneguita</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities						
Operating (loss) income	\$ 68,297	\$ 277,221	\$ 5,486,101	\$ 1,930,594	\$ (70,815)	\$ 7,691,398
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation/amortization	464,155	-	-	140,538	64,076	668,769
(Gain) or loss on disposal of assets			(5,123,998)			(5,123,998)
Change in assets and liabilities:						
Accounts receivable	88,181	-	2,937	(122)	87	91,083
Prepaid expenses	(332)	-	3,059	(3,953)	409	(817)
Due from other funds	(320,239)	(7,685)	503,647	-	-	175,723
Notes receivable from related parties	474,505	-	-	(33,694)		440,811
Due from related parties	41,676	-	-	(871,173)	-	(829,497)
Accounts payable	8,244	-	(134,566)	4,876	2,964	(118,482)
Due to related parties	28,979	(1,000)	598,642	200,000	-	826,621
Notes payable	-	-	-	26,989		26,989
Compensated absences payable	41,147	-	-	-	-	41,147
Accrued liabilities	54,907	-	-	-		54,907
Security deposits	(1,781)	(8,694)	(4,769)	(26,061)	76	(41,229)
Due to other funds	120,037	17,836	(40,582)	(348,938)	75,924	(175,723)
Total adjustments	<u>999,479</u>	<u>457</u>	<u>(4,195,630)</u>	<u>(911,538)</u>	<u>143,536</u>	<u>(3,963,696)</u>
Net cash provided by operating activities	<u>\$ 1,067,776</u>	<u>\$ 277,678</u>	<u>\$ 1,290,471</u>	<u>\$ 1,019,056</u>	<u>\$ 72,721</u>	<u>\$ 3,727,702</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Santa Fe Civic Housing Authority (the “Housing Authority”) is a public housing authority that serves all the citizens of the City of Santa Fe (City). The programs are primarily funded with federal grants and tenant rents. Based on GASB 14 and GASB 61 it was determined that the Housing Authority is not a component unit of the City of Santa Fe. The City of Santa Fe is not responsible for the Housing Authority’s debt as a result of a HUD release. It has also been determined that even though the mayor of the City of Santa Fe appoints the Authority’s Board of Directors, the City of Santa Fe cannot impose its will on the Housing Authority.

The reporting entity for the Housing Authority is based upon criteria established by the Governmental Accounting Standards Board (GASB). All functions of the Housing Authority for which it exercises oversight responsibility are included. The indicators that an oversight responsibility exists includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, and special financing relationships.

These financial statements represent the financial operations of the Housing Authority for the year ended June 30, 2019.

This summary of significant accounting policies of the Housing Authority is presented to assist in the understanding of the Housing Authority’s financial statements. The financial statements and notes are the representation of the Housing Authority’s management, who is responsible for their integrity and objectivity. The financial statements of the Housing Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities.

In evaluating how to define the Housing Authority for financial reporting purposes, management has considered all potential programs and operations of the Housing Authority. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, and GASB Statement No. 80. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency.

Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing board by the Housing Authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion is the scope of public service. Application of this criterion involves considering whether the activity benefits the Housing Authority and/or its residents and participants, or whether the activity is conducted within the geographic boundaries of the Housing Authority and is generally available to its residents

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (continued)

and participants. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Housing Authority is able to exercise oversight responsibilities.

Discretely-Presented Component Units

Campo Alegria, LLC; Country Club Apartments, LP; Pasa Tiempo, LLC; Santa Fe Community Living, LLC; Tierra Contenta II, LP; VH Santa Fe, LLC; Villa Alegre Senior, LLC; Villa Alegre Family, LLC; and Village in the Bosque, LLC were formed to acquire, construct and rehabilitate, and operate apartment buildings for rental to low-income tenants. The Housing Authority is the managing member of each of the entities listed above. The criteria provided in Government Accounting Standards Board Statements No. 14, No. 39 and No. 61 has been considered and each of the entities listed above meet the criteria for inclusion as component units of the Housing Authority.

Country Club Apartments, LP; Pasa Tiempo, LLC; Santa Fe Community Living, LLC; Tierra Contenta II, LP; VH Santa Fe, LLC; Villa Alegre Senior, LLC; Villa Alegre Family, LLC; and Village in the Bosque, LLC have a December 31 fiscal year-end, and, in accordance with GASB Statement No. 14, the reporting entity (which reports using the Housing Authority's fiscal year) should incorporate financial statements for the component unit's fiscal year ending during the reporting entity's fiscal year. Accordingly, these financial statements do not include the first six months of the calendar year of 2018 of the financial operations of the component units. See Note 15 for more information.

B. Basis of Accounting and Measurement Focus

The Housing Authority's basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as set forth or adopted by the Governmental Accounting Standards Board ("GASB") and the Financial Accounting Standards Board ("FASB"), and their predecessors, the National Council on Governmental Accounting ("NCGA") and the Accounting Principles Board ("APB"), respectively. Generally accepted accounting principles for local governments include those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*. The accounting and financial reporting treatment applied to the Housing Authority is determined by its measurement focus. The Housing Authority's proprietary (enterprise) funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All assets and all liabilities associated with the operations are included

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Measurement Focus (continued)

on the Statement of Net Position. Net position (i.e., total assets plus deferred outflows net of total liabilities plus deferred inflows) are segregated into net investment in capital assets; restricted; and unrestricted components.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are operating subsidies and grants, and charges to customers for rent and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Housing Authority reports the following enterprise funds:

The *Housing Authority Fund* is comprised of the Housing Authority's primary operating fund. It accounts for all the financial resources of the entity, except those required to be accounted for separately. The Low Rent Public Housing Program activity from Santa Fe and Espanola has been combined to create one major fund.

The *Section 8 Vouchers Fund* is used to account for the resources and expenses that are directly related to the US Housing and Urban Development's Section 8 program which provide rental assistance to qualified families through rent subsidies paid directly to third-party landlords. The activity from Santa Fe and Espanola has been combined to create one major fund. The Resident Opportunity and Supportive Services program is included in this fund.

The *Mainstream Vouchers Fund* is used to account for the resources and expenses that are directly related to the US Housing and Urban Development's Mainstream Voucher's program which enables families for whom the head, spouse, or co-head is a person with disabilities to lease affordable housing of their choice. The program has been combined with the Section 8 Voucher Fund to create one major fund.

The *SF Housing Development Corporation Fund* is used to account for the Section 8 property on Camino Consuelo Street.

The *Cielo Azul Fund* is used to account for the activity of an affordable housing project purchased in October 2005. The primary function is to house residents whose income is less than or equal to 80% of the area's median income.

The *La Cieneguita Fund* is used to account for the Section 202 project opened in November 2001.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Measurement Focus (continued)

Cash flow statements for the component units reconcile to operating cash only and do not include changes in restricted cash and cash equivalents. The Housing Authority's cash flow statement includes changes in both operating cash and restricted cash and cash equivalents.

Revenue Recognition: Dwelling rental revenues are recorded as rents become due. Rental payments received in advance are deferred until earned.

Grant revenues are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

The Housing Authority has entered into contracts with U.S. Department of Housing and Urban Development (HUD) to develop, manage and own public housing projects. HUD makes monthly operating subsidy contributions within the public housing program. Such contributions are reflected as operating grants revenue. Contributions received from HUD for capital additions and improvements are reported as capital grants revenue.

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 certain reported amounts and disclosures such as the lives of capital assets. Accordingly, actual results could differ from those estimates. Significant estimates in the Housing Authority's financial statements include depreciation on capital assets, the current portion of accrued compensated absences, the net pension liability and related deferred inflows/outflows, and the allowance for uncollectible mortgage, component unit receivables, and accounts receivable.

C. Asset Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Deposits and Investments: The Housing Authority is authorized under the provision of 6-10-10 NMSA 1978, as amended, to deposit its money in banks, savings and loan association and/or credit unions whose accounts are insured by an Agency of the United States. The Housing Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Before any local funds are invested or reinvested for the purpose of short-term investment pursuant to Section 6-10-10.1 NMSA 1978, as amended, the local public body finance official shall notify and make such funds available to banks, savings and loan associations and credit unions located within the geographical boundaries of their respective governmental unit, subject to the limitation on credit union accounts. To be eligible for such funds, the financial institution shall pay to the local public body the rate established by the state treasurer pursuant to a policy adopted by the State Board of Finance for such short-term investments.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Asset Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued)

Deposits and Investments: (continued)

State regulations require that uninsured demand deposits and deposit-type investments, such as certificates of deposit, be collateralized by the depository thrift or banking institution. Currently, state statutes require that a minimum of fifty percent (50%) of balances on deposit with any one institution must be collateralized. However, any portion of PHA/IHA funds not insured by a Federal insurance organization shall be fully (100%) and continuously collateralized with specific and identifiable US Government or Agency securities prescribed by HUD. If the securities pledged are United States government securities, they are pledged at market value.

Cash and Cash Equivalents: Cash and cash equivalents include business checking accounts maintained with local financial institutions, cash on hand, and investments in highly liquid debt instruments with an original maturity of three months or less. Financial Institutions are required by state statute to pledge collateral for any deposits that exceed the FDIC limit of \$250,000.

Fair Value Measurements: The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). As of June 30, 2019, there are no items required to be valued using valuation techniques.

Accounts Receivable: All trade receivables are shown net of an allowance for doubtful accounts. The allowance is comprised of all accounts receivable which management estimates to be uncollectible. Mortgage receivables are shown net of an allowance for doubtful accounts which is comprised of all mortgages receivable where the Authority is in a subordinate position. Component unit receivables are shown net of an allowance for doubtful accounts which is composed of component unit receivables which management has estimated to be uncollectible.

Inventory: The inventory held consists of expendable supplies held for consumption and recorded at cost. The cost is recorded as expenditures at the time of consumption. Inventory for the Housing Authority is valued at cost using the First In, First Out Method.

Prepaid Expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and detail financial statements.

Capital Assets: Capital assets, which include property, plant, and equipment, are defined by the Housing Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. The Housing Authority does have an exception for ranges and refrigerators, which are capitalized regardless of the cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation

**STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued)

Capital Assets: (continued)

of GASB Statement No. 34, the historical cost of infrastructure assets (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information Technology Equipment including software is being capitalized and included equipment in accordance with NMAC 2.2.20.1.9 C (5). Contributed capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Depreciation is recorded using the straight-line method based on the estimated useful life of the asset. The following lives are utilized:

<u>Assets</u>	<u>Years</u>
Structures and improvements	5-50
Furniture, fixtures, machinery and equipment	5-7
Vehicles	5-8

Deferred Outflows of Resources: In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time.

The Housing Authority has five types of items that qualify for reporting in this category. Accordingly, the items, contributions subsequent to measurement date of \$172,427, change in assumptions of \$223,189, net difference between projected and actual investment earnings of \$182,573, difference between expected and actual experience of \$71,148, and change in proportion of \$116,444 are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the appropriate future period when the outflow occurs.

Compensated Absences: The Housing Authority's policy allows employees to accumulate limited amounts of vacation and sick pay, which are payable to the employee upon termination or retirement.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued)

Deferred Inflows of Resources: In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. The Housing Authority has four types of items that qualify for reporting in this category.

Accordingly, change in assumptions of \$277,833, net difference between expected and actual experience of \$148,251, net difference between projected and actual investment earnings of \$17,626 and change in proportion of \$68,671 are reported in the Statement of Net Position. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Post-employment Benefits Other Than Pensions (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Loan Issuance Costs and Restatement: Loan issuance costs are expensed in the year they are incurred in accordance with GASBS 65. The Housing Authority had no loan issuance costs during the year ended June 30, 2019.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued)

Net Position: Net position represents the difference between assets plus deferred outflows of resources and liabilities less deferred inflows of resources. The Housing Authority classifies net position in the following three components:

- **Net investment in capital assets** - This account represents the total of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted net position** - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - Consists of all other net assets that do not meet the definition of "restricted" or "net investment in capital assets."

Unrestricted and Restricted Revenues: When both restricted and unrestricted resources are available for use, it is the Housing Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets

The Housing Authority's budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), using an estimate of the anticipated revenue and expenditures. Annual budgets of the Housing Authority are prepared prior to June 1 and must be approved by the Housing Authority's Board of Directors. Once the budget has been formally approved, any amendments must also be approved by the Housing Authority's Board of Directors. Formal budgetary integration is employed as a management control device during the year for all funds. The Housing Authority, at the functional level, performs this budgetary control. The legal level of budgetary control is at the fund level.

E. GASB Statement No. 77

GASB Statement No. 77 is intended to improve the usefulness of financial statements prepared by state and local governments – which are intended, among other things, to assist users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (inter-period equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources came from and how it uses them, and (4) a government's financial position and economic condition and how they have

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
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June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. GASB Statement No. 77 (continued)

changed after time – by including information about certain limitations on a government’s ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens – such as the encouragement of economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

For tax abatement agreements entered into by other governments, the following should be disclosed:

- The names of the governments that entered into the agreements;
- The specific taxes being abated; and
- The gross dollar amount of taxes abated during the period.

This statement does not have a material effect on the financial statements of the Housing Authority.

F. GASB Statement No. 88

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* is intended to improve the information that is disclosed in the notes to financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Housing Authority adopted GASB 88 during FY2019.

NOTE 2. NEW GASB ACCOUNTING STANDARDS

GASB Statement No. 82. This Statement establishes accounting and financial reporting requirements for pensions provided to the employees of state or local governmental employers. This Statement also

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NOTE 2. NEW GASB ACCOUNTING STANDARDS (CONTINUED)

establishes financial reporting requirements for pensions plans administered through trusts that meet the criteria in paragraph 3 of Statement 67. The objective of this Statement is to improve consistency in the application of pension accounting and financial reporting requirements by addressing certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. (GASB No. 75). GASB No. 75 is effective for employers that participate in the Retiree Health Care Fund administered by the New Mexico Retiree Health care Authority (NMRHCA) for fiscal years beginning after June 15, 2017. For most participating employers, this means the reporting year June 30, 2019. This Statement addresses accounting and financial reporting for postemployment of employee service, other than pensions that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, was issued in March 2016. The provisions of this Statement are effective for financial statements periods beginning after December 15, 2016. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This Statement also requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The Housing Authority is still evaluating how this pronouncement will affect the financial statements.

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NOTE 2. NEW GASB ACCOUNTING STANDARDS (CONTINUED)

GASB Statement No 85, *Omnibus 2017*, was issued in March 2017. The requirements of the Statement are effective for reporting periods beginning after June 15, 2017. This Statement addresses a variety of topics including the following:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost
- Timing the measurement of pension or other Post-employment benefits (OPEB) liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-related member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The Housing Authority is still evaluating how the pronouncement will affect the financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, was issued in May 2017. The requirements of the Statement are effective for reporting periods beginning after June 15, 2017. The primary objective of the Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is not applicable to the Housing Authority.

**STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2019**

NOTE 3. DEPOSITS AND INVESTMENTS

Cash and investments held by the Housing Authority consist of cash on deposit with financial institutions and certificates of deposit. Deposits are secured by both federal depository insurance and collateral pledged in the Housing Authority's name. Under New Mexico law, all deposits with financial institutions must be collateralized in an amount not less than 50% (102% for overnight deposits) of the uninsured balance. Market values of all cash and deposits approximate the cost of those assets.

Depository Accounts (bank balances)	
Insured	\$ 1,000,000
Collateral held by pledging bank's trust department not in the Authority's name	<u>4,693,879</u>
Total deposits	\$ <u>5,693,879</u>

Interest Rate Risk. The Authority's investment policy requires investment maturities to be scheduled to meet projected cash flow.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Housing Authority's deposits may not be returned to it. The Housing Authority does not have a deposit policy for custodial credit risk. As of June 30, 2019, \$4,693,879 of the Housing Authority's bank balance of \$5,693,879 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the Authority's name	\$ <u>4,693,879</u>
Total	\$ <u>4,693,879</u>

The Housing Authority's funds shall be invested in accordance with New Mexico Statute 6-10-36. Funds that are declared excess due to the inability of local financial institutions to accept these deposits may be invested in U.S. government securities, or as otherwise provided by law. The Housing Authority will diversify use of investment instruments to avoid incurring unreasonable risks inherent to over-investing in specific instruments, individual financial institutions or maturities.

NOTE 4. TENANT RECEIVABLE

The Housing Authority has a policy of allowing for all tenant receivables that are from participants that are no longer in the program. Tenant receivables are considered past due after 30 days. Interest is not accrued on past-due receivables.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
Notes to Financial Statements
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NOTE 4. TENANT RECEIVABLE (CONTINUED)

The tenant receivable and allowance for each fund are as follows:

	<u>Tenant</u> <u>Receivable</u>	<u>Allowance</u>	<u>Net Tenant</u> <u>Receivable</u>
Housing Authority	\$ 217,186	\$ (192,704)	\$ 24,482
SF Housing Development Corp.	1,858	-	1,858
Cielo Azul	5,671	-	5,671
La Cieneguita	<u>584</u>	<u>-</u>	<u>584</u>
Total Tenant Receivables	\$ <u>225,299</u>	\$ <u>(192,704)</u>	\$ <u>32,595</u>

NOTE 5. INTERFUND ACTIVITY

The interfund balances are related to various deposits and disbursements made into or from the general bank account in which the activity is related to a different fund.

<u>Due from other funds</u>		<u>Due to other funds</u>	
<u>Fund</u>		<u>Fund</u>	
Santa Fe Housing	\$ 923,800	Cielo Azul	\$ 1,284,041
Santa Fe Housing Dev. Corp.	796,353	Section 8 - Mainstream Voucher	12,552
		La Cieneguita	209,165
		Santa Fe Housing Dev. Corp.	<u>214,425</u>
	<u>\$ 1,720,153</u>		<u>\$ 1,720,183</u>

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
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NOTE 6. RELATED PARTY BALANCES

The Authority assisted in the establishment and has ownership in the following tax exempt entities:

<u>Entity</u>	<u>Ownership</u>
Santa Fe RAD Development, LLC	100.000%
Espanola RAD Development, LLC	100.000%
Bernalillo RAD Development, LLC	100.000%
Campo Alegria, LLC	0.001%
Villa Alegre Family, LLC	0.001%
Villa Alegre Senior, LLC	0.001%
PT RAD Development, LLC	0.001%
VH RAD Development, LLC	0.001%
Santa Fe Community Living, LLC	0.001%
Village in the Bosque, LLC	0.001%
Country Club Apartments, LP	100.000%

The RAD entities have a sole member (SFCHA) and a managing member (the SFCHA Exec. Director). The SFCHA Executive Director is Treasurer of Casas De Buena Ventura, Inc. Campo Alegria, LLC, Villa Alegre Family, LLC, Villa Alegre Senior, LLC, Santa Fe Community Living, LLC, Country Club Apartments, LP, and Village in the Bosque, LLC are LIHTC developments with SFCHA managing member.

Due from Other Related Party Entities

Santa Fe Housing Authority

Due from Village in the Bosque (Due From)	\$ 149,036
Due from Country Club Apartments (Due From)	102,412
Due from Pasa Tiempo (Due From)	139,213
Due from Villa Consuelo (Due From)	26,967
Due from VH RAD (Due From)	96,395
Due from VH Santa Fe (Due From)	59,454
Other receivables - related parties	<u>573,477</u>
Due from Village in the Bosque (Note Rec)	2,500,000
Due from Santa Fe Community Living-Acquisition (Note Rec)	8,500,000
Due from VA Senior (Note Rec)	3,497,750
Due from Villa Hermosa (Note Rec)	1,000,000
Due from Pasa Tiempo-Acquisition (Note Rec)	6,593,000
Due from Pasa Tiempo-Cash Flow (Note Rec)	3,750,000
Due from Pasa Tiempo (Note Rec)	450,000
Notes receivable - related parties	<u>26,290,750</u>
Total Santa Fe Housing Authority	<u>26,864,227</u>

**STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
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NOTE 6. RELATED PARTY BALANCES (CONTINUED)

Cielo Azul

Due from Country Club Apartments (A/R-Due From)	\$ 286,294
Due from Pasa Tiempo (A/R-Due From)	100,000
Due from PT RAD (A/R-Due From)	850,000
Due from Paseo del Sol (A/R-Due From)	82,000
Due from VC Development (A/R-Due From)	474
Due from VH Santa Fe (A/R-Due From)	227,289
Due from Village in the Bosque (A/R-Due From)	298,057
Due from Calle La Resolana (A/R-Due From)	20,000
Due from LANB Pacheco (A/R-Due From)	243,353
Other receivables - related parties	<u>2,107,467</u>
Due from Village in the Bosque (Note Rec)	1,264,024
Due from Santa Fe Community Living (Note Rec)	2,653,299
Due from Campo Alegria (Note Rec)	427,223
Due from VA Family (Note Rec)	532,781
Notes receivable - related parties	<u>4,877,327</u>
Total Cielo Azul	<u>6,984,794</u>

Santa Fe Housing Development Corporation

Due from Villa Consuelo (A/R-Due From)	273,412
Due from Villa Consuelo (Note Rec)	<u>4,486,973</u>
Total Santa Fe Housing Development Corporation	<u>4,760,385</u>

Total Due from Other Related Party Entities **\$ 38,609,406**

Due to Other Related Party Entities

Santa Fe Housing Authority

Due to Santa Fe Community Living (Due To)	\$ 28,979
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Santa Fe Housing Development Corporation

Due to VC Development (Due To)	598,642
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Cielo Azul

Due to Casa de Buena Ventura (Due To)	<u>200,000</u>
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Total Due to Other Related Party Entities **\$ 827,621**

STATE OF NEW MEXICO
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Notes to Financial Statements
June 30, 2019

NOTE 6. RELATED PARTY BALANCES (CONTINUED)

Santa Fe Housing

The notes receivable-related parties amounting to \$26,290,750 are not expected to be collected within one year.

The \$2,500,000 note receivable from Village in the Bosque, LLC accrues interest at 3.49% through the date of final certificate of occupancy. Monthly principal and interest payments from Village in the Bosque, LLC are due thereafter. The loan is secured by real property and is due on the 40th anniversary of final certificate of occupancy.

The \$8,500,000 note receivable from Santa Fe Community Living, LLC accrues interest at 2.89% upon completion of construction. Monthly principal and interest are due based on available cash flow. The loan is secured by real property and is due on the 40th anniversary of final certificate of occupancy.

The \$3,497,750 note receivable due from Villa Alegre Senior, LLC is an interest-free note. The note is paid with excess cash flows from Villa Alegre Senior, LLC. The loan is secured by a third priority lien deed of trust covering the fee simple interest of the Senior LLC and matures on June 9, 2065.

The \$1,000,000 note receivable from VH SF, LLC, carries interest at 6% upon completion of construction. Monthly principal and interest is due based on available cash flow. The loan is secured by real property and is due on the 40th anniversary of final certificate of occupancy.

The \$6,593,000 acquisition note receivable from Pasa Tiempo, LLC accrues interest at 2.75% upon completion of construction. Monthly principal and interest is due based on available cash flow. The loan is secured by real property and is due on the 55th anniversary of final certificate of occupancy.

The \$3,750,000 cash flow note receivable from Pasa Tiempo, LLC accrues interest at 5% per annum until the conversion date, thence interest free. After the conversion date, principal and interest are due annually based upon available cash flow. Loan matures on the 55th anniversary of final certification of occupancy.

The note receivable from Pasa Tiempo, LLC accrues interest at 5% per annum until the conversion date. Interest is due monthly until the conversion date, thereafter, principal and interest payments are due monthly until maturity. The loan is secured by real property and matures on the 55th anniversary of final certificate of occupancy.

Cielo Azul

The notes receivable-related parties amounting to \$4,877,326 are not expected to be collected within one year.

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Notes to Financial Statements
June 30, 2019

NOTE 6. RELATED PARTY BALANCES (CONTINUED)

The \$1,264,024 note receivable from Village in the Bosque, LLC is an interest-free note paid with excess cash flows. Payments of principal are due each month after final certificate of occupancy. The note is unsecured and matures on July 15, 2054.

The \$2,653,299 note receivable from Santa Fe Community Living, LLC is an interest-free note payable monthly based on available cash flow. The note matures on December 19, 2054.

The \$427,223 note receivable from Campo Alegria, LLC accrues interest at 6.25%. Principal and interest payments are due monthly. The loan is secured by real property and matures on December 1, 2042.

The \$532,781 note receivable due from Villa Alegre Family, LLC is an interest-free note. The note is paid with excess cash flows. The loan is secured by a third priority lien deed of trust covering the fee simple interest of the Family LLC and matures on June 9, 2065.

Santa Fe Housing Development Corporation

The \$4,486,973 note receivable due from Villa Consuelo, LLC is an interest-free note payable monthly based on available cash flow. The note matures on April 17, 2049.

STATE OF NEW MEXICO
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June 30, 2019

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Adjusted Beg. Balance</u>	<u>Additions/ Transfers In</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 1,142,589	\$ 1,812,335	\$ -	\$ 2,954,924
Construction in progress	<u>2,000,000</u>	<u>1,258,969</u>	<u>-</u>	<u>3,258,969</u>
Total	<u>3,142,589</u>	<u>3,071,304</u>	<u>-</u>	<u>6,213,893</u>
Capital assets, being depreciated				
Buildings and improvements	24,964,745	640	(3,708,510)	21,256,875
Furniture and fixtures	882,914	-	(200,578)	682,336
Machinery and equipment	127,486	-	(2,907)	124,579
Vehicles	<u>420,903</u>	<u>-</u>	<u>-</u>	<u>420,903</u>
Total	26,396,048	640	(3,911,995)	22,484,693
Less accumulated depreciation	<u>(18,555,804)</u>	<u>(668,769)</u>	<u>3,911,995</u>	<u>(15,312,578)</u>
Total capital assets, being depreciated, net	<u>7,840,244</u>	<u>(668,129)</u>	<u>-</u>	<u>7,172,115</u>
Total capital assets	<u>\$ 10,982,833</u>	<u>\$ 2,403,175</u>	<u>\$ -</u>	<u>\$ 13,386,008</u>

Depreciation expense for the year ended June 30, 2019 totaled \$668,769. The entire amount has been included in the Statement of Revenues, Expenses and Changes in Net Position as a Housing Program expenditure.

NOTE 8. LONG-TERM DEBT

Changes in Long-Term Liabilities. During the year ended June 30, 2019, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance 6/30/18</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/19</u>	<u>Due Within One Year</u>
Notes payable	\$ 6,286,343	\$ 755,130	\$ (3,257,513)	\$ 3,783,960	\$ 175,281
Compensated absences	<u>246,321</u>	<u>230,722</u>	<u>(189,575)</u>	<u>287,468</u>	<u>287,468</u>
Total	<u>\$ 6,532,664</u>	<u>\$ 985,852</u>	<u>\$ (3,447,088)</u>	<u>\$ 4,071,428</u>	<u>\$ 462,749</u>

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NOTE 8. LONG-TERM DEBT (CONTINUED)

For the year ended June 30, 2019, the Authority incurred \$288,848 of interest expense that has been included in the Statement of Revenues, Expenses and Changes in Net Position as a Housing Program non-operating expenses.

Notes Payable

The Housing Authority (Cielo Azul) assumed a \$109,620 note with MFA upon being granted ownership of Region II Vouchers. The note has an interest rate of 5.0%, secured by real property and with a maturity date of December 2021. The balance of the note as of June 30, 2019 is \$26,007.

The Housing Authority (Cielo Azul) entered into a commercial mortgage with Los Alamos National Bank for the purpose of acquiring the Cielo Azul property for \$700,000 at 4.75% interest, secured by real property, and with a maturity date of October 2034, secured by property. The balance of the note as of June 30, 2019, is \$512,906.

The Housing Authority (Cielo Azul) entered into a commercial mortgage with Los Alamos National Bank for the purpose of acquiring the Cielo Azul-Phase IV property for \$925,000 at 4.95% interest, secured by real property, and with a maturity date of April 2025, secured by property. The balance of the note as of June 30, 2019, is \$838,316.

The Housing Authority (Cielo Azul) entered into a commercial mortgage with the Pueblo Bank and Trust Company for the purpose of acquiring the St. Catherine's Indian School property for \$1,700,000 at 4.25%, secured by real property, and with a maturity date of November 2017. The balance of the note as June 30, 2019 is \$1,510,084.

The Housing Authority (Cielo Azul) entered into a commercial mortgage with the New Mexico Bank and Trust for the purpose of acquiring the Cazuela property for \$93,800 at 4.85%, secured by real property, and with a maturity date of July 2025. The balance of the note as of June 30, 2019 is \$82,167.

The Housing Authority (Cielo Azul) entered into a commercial mortgage with the New Mexico Bank and Trust for the purpose of acquiring the La Cieneguita property for \$120,800 at 4.85%, secured by real property, and with a maturity date of July 2035. The balance of the note as of June 30, 2019 is \$106,873.

The Housing Authority (Cielo Azul) entered into a commercial mortgage with the Los Alamos National Bank for the purpose of acquiring the Calle Angelica property for \$125,000 at 4.75%, secured by real property and with a maturity date of December 2021. The balance of the note as of June 30, 2019 is \$115,104.

**STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2019**

NOTE 8. LONG-TERM DEBT (CONTINUED)

The Housing Authority (Cielo Azul) entered into a commercial mortgage with Los Alamos National Bank for the purpose of acquiring the Rufina Street property for \$608,974 at 4.75% , secured by real property and with a maturity date of November 2025. The balance of the note as of June 30, 2019 is \$592,503.

Total aggregate maturing of the notes payable at June 30, 2019, is as follows:

<u>Year</u>	<u>(Cielo Azul)</u> <u>Commercial Mortgage-LANB</u>		<u>(Cielo Azul)</u> <u>Commercial Mortgage-LANB</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 20,068	\$ 30,294	\$ 29,125	\$ 27,974
2021	21,392	28,969	30,636	26,464
2022	22,668	27,693	32,144	24,955
2023	24,066	26,295	33,727	23,373
2024	25,516	24,845	35,328	21,771
2025-2029	153,457	98,348	431,543	27,806
2030-2034	206,946	44,859	-	-
2035	38,793	664	-	-
	<u>\$ 512,906</u>	<u>\$ 281,967</u>	<u>\$ 592,503</u>	<u>\$ 152,343</u>

<u>Year</u>	<u>(Cielo Azul)</u> <u>Casas De Buena Ventura Note</u>		<u>(Cielo Azul)</u> <u>MFA Note 1</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ -	\$ -	\$ 10,014	\$ 1,073
2021	-	-	10,527	561
2022	-	-	5,466	80
2023	-	-	-	-
2024	-	-	-	-
2025-2027	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,007</u>	<u>\$ 1,714</u>

**STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
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NOTE 8. LONG-TERM DEBT (CONTINUED)

Year	(Cielo Azul) Commercial Mortg.-LANB		(Cielo Azul) Commercial Mortgage- Pueblo Bank & Trust (St. Catherines)	
	Principal	Interest	Principal	Interest
	2020	\$ 23,537	\$ 41,034	\$ 80,503
2021	24,861	39,711	84,886	70,524
2022	26,054	38,518	89,290	66,119
2023	27,373	37,198	93,923	61,486
2024	28,701	35,870	98,643	56,766
2025-2029	707,790	28,665	576,272	200,774
2030	-	-	486,567	44,415
	-	-	-	-
	<u>\$ 838,316</u>	<u>\$ 220,996</u>	<u>\$ 1,510,084</u>	<u>\$ 574,990</u>

Year	(Cielo Azul) Commercial Mortg.- NM Bank & Trust (Cazuela)		(Cielo Azul) Commercial Mortg.- NM Bank & Trust (La Cieneguita)	
	Principal	Interest	Principal	Interest
	2020	\$ 3,418	\$ 3,961	\$ 4,330
2021	3,601	3,779	4,562	4,941
2022	3,782	3,597	4,792	4,711
2023	3,972	3,407	5,033	4,470
2024	4,163	3,216	5,274	4,229
2025-2027	63,231	3,243	82,882	5,526
	<u>\$ 82,167</u>	<u>\$ 21,203</u>	<u>\$ 106,873</u>	<u>\$ 29,050</u>

Year	(Cielo Azul) Calle Angelina Commercial Mortg.-LANB		Totals	
	Principal	Interest	Principal	Interest
	2020	\$ 4,285	\$ 5,465	\$ 175,280
2021	4,511	5,239	184,976	180,188
2022	106,308	2,544	290,504	168,217
2023	-	-	188,094	156,229
2024	-	-	197,625	146,697
2025-2029	-	-	2,015,175	364,362
2030-2034	-	-	693,513	89,274
2035	-	-	38,793	664
	<u>\$ 115,104</u>	<u>\$ 13,248</u>	<u>\$ 3,783,960</u>	<u>\$ 1,295,511</u>

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
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NOTE 9. PENSION PLAN -PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description. The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund, unless specifically excluded.

Benefits provided. Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, per employee. Contribution increased 1.5% and effective July 1, 2014 employer contributions were raised .05%. The computation of final average salary increased as the average of salary for 60 consecutive months.

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Notes to Financial Statements
June 30, 2019

**NOTE 9. PENSION PLAN-PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(CONTINUED)**

Contributions. The contribution requirements of defined benefit plan members and the Santa Fe Civic Housing Authority are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for Fiscal Year 2019 for the various PERA coverage options, and for both Tier I and Tier II, see the tables available at <http://www.nmpera.org/financial-overview/retirement-fund-valuation-reports>. The PERA coverage option that applies to Santa Fe Civic Housing Authority is the Municipal General Division. Statutorily required contributions to the pension plan from Santa Fe Civic Housing Authority were \$142,567 for the year ended June 30, 2019 and there were no employer paid members benefits that were “picked up” by the employer for the year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At June 30, 2019, the Housing Authority reported a liability of \$2,461,707 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The Housing Authority’s proportion of the net pension liability was based on a projection of the Housing Authority’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Housing Authority’s proportion was 0.1544 %, which changed from its proportion measured as of June 30, 2017 of 0.1511 %.

For the year ended June 30, 2019, the Housing Authority recognized PERA Fund Municipal General Division pension expense of \$124,415. At June 30, 2019, the Housing Authority reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

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SANTA FE CIVIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2019**

**NOTE 9. PENSION PLAN-PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(CONTINUED)**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ 223,189	\$ 14,154
Net difference between projected and actual investment earnings on pension plan investments	182,573	-
Changes in proportion and differences between Housing Authority contributions and proportionate share of contributions	44,832	68,671
Difference between expected and actual experience	71,148	64,631
Housing Authority contributions subsequent to the measurement	<u>142,567</u>	<u>-</u>
Total	<u>\$ 664,309</u>	<u>\$ 147,456</u>

The \$142,567 reported as deferred outflows of resources related to pensions resulting from Housing Authority contributions subsequent to the measurement date June 30, 2018, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2020	\$ (215,321)
2021	(115,574)
2022	(34,128)
2023	(9,263)
2024	-
Thereafter	<u>-</u>
	<u>\$ (374,286)</u>

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

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SANTA FE CIVIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2019**

**NOTE 9. PENSION PLAN-PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(CONTINUED)**

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Actuarial assumptions:	
Investment rate of return	7.25% annual rate, net of investment experience
Projected benefit payment	100 years
Payroll growth	3.00%
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.50% annual rate for the first 9 years, then 2.75% all other years
Mortality assumption	RPH-2014 Blue Collar mortality table
Experience study dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a statistical analysis method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>All Funds - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	43.50%	7.48%
Risk reduction & mitigation	21.50%	2.37%
Credit oriented fixed income	15.00%	5.47%
Real assets	20.00%	6.48%
	<hr/>	
Total	100.00%	
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**STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2019**

**NOTE 9. PENSION PLAN-PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(CONTINUED)**

Discount rate: The blended discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.25% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

Sensitivity of the Housing Authority's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Housing Authority's net pension liability in each PERA Fund Division that the Housing Authority participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current single discount rate of 7.25%.

	1% Decrease	Current Discount Rate	1% Increase
	(6.25%)	(7.25%)	(8.25%)
PERA Fund Municipal General Division			
Santa Fe Civic Housing Authority's			
Proportionate share of the net pension liability	\$ 3,793,326	\$ 2,461,707	\$ 1,360,911

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY18 PERA financial report. The report is available at <https://www.pera.state.us/publications.html>.

Payables to the pension plan. The Housing Authority had payables to PERA at June 30, 2019 totaling \$15,221 (employer portion \$6,007 and employee portion \$9,214).

NOTE 10. POST EMPLOYMENT BENEFITS (OPEB)

Post-employment Benefits (OPEB) – State Retiree Health Care Plan

Plan Description. Employees of the Housing Authority are provided OPEB through the New Mexico Retiree Health Care Fund (the Fund), a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). The NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19

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NOTE 10. POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

Benefits Provided. The Fund is a cost-sharing multiple-employer defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees covered by benefit terms. At June 30, 2018, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan Membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	93,349
	<u>156,025</u>
Active Membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Education Retirement Board	48,756
	<u>93,349</u>

Contributions. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstances, including termination of the employer's participation in the Fund. Contributions

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NOTE 10. POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Contributions. (Continued)

to the Fund from the Housing Authority were \$29,857 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2019, the Housing Authority reported a liability of \$1,412,346 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Housing Authority's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the Housing Authority's proportion was 0.03248 percent.

For the year ended June 30, 2019, the Housing Authority recognized OPEB expense of \$57,365. At June 30, 2019 the Housing Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 263,679
Net Difference between projected and actual investment earnings on OPEB plan investments	-	17,626
Change in proportion and difference between Housing Authority contributions and proportionate share of contributions	71,612	-
Difference between expected and actual experience	-	83,620
Housing Authority contributions made subsequent to the measurement	29,857	-
	<u>\$ 101,469</u>	<u>\$ 364,925</u>

The Contributions made after the measurement date totaling \$29,857 represent the Housing Authority contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

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Notes to Financial Statements
June 30, 2019**

NOTE 10. POST EMPLOYMENT BENEFITS (OPEB) (CONT'D)

Subsequent Recognition of Deferred Amounts:

<u>Year ended June 30</u>	<u>Amount</u>
2020	\$ (77,547)
2021	(77,547)
2022	(77,547)
2023	(56,431)
2024	(4,241)
Total	<u>\$ (293,313)</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on an individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.25% to 12.50% based on years of service, including inflation
Investment rate of return	7.25% net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs
Mortality	PERA members: RP-2000 Combined Health Mortality

Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in derivation of the long-term expected investment rate of return assumptions.

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Notes to Financial Statements
June 30, 2019**

NOTE 10. POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The best estimates for the long-term expected rate of return is submitted as follows:

<u>All Funds - Asset Class</u>	<u>Long-term Rate of Return</u>	<u>Target Allocation</u>
U.S. core fixed income	2.1%	20.0%
U.S. equity - large cap	7.1%	20.0%
Non U.S. - emerging markets	10.2%	15.0%
Non U.S. - developed equities	7.8%	12.0%
Private equity	11.8%	10.0%
Credit and structured finance	5.3%	21.5%
Real estate	4.9%	5.0%
Absolute return	4.1%	5.0%
U.S. equity - small/mid cap	79.1%	3.0%

Discount Rate. The discount rate used to measure the Fund's total OPEB liability is 4.08% of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs

for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa (3.87%) or higher, thus, 4.08% the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the Housing Authority, as well as what the Housing Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

<u>1% Decrease (3.08)</u>	<u>Current Discount (4.08%)</u>	<u>1% Increase (5.08%)</u>
\$ 1,709,271	\$ 1,412,346	\$ 1,078,302

**STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2019**

NOTE 10. POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The following presents the net OPEB liability of the Housing Authority, as well as what the Housing Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
\$ 1,193,927	\$ 1,412,346	\$ 1,583,591

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2018.

Payable Changes in the Net OPEB Liability. At June 30, 2019, the Housing Authority reported a payable of \$1,258 for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

NOTE 11. CONTINGENCIES AND RISK MANAGEMENT

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Housing Authority expects such amounts, if any, to be immaterial.

The Housing Authority is involved in various legal actions arising from the ordinary course of operations. With respect to these actions, their counsel believes the outcome will not have a material adverse effect on the Authority's financial position. The Housing Authority mitigates the risk of loss by purchasing commercial insurance.

The Housing Authority has the following policies:

Worker's Compensation	Director's Liability Coverage
Property	Civil Rights
General Liability	Auto Liability
Employee Theft/Dishonesty/Crime Blanket Coverage	

The Housing Authority has not had any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Housing Authority which exceeds the insurance coverage, the Housing Authority would be responsible for a loss in excess of the coverage amounts. There has not been any significant change in coverage from the previous years.

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NOTE 12. NET POSITION - RESTATEMENTS OF JUNE 30, 2018 BALANCE

Net position as of June 30, 2018 has been restated in the amount of \$(53,076) as follows:

<u>Housing Authority Fund</u>	
Tenant services - prior-period adjustment	\$ 43,407
Other receivables - prior-period adjustment	(12,171)
Other miscellaneous equity adjustment - prior-period adjustment	(2)
GASB 68, PERA - prior-period adjustment	9,764
	<u>40,998</u>
 <u>Section 8 Voucher Fund</u>	
GASB 68, PERA - prior-period adjustment	<u>4,755</u>
 <u>Santa Fe Housing Development Fund</u>	
GASB 68, PERA - prior-period adjustment	<u>2,393</u>
 <u>Cielo Azul Fund</u>	
Other miscellaneous equity adjustment - prior-period adjustment	(257)
GASB 68, PERA - prior-period adjustment	3,706
	<u>3,449</u>
 <u>La Cieneguita Fund</u>	
GASB 68, PERA - prior-period adjustment	<u>1,481</u>
Total Net Position Restatements - June 30, 2018	<u>\$ 53,076</u>

NOTE 13. RECENT PRONOUNCEMENTS

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The requirements of this Statement are effective for periods beginning after December 31, 2020. Earlier application is encouraged. The Housing Authority is still evaluating how this pronouncement will effect the financial statements.

In August 2018, the GASB issued Statement No. 90, *Majority Interests* in an amendment of GASB Statements No. 14 and No. 6. The requirements of this statement are effective for periods beginning after December 15, 2018. Earlier application is encouraged. This statement is not applicable to the Authority. This standard will be implemented in a subsequent period.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. This statement is not applicable to the Authority.

STATE OF NEW MEXICO
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Notes to Financial Statements
June 30, 2019

NOTE 13. RECENT PRONOUNCEMENTS (CONT'D)

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This Statement applies to notes to financial statements of all periods presented. This standard was implemented in the current period.

In June 2017, the GASB issued Statement No. 87, *Leases*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. This standard will be implemented in a subsequent period.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This statement is not applicable to the Authority.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. This statement is not applicable to the Authority.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This statement is not applicable to the Authority.

NOTE 14. SUBSEQUENT EVENTS

The Housing Authority has evaluated subsequent events through December 13, 2019, which is the date the financial statements were available to be issued and concluded that no additional disclosures are required.

NOTE 15. COMPONENT UNITS (For-Profit Entities)

As described in Note 1, the reporting entity includes of several component units as defined under GASB Statement No. 14, amended by No. 39 and No. 61. The component units that have a calendar year end are comprised of the following :

- Country Club Apartments, LP SFCHA-99.900% limited partner
and 0.100% managing member
- Pasa Tiempo, LLC SFCHA - 0.01% managing member
- Santa Fe Community Living , LLC SFCHA - 0.01% managing member
- Tierra Contenta II, LP SFCHA - 0.07% managing partner
and 99.99% limited partner

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
Notes to Financial Statements
June 30, 2019

NOTE 15. COMPONENT UNITS (For-Profit Entities) (CONTINUED)

- VH Santa Fe, LLC SFCHA - 0.01% managing member
- Villa Alegre Senior, LLC SFCHA - 0.01% managing member
- Villa Alegre Family, LLC SFCHA - 0.01% managing member
- Village in the Bosque, LLC SFCHA - 0.01% managing member

The component units that have a June 30 year end are comprised of the following :

- Campo Alegria, LLC SFCHA - 0.01% managing member

The Housing Authority is the managing member of each of the entities listed above.

The criteria provided in GASB Statement No. 14, amended by GASB Statements No. 39 and No. 61, has been considered and the for-profit entities listed above meet the criteria for inclusion as component units of the Housing Authority. The calendar year end component units continued operations for the first six months of 2019 and that financial information is not included within the basic financial statements of the Housing Authority. Except for Campo Alegria, LLC, the last issued audited financial statements of the component units were as of December 31, 2018. The audited financial statements for the above individual component units are not available on the New Mexico State Auditor's Office website since they were not contracted through the New Mexico State Auditor's Office. Separate audited financial statements for the individual component units can be obtained through the Executive Director of the Santa Fe Civic Housing Authority at 664 Alta Vista, Santa Fe, New Mexico 87502.

The following represent the disclosures from the audited financial statements of each entity.

CAMPO ALEGRIA, LLC
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1. DESCRIPTION OF COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Campo Alegria LLC, a New Mexico limited liability company (the “Company”) was formed to develop, own and operate Campo Alegria Apartments, a 29-unit low-income housing project (the Project) located in Santa Fe, New Mexico. The Company was formed on August 5, 2011 with Santa Fe Civic Housing Authority, Inc. (SFCHA) as the sole member. On September 8, 2011, Campo Development LLC, as the managing member, and U.S. Bank National Association (USBNA), as the investor member, were admitted and SFCHA withdrew. On May 17, 2013, in a two-part assignment of interest, USBNA assigned its entire interest to U.S. Bank Community Development Corporation (USBCDC). USBCDC was admitted as the substitute investor member and USBNA withdrew. Immediately following, USBCDC assigned its entire interest to USB LIHTC FUND 2013-1, LLC (the Fund). The Fund was admitted and USBCDC withdrew. The project is eligible for low-income housing tax credits established under the program described in Section 42 of the Internal Revenue Code of 1986, as amended, which requires the Company to ensure that residents meet certain eligibility requirements to maintain compliance with tax law and loan agreements. The Company shall continue in perpetuity unless terminated earlier in accordance with the provisions of the operating agreement.

The management of the Company and the ongoing management of Campo Alegria LLC are vested in the Members. The Company has hired Monarch Properties to provide day to day management for the property. Compensation for such services is as determined under the membership agreement and management agreement.

The Company is reported as a component unit of Santa Fe Civic Housing Authority (SFCHA). Santa Fe Civic Housing Authority has an ownership interest as the General Member of the Company. The Company has no component units.

Related to GASB 77, the Company does not negotiate property tax abatements and has no tax abatement agreements as of June 30, 2019.

The Company does not receive public money from the State of New Mexico or any local governments as defined by 6-10-1 to 6-10-63 NMSA 1978 and therefore is not subject to several state compliance regulations.

Basis of Presentation

The financial statements are presented on the accrual basis and include only those assets, liabilities, revenues, and expenses which relate to the business of the Company. The financial statements do not include any assets, liabilities, revenues, or expenses attributable to activities of the managing or limited members.

CAMPO ALEGRIA, LLC
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1. DESCRIPTION OF COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash and money market funds with maturities of three months or less at the date of acquisition.

The Company maintains its cash balances in one financial institution. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Company has not experienced any losses from these accounts and believes it is not exposed to significant credit risk.

The Company does not receive public money from the State of New Mexico or any local governments as defined by NMSA 1978 and therefore is not required to secure collateralization on cash deposits.

Capitalization and Depreciation

Building, improvements, furniture and equipment are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the individual assets: 40 years for building, 15 years for land improvements and 5 years for furniture and equipment. Maintenance repairs and minor replacements are charged to expense when incurred. Major replacements and improvements are capitalized. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. Any resulting gains and losses are reflected in the statements of operations.

The Company evaluates the investment in real estate for impairments and will continue to evaluate the assets if events or circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the 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 amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2019 or 2018.

Tenant Receivable and Bad Debt Policy

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

Financing Fees

Financing fees are amortized over the term of the loan using the straight-line method. Accumulated amortization totaled \$867 and \$733 as of June 30, 2019 and 2018, respectively.

CAMPO ALEGRIA, LLC
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1. DESCRIPTION OF COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Credit Fees

Tax credit fees are recorded at cost and amortized over 15 years. Accumulated amortization totaled \$21,103 and \$18,052 as of June 30, 2019 and 2018, respectively.

The Company received an allocation of Low-Income Housing Tax Credits (LIHTC) for its qualifying rental property. The benefits of the LIHTC are provided to the Company's members through the Company's annual federal income tax return filing and are not reflected in the accompanying financial statements. The LIHTC is generally claimed by the Company's members on a pro-rata basis over a 10-year period. The credit is a certain percentage (as determined by the Internal Revenue Service) of the qualified basis of the property. The Company may only lease qualified units to qualified tenants who meet certain income restrictions and whose rent payments also are restricted under guidelines set the by Internal Revenue Service.

Revenue Recognition

Rental revenues are recognized in the month in which the services are provided and are presented net of rent concessions and vacancy losses. All leases between the Company and the tenants of the property are operating leases. Other income is recognized as the relates services are provided and include application fees, late fees, and other miscellaneous income.

Income Taxes

The Company is not a tax-paying entity for federal or state income tax purposes; accordingly, a provision for income taxes has not been recorded in the accompanying financial statements. Company income or losses are reflected in the members' income tax returns in accordance with their ownership percentages.

The Company follows the provisions of FASB ASC *Topic Accounting for Uncertainty in Income Taxes*. Management has evaluated the tax positions and concluded that there are no uncertain tax positions that require adjustments to the financial statements to comply with provisions of this Topic.

The Company's income tax returns are subject to examination by taxing authorities in its major tax jurisdiction.

Property Taxes

The Project qualifies as a Municipal Housing Project and is exempt from property taxes. The exemption is in effect for as long as the Project continues to qualify as a Municipal Housing Project and current law remains in effect.

CAMPO ALEGRIA, LLC
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1. DESCRIPTION OF COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of the financial statements in conformity with the 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 reporting period. Actual results could differ from those estimates.

NOTE 2. MEMBERS' EQUITY

The managing member, Campo Development LLC, has a 0.01 percent interest, and the investor member, U.S. Bank National Association, through May 17, 2013, and USB LIHTC FUND 2013-1, LLC, beginning May 18, 2013, has a 99.99 percent interest. Net cash flows from the Company, after payment of certain items stipulated in the operating agreement, are allocated to the members in the same proportion as profits and losses. The investor member and the managing member are expected to make capital contributions of \$5,998,372 the investing and managing members (amended) and \$40,000, respectively. All required capital contributions of the investing and managing members had been made as of June 30, 2019.

Option to Purchase

The managing member has the option to purchase the investor member's interest after the compliance period for a purchase price equal to the greater of (A) all credit deficiencies, fees, loans, and other amounts owed to the investor member, plus all taxes imposed on the investor member in connection with the sale; and (B) the fair market value of the investor member's interest at the appraised value.

Santa Fe Civic Housing Authority, Inc. is granted right of first refusal and option to purchase the Project at a price equal to the sum of (i) the then-outstanding principal indebtedness secured by the property, and all accrued and unpaid interest thereon, (ii) all federal, state and local taxes attributable to the sale, and (iii) any unpaid credit deficiency, default cash flow priority, asset management fees, tax equivalency payments, any loans or advances made by the investor member and any and all amounts then owing by the managing member to the investor member.

NOTE 3. RESTRICTED CASH RESERVES

The operating agreement requires the Company to establish the following reserves:

Operating Reserve - The Company is required to establish an operating reserve of at least \$89,988 in a separate bank account, to be funded on the date of the third capital installment. No funds shall be expended from the operating reserve without the written consent from the investor member. The reserve was established in March 2013 and was fully funded as of June 30, 2019 and 2018.

CAMPO ALEGRIA, LLC
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 3. RESTRICTED CASH RESERVES (continued)

The operating agreement requires the Company to establish the following reserves: (continued)

Replacement Reserve - As a condition of the operating agreement, beginning December 1, 2012, the Company is required to maintain a separate bank account to be used for the replacement or repair of capital assets. The reserve is funded at \$300 per unit per year, increasing ten percent on each fifth anniversary of the replacement reserve. No funds shall be expended from the replacement reserve without consent of the investor member. As of June 30, 2019, and 2018, the reserve has been funded in accordance with the operating agreement.

Supplemental Expense Reserve – The Company is required to establish a supplemental expense reserve in a separate bank account, from funds from the second capital installment. The reserve shall be used to fund operating expenses of the Company, included, but not limited to, payment of Project debt service, as reasonably determined by the managing member. This reserve was not established as of June 30, 2019 and 2018.

Tenant Security Deposits – Tenant security deposits are held in a separate bank account. The Company requires tenants to provide security deposits and maintains these in interest-bearing accounts. This account was funded in an amount greater than the security deposit liability as of June 30, 2019 and 2018. As of June 30, 2019, and 2018, the security deposits were fully funded.

NOTE 4. NOTE PAYABLE

The note payable consists of a \$470,000 loan from Santa Fe Civic Housing Authority, Inc., the sole member of Campo Development LLC, the managing member. Principal payments of \$2,894 including interest at 6.25% are due monthly. The loan is secured by real property and matures December 1, 2042.

	2019	2018
Current portion	\$ 8,259	\$ 7,760
Long-term portion	418,964	427,223
	\$ 427,223	\$ 434,983

Maturities of long-term debt are as follows:

Year ended June 30, 2020	\$ 8,259
2021	8,790
2022	9,356
2023	9,957
2024	10,598
Thereafter	380,263
	\$ 427,223

Interest incurred totaled \$26,926 and \$27,398 for the years ended June 30, 2019 and 2018, respectively.

CAMPO ALEGRIA, LLC
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 5. TRANSACTIONS WITH RELATED PARTIES

Company Management Fee

The Company is required to pay the managing member an annual noncumulative company management fee of \$15,000, to the extent net cash flow, as defined in the operating agreement, is available. The company management fee does not accrue. No company management fee was paid for the years ended June 30, 2019 and 2018, respectively.

Asset Management Fee

The Company is required to pay an affiliate of the investor manager an annual asset management fee of \$2,900 for annual review of the operations of the Company and the Project, payable from net cash flow, as defined in the operating agreement. The fee shall increase by ten percent on each fifth anniversary. If cash flow is not available, the fee will accrue. Total accrued asset management fees were \$3,190 and \$3,190 as of June 30, 2019 and 2018, respectively.

Property Management Fee

The Company has engaged the services of a property management company to manage the daily operations of the Project. Under the agreement, the Company is required to pay the property manager the greater of six percent of revenues collected or \$1,200 per month. Fees of \$14,440 and \$14,724 were incurred in each of the years ending June 30, 2019 and 2018.

Development Fee

The development services agreement provides for development fees to be paid to Santa Fe Civic Housing Authority (SFCHA) in the amount of \$752,204, all of which had been paid as of June 30, 2019.

Resident Coordinator Services

SFCHA provides resident coordinator services to tenants of the property. Fees of \$18,800 and \$18,000 were paid for the years ended June 30, 2019 and 2018, respectively.

Note Payable

There is a note payable to SFCHA, totaling \$427,223 and \$434,983 at June 30, 2019 and 2018, respectively, as described in Note 4.

Ground Sublease

The Company has a ground sublease with SFCHA. The lease term is for 99 years, effective September 2, 2011, for rent of \$3 per year. Rent for the entire period of \$297 was paid at the execution of the master lease.

CAMPO ALEGRIA, LLC
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 5. TRANSACTIONS WITH RELATED PARTIES (continued)

A summary of amounts due to related parties at June 30, 2019 and 2018 is as follows:

	2019	2018
Investor member – Asset management fee	\$ 3,190	\$ 3,190
SFCHA (sole member of managing member):		
Amount due to SFCHA for construction, initial operations, and accrued resident coordinator services	-	-
Note payable	427,223	434,983
Accrued interest on note payable	2,225	2,266

NOTE 6. COMMITMENT AND CONTINGENCY

Housing Tax Credits

The Project’s low-income housing credits are contingent on its ability to maintain compliance with applicable sections of Internal Revenue Code 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. In addition, such potential noncompliance may require an adjustment to the contributed capital by the investor member.

Guaranty of Tax Credits

Under the terms of the operating 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 operating agreement.

Operating Deficit Guaranty

If an operating deficit exists at any time, the managing member shall advance funds to the Company as a loan in an amount equal to the operating deficit, limited to the maximum cumulative amount of \$200,000. This obligation terminates at the end of the fiscal year in which the last to occur of (1) the third anniversary of the lease-up period; and (2) the third anniversary of the stabilization period. The operating deficit obligation shall be extended by one fiscal year for each fiscal year during the above period that the actual debt service coverage is less than 130% and, thereafter, until such time as the balance in the operating reserve equals or exceeds the sum of the operating reserve amount. Operating deficit contributions are repayable to the managing member without interest subject to stipulations in the operating agreement.

CAMPO ALEGRIA, LLC
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 7. U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT SUBSIDIES PASSED-THROUGH FROM THE SANTA FE CIVIC HOUSING AUTHORITY

Campo Alegria LLC received \$80,513 and \$78,677 of pass-through subsidies for fiscal years 2019 and 2018 from the Santa Fe Civic Housing Authority which were received from the U.S. Department of Housing and Urban Development under CFDA Number 14.149. The subsidies are reported as a part of the net rental revenue in gross potential rent.

NOTE 8. CERTAIN VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Partnership's sole asset is Montana Senior Village II 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 directives, rules, and regulations are subject to change by federal and state agencies. 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 9. SUBSEQUENT EVENTS

The Company has evaluated all subsequent events through November 8, 2019, the date the financial statements were available to be issued.

COUNTRY CLUB APARTMENTS LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Country Club Apartments Limited Partnership (Partnership), a New Mexico limited liability partnership was organized in 2001 as a limited partnership to develop, construct, own, maintain and operate a 62-unit rental housing project for persons of low and moderate income. The project is located in the city of Santa Fe, New Mexico, and is currently known as Country Club Apartments Limited Partnership. The Project is operated by the Partnership under Section 221.D(4) of the National Housing Act. Housing and Urban Development (HUD) regulates such projects as to rent charges and operating method. The major activities of the partnership are governed by the partnership agreement and the Low-Income Housing Tax Credit Program of Section 42 of the Internal Revenue Code.

Each building of the project has qualified and been allocated low-income housing tax credits pursuant to the Internal Revenue Code Section 42, which regulates the use of the project as to occupant eligibility and unit gross rent, among other requirements. Each building of the project must meet the provisions of these regulations during each of fifteen consecutive years in order to continue to qualify to receive the tax credits. Failure to comply with occupant eligibility and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of previously taken low-income housing tax credits plus interest. Such potential noncompliance may require an adjustment to the contributed capital by the limited partners.

B. 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 of America, whereby income is recognized as earned and expenses are recognized as obligations when incurred.

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 these estimates.

D. Cash Equivalents

The partnership considers all highly liquid investments with maturity of three months or less at the date of acquisition to be "cash equivalents."

E. Receivables

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based on a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America required that the allowance

COUNTRY CLUB APARTMENTS LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

method be used to recognize bad debts; however, the effect of using the direct method is not materially different from the results that would have been obtained under the allowance method.

F. Rental Property

Rental property is carried at cost. Depreciation is computed on the straight-line method with service lives of five years for furniture and fixtures, forty years for buildings and fifteen years for site improvements.

Improvements are capitalized, while expenditures for maintenance and repairs are charged 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. For income tax purposes, accelerated lives and methods are used.

The partnership reviews the carrying value of rental property for impairment whenever events and circumstances indicate that the carrying value of the rental property may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. Management believes that the rental assets are not impaired at December 31, 2018. The factors considered by management in performing this assessment include current operating results, trends, and prospects, as well as the effect of obsolescence, demand, competition, and other economic factors.

G. Intangible Assets and Amortization

Financing fees are being amortized on the straight-line method, which approximates the effective yield over the life of the related loans.

Tax credit monitoring fees are being amortized on the straight-line method, which approximates the effective yield over the compliance period.

H. 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. The Partnership's federal income tax returns are subject to examination by the IRS generally for three years after they are filed. The partnership recognizes tax benefits only to the extent that the partnership believes it is more likely than not that its position will be sustained upon IRS examination.

I. 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 tenants of the property are operating leases.

COUNTRY CLUB APARTMENTS LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

2. **CASH AND CASH EQUIVALENTS**

A. Cash and Cash Equivalents

Custodial Risk – Custodial credit risk is the risk that in the event of a bank failure, the Partnership’s deposits may not be returned to it. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Partnership maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. At December 31, 2018, the Partnership did not have cash balances that exceeded the FDIC insured limits. The Partnership has not experienced any losses in such accounts. The statement listed below indicates the Partnership’s risk of December 31, 2018.

	<u>US Bank</u>	<u>LANB</u>	<u>Wells Fargo</u>
Insured	\$ 1,754	\$114,950	\$ 214,281
Uninsured	—	—	—
 Total deposits	 <u>\$ 1,754</u>	 <u>\$114,950</u>	 <u>\$ 214,281</u>

B. Reserved Cash

1. *Replacement reserve escrow.*

In accordance with the partnership agreement, a reserve for replacement is to be funded \$1,306 monthly. The deposits are made each month from a portion of the mortgage payment. There is a new workout agreement that did not require the project to fund the reserve until February 2016. The replacement reserve was adequately funded at December 31, 2018 and 2017 with balances of \$193,118 and \$158,118 respectively.

2. *Insurance reserve escrow*

The partnership maintains restricted cash accounts for the payment of real estate taxes, property insurance, and loan guarantees. This account is funded monthly with a portion of the mortgage payment and approved disbursements are made by the escrow agent.

3. *Security deposits trust*

All tenant’s security deposits are deposited into a separate bank account and held in trust for the tenants until they vacate the property. Any amounts not returned to the tenant, due to lease violations, are transferred to the Partnership’s operating accounts.

COUNTRY CLUB APARTMENTS LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

3. CAPITAL ASSETS AND ACCUMULATED DEPRECIATION

Capital assets are summarized as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 492,900	\$ 492,900
Building and site improvements	3,985,846	3,985,846
Office furniture and equipment	<u>286,747</u>	<u>286,747</u>
	4,765,493	4,765,493
Less accumulated depreciation	<u>(2,702,488)</u>	<u>(2,552,139)</u>
Total property and equipment	<u>\$ 2,063,005</u>	<u>\$2,213,354</u>

Depreciation expenses for 2018 and 2017 was \$150,349 for each year.

4. DEFERRED COSTS

Deferred costs are summarized as follows:

	<u>2018</u>	<u>2017</u>
Permanent loan mortgage costs	\$ 323,518	\$ 323,518
Less accumulated amortization	<u>(125,391)</u>	<u>(109,985)</u>
Total deferred costs	<u>\$ 198,127</u>	<u>\$213,533</u>

The annual amortization expense for each of the next five years will be \$7,703 for the permanent loan costs.

5. PARTNERS' CAPITAL CONTRIBUTIONS

Through August 24, 2017, the partnership's general partner was the Country Club Apartments, LLC with a 0.09% ownership. On August 25, 2018, SF Country Club Apartments, LLC became the partnership's general partner with a 0.09% ownership. As of December 31, 2018, and 2017, the general partners' capital contributions have been paid in full.

Through August 24, 2017, the majority of the partnership was owned by Amtax Holdings 173, LLC with 99.9% ownership in Country Club Apartments, LLC and the remaining 0.01% was held by the special limited partner, Protech 2002-D, LLC. On August 25, 2017, Santa Fe Civic Housing Authority, Inc. (non-profit corporation) became the partnership's limited partner with a 99.91% ownership. As of December 31, 2018, and 2017, the limited partners' capital contributions have been paid in full.

The investor contributions in accordance with the partnership agreement are \$1,152,433. As of December 31, 2018, and 2017, the investor-limited partner had made payments on its contribution of \$1,152,433, which is reduced by a tax credit short fall of \$35,366. The capital has been paid in full.

COUNTRY CLUB APARTMENTS LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

6. MORTGAGES AND NOTES PAYABLE

The HUD Section 221(D)(4) mortgage note with Wells Fargo Bank (original amount \$3,919,100) is payable in monthly installments of \$16,626 including interest at 3.62% per annum through February 2044. (The loan was modified on December 1, 2016.) The unpaid balance is due February 2044. The apartment project is pledged as collateral for that mortgage. The mortgage loan is non-recourse debt secured by deeds of trust of the related real estate.

At December 31, 2018 and 2017, mortgage notes payable consists of the following:

	<u>2018</u>	<u>2017</u>
First mortgage payable	\$3,292,090	\$3,370,871
Accrued interest payable	<u>16,472</u>	<u>16,472</u>
	3,308,562	3,387,343
Less current maturities:		
Mortgage payable – current portion	(81,680)	(57,402)
Interest payable	<u>(16,472)</u>	<u>(16,472)</u>
Total mortgage notes payable – long-term portion	\$ <u>3,210,410</u>	\$ <u>3,313,469</u>

Interest expense for the year is as follows:

Interest expense – first mortgage	\$ <u>120,727</u>	\$ <u>113,126</u>
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Aggregate maturities of long-term debt for the next five years are as follows:

December 31,		
2019	\$	81,680
2020		84,686
2021		87,803
2022		91,035
2023		94,386
Thereafter		<u>2,852,499</u>
Total		\$ <u>3,292,090</u>

7. TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

A. Partnership Management Fee

The Partnership shall pay to the managing general partner a non-cumulative annual Partnership Management Fee in an amount equal to the Asset Management Fee to the extent there is

COUNTRY CLUB APARTMENTS LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

surplus cash, as defined by Housing and Urban Development. No fees were paid in the years ended December 31, 2018 and 2017.

B. Asset Management Fee

The Partnership shall pay to an affiliate of the limited partner a cumulative annual Asset Management Fee in the amount of 0.7% of the Investor Limited Partner's capital contribution (as adjusted annually by the CPI) and will be pro-rated from July 2002 for its services in assisting in monitoring Partnership activities. At December 31, 2018 and 2017, the Asset Management Fee in the amount of \$ -0- and \$ -0-, respectively, was charged to operations and is payable from surplus cash.

C. Development Fee

The Partnership has incurred a development fee of \$47,389 due on an equal basis to Country Club Apartments, LLC, the general partner, for services rendered to the Partnership for overseeing the construction of the project. The development fee has been capitalized into the basis of the building. Any unpaid amounts carry an interest rate of 8% per annum. At December 31, 2018 and 2017, \$-0- and \$-0- of this fee remained unpaid and interest has been accrued in the amount of \$326,230 and \$302,065, respectively. As of December 31, 2015, the general partner made a capital contribution and paid the development fee.

D. Property Management Fee

In accordance with the property management agreement, management fee is payable in an amount equal to 5.00% of gross monthly collections. The Partnership paid Los Arboles Management Company, LLC, an affiliate of the General Partner, management fees of \$21,730 for the year ended December 31, 2017 for services rendered in connection with the leasing and operation of the project. The SFCHA managed the property during 2018, and no fee was charged.

8. PARTNERSHIP PROFITS, LOSSES, AND DISTRIBUTIONS

Profits and losses are allocated 10% of gross income from rents and all recourse expenses to the general partner and 90% of gross income from rents and all non-recourse expenses to the limited partner. Tax credits shall be 0.009% to the general partners and 99.99% to the limited partners.

Distributable cash flow is defined in the partnership agreement as the sum of all cash receipts less cash disbursements for operating activities and replacement reserve funding. Distributable cash flow is also limited to "Surplus Cash" as defined by Housing and Urban Development.

Distributable cash flow is payable annually as follows:

1. To the replenish of any reduction of the operating reserve fund;
2. To pay any unpaid asset management fee;
3. To the payment of any deferred portion of the Developer Fee in an annual amount that still enables the property to operate at a 1.00 debt coverage ratio (exclusive of payment of any Asset Management fees, Partnership Management Fees and debt, the current payment of which is not mandatory);

COUNTRY CLUB APARTMENTS LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

4. To the repayment of any Subordinated Loans of the Managing General Partner;
5. To the payment of the Partnership Management Fee;
6. To the payment of a priority distribution to the Investor Limited Partner equal to 20% of the balance;
7. To the payment of the Incentive Supervisory Fee to the Managing General Partner;
8. To the Managing General Partner 10%, 0.001% to the Special Limited Partner and 89.999% to the Investor Limited Partners, in an amount not to exceed, for any Partnership Fiscal Year, the excess (if any) of 10% of the gross income from rents over any expenses or obligations specially allocated to the Managing General Partner pursuant to the second sentence of Section 6.5B;
9. Any remainder, 99.99% to the Investment Partnership, .009% to the Managing General Partner and .001 to Protech (through August 24, 2017.).

Distribution of proceeds from as sale or refinancing:

1. To the payment of all debts and liabilities of the Partnership excluding those owed to Partners, and to the establishment of any required reserves;
2. To the payment of the Asset Management Fee of such year and for previous years as to which the Asset Management fee has not been paid in full;
3. To the repayment of any Credit Recovery Loans of the Investment Partnership and any interest thereon;
4. To the Invested Limited Partner for any gain attributable to negative capital account and any taxes attributable to such distribution;
5. To the payment of any outstanding deferred portions of the Developer Fee;
6. To the repayment of any Subordinated Loans of the Managing General Partner;
7. To the Investor Limited Partner, a priority distribution equal to 20% of the balance;
8. To the Managing General Partner 10%, to the Special Limited Partner 0.001% and to the Investor Limited Partner 89.999%, in deductions or losses attributable to expenses or obligations of the Partnership that are recourse to the Partnership, and for which (under state law) the Managing General Partner is jointly and severally liable, shall be allocated to the Managing General Partner. Without limiting the generality of the preceding sentence, such expenses or obligations shall apply to the operating expenses of the Partnership; and
9. To the payment of the Incentive Supervisory Fee to the Managing General Partner;
10. And the balance of such proceeds, if any, shall be distributed 0.09% to the Managing General Partner, 0.01% to Protech and 99.9% to the Investor Limited Partner.

9. OTHER INFORMATION

A. Commitments and Contingencies

COUNTRY CLUB APARTMENTS LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

The partnership's low-income housing credits are contingent on its ability to maintain compliance with applicable sections of Section 42 of the Internal Revenue code. Failure to maintain compliance with occupant eligibility, and/or gross rent or to correct noncompliance within a specified time period could result in the recapture of previously taken credits plus interest.

In addition, such potential noncompliance may require an adjustment to the contributed capital by the Investor Limited Partner.

B. Current Vulnerability Due to Certain Concentrations

The Partnership's sole asset is Country Club 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 administrations' directives, rules and regulations of federal, state and local regulatory agencies, included, but limited to the State Housing Agency. Such administrative directive, rules and regulations are subject to change by federal and state agencies. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with the request.

C. Supplemental Disclosure of Cash Flow Information

	<u>2018</u>	<u>2017</u>
Cash paid for interest during the period, net of capitalized amounts	<u>\$ 120,727</u>	<u>\$ 113,126</u>

D. Taxable Loss

A reconciliation of the financial statement net loss to the income tax loss of the partnership for the year ended December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Financial statement net loss	\$ (157,651)	\$ (205,306)
Excess of depreciation for income tax purposes		
Over financial reporting purposes	-	-
Amortization	-	-
Deposits expenses	-	-
	<u>\$ (157,651)</u>	<u>\$ (205,306)</u>

E. Subsequent Events

May 10, 2019, which is the date the financial statements were available to be issued.

10. RESTATEMENT TO PARTNERS' EQUITY – PRIO PERIOD ADJUSTMENT

Partner's equity was restated (increased) at December 31, 2017, by \$51,112 resulting from old accounts payable for which substantiation is not available.

PASA TIEMPO, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization. Pasa Tiempo, LLC, a New Mexico limited liability company (the “Company”) was formed to acquire, rehabilitate and develop, own and operate a 121-unit low-income housing project (the Project) located in Santa Fe, New Mexico. The company was formed March 31, 2017 with PT RAD, LLC, as a sole member and manager. On July 18, 2017, U.S. Bancorp Community Development Corporation was admitted as the investor member. The Project is eligible for low-income housing tax credits established under the program described in Section 42 of the Internal Revenue Code of 1986, as amended, which requires the Company to ensure that residents meet certain eligibility requirements to maintain compliance with tax law and loan agreements. The Company shall continue in perpetuity unless terminated earlier in accordance with the provisions of the operating agreement.

Construction on the 121-unit low-income housing project was not yet completed as of December 31, 2018. The Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress or other administrative changes. 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are presented on the accrual basis and include only those assets, liabilities, revenues, and expenses which relate to the business of the Company. The financial statements do not include any assets, liabilities, revenues, or expenses attributable to activities of the managing or limited members.

Cash and Cash Equivalents

Cash and cash equivalents include cash and money market funds with maturities of three months or less at the date of acquisition. It includes any funded reserves.

The Company maintains its cash balances in one financial institution. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Company occasionally maintains cash on deposit in excess of the FDIC limit but has not experienced any losses from these accounts and believes it is not exposed to significant credit risk.

Capitalization and Depreciation

Land, buildings, improvements, furniture and equipment are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the individual assets: 40 years for building, 15 years for land improvements and 5 years for furniture and

PASA TIEMPO, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalization and Depreciation (Continued)

equipment. Buildings and building improvements are in the construction phase and are not yet being depreciated. Maintenance, repairs and minor replacements are charged to expense when incurred. Major replacements are improvements are capitalized.

The Company evaluates the investment in real estate for financial impairments and will continue to evaluate the assets if events or circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the 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 amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2017.

Financing Fees

Financing fees are amortized over the term of the loan using the straight-line method. There was no accumulated amortization as of December 31, 2018 and December 31, 2017.

Tax Credit Fees

Tax credit fees are recorded at cost and amortized over 15 years. There was no accumulated amortization as of December 31, 2018 and December 31, 2017.

The Company received an allocation of Low-Income Housing Tax Credits (LIHTC) for its qualifying rental property. The benefits of the LIHTC are provided to the Company's members through the Company's annual federal income tax return filing and are not reflected in the accompanying financial statements. The LIHTC is generally claimed by the Company's member's pro-rata over a 10-year period. The credit is a certain percentage (as determined by the Internal Revenue Service) of the qualified basis of the property. The Company may only lease qualified units to qualified tenants who meet certain income restrictions and whose rent payments also are restricted under guidelines set by the Internal Revenue Service.

Revenue Recognition

Rental revenues are recognized in the month in which the services are provided and are presented net of rent concessions and vacancy loss. Other income is recognized as the related services are provided and include application fees, late fees, and other miscellaneous income. Rental payments received in advance are deferred until earned.

Income Taxes

The Company is not a tax-paying entity for federal or state income tax purposes; accordingly, a provision for income taxes has not been recorded in the accompanying financial statements.

PASA TIEMPO, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

Company income or losses are reflected in members' individual or business income tax returns in accordance with their ownership percentages.

The Company's income tax returns are subject to examination by taxing authorities in its major tax jurisdictions.

The Company is also tax exempt from real estate taxes since the property is deemed to be owned by a governmental unit pursuant to New Mexico Statutes Annotated 1978.

Use of Estimates

The preparation of the financial statements in conformity with the 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 reporting period. Actual results could differ from those estimates.

Subsequent Events

The Company has evaluated all subsequent events through March 13, 2019, the date the financial statements were available to be issued.

3. MEMBERS' EQUITY

The managing member, PT RAD, LLC, has a 0.01 percent interest, and the investor member, U.S. Bancorp Community Development Corporation, has a 99.99 percent interest. Net cash flows from the Company, after payment of certain items stipulated in the operating agreement, are allocated to the members in the same proportion as profits and losses. The investor member and the managing member are required to make capital contributions of \$7,172,051 and \$100, respectively. During 2017, capital contributions totaling \$682,746 were made by the investor member and \$100 by the managing member. No capital contribution made during 2018.

Operating Deficit Contributions

If an operating deficit exists at any time, the managing member shall advance funds to the Company as a loan in an amount equal to the operating deficit, limited to the maximum amount of \$591,800. This obligation terminates at the end of the fiscal year in which the following is last to occur: (i) the tenth anniversary of the end of the lease-up period; and (ii) the tenth anniversary of the end of the stabilization period; provided, however, the expiration of the operating deficit obligation shall be extended by one (1) fiscal year for each fiscal year during the above period that the required debt service coverage is less than 130% and thereafter until such time as the balance in the operating reserve equals or exceeds the operating reserve amount in the amount of \$196,652.

PASA TIEMPLO, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

3. MEMBERS' EQUITY (CONTINUED)

Option to Purchase

The managing member has the option to purchase the investor member's entire interest after the compliance period for the purchase price equal to the greater of (A) all credit deficiencies, fees, loans and other amounts owed to the investor member and all taxes imposed on the investor member in connection with the sale and (B) the fair market value of the investor member's interest, subject to continued use of the Project for low-income housing for at least 15 years after the end of the compliance period, and at least through the end of the extended use period, as of the date of the closing of the buyout.

The managing member is granted right of first refusal and option to purchase the Project on the same terms and conditions as those set forth in any bona fide offer consented to by the investor member, subject to any applicable rules and regulations of the New Mexico Mortgage Finance Authority (MFA), the state tax credit allocating entity.

4. RESTRICTED DEPOSITS AND RESERVES

The operating agreement requires the Company to establish the following reserves in accordance with the operating agreement.

Operating Reserve – The Company is required to fund an operating reserve of at least \$196,652 on the date of payment of the third capital installment into a segregated, interest bearing company reserve account at U.S. Bank National Association (U.S. Bank) and Community Development Trust. No funds shall be expended from the operating reserve without written consent from the investor member. This reserve was not established as of December 31, 2018.

Replacement Reserve – The Company is required to fund in the amount of \$160,000 at the time of the first capital installment and thereafter in the amount of \$300 per unit per year, payable monthly, in equal monthly installments, beginning no later than one month after date which is the last day of the lease-up period or the date required for commencing of funding of the replacement reserve under the first mortgage loan and shall increase by 10% on each fifth anniversary of the replacement reserve commencement date. The Company shall utilize amounts in the replacement reserve to fund repairs, capital expenditures and other costs approved by the investor member in an annual operation budget or otherwise approved by the investor member in writing. The funds shall be deposited in a segregated interest-bearing account at U.S. Bank. The balance in the Replacement Reserve at December 31, 2018 was \$160,117 and \$160,021 at December 31, 2017.

PASA TIEMPO, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

4. RESTRICTED DEPOSITS AND RESERVES (CONTINUED)

Tenant Security Deposits – The Company requires tenants to provide security deposits and maintains these in a segregated Company interest-bearing account and amounts cannot be used to pay Company expenses.

In accordance with provisions of the agreements, restricted cash is held in separate bank accounts. Details are as follows:

	Operating <u>Reserve</u>	Replacement <u>Reserve</u>	Tenant Security <u>Deposits</u>	<u>Total</u>
Balance, 12/31/17	\$ -	\$ 160,021	\$ 100	\$ 160,121
Deposits	-	-	34	34
Withdrawals	-	-	(46)	(46)
Bank charge	-	-	-	-
Interest received	-	96	-	96
Balance, 12/31/18	\$ -	\$ 160,117	\$ 88	\$ 160,205

5. NOTES PAYABLE AND LONG-TERM DEBT

	<u>2018</u>	<u>2017</u>
Notes payable consist of the following December 31, 2017:		
Construction bond loan payable to the New Mexico Mortgage Finance Authority (MFA) in monthly payments of variable interest only. The loan is secured by real property. Total amount available to be drawn is \$10,373,065.	\$7,844,638	
\$2,300,388		
Mortgage note payable to U.S. Bank. Post-construction loan amount will be \$500,000 payable in monthly principal and interest payments of \$3,036 beginning August 1, 2019. The loan is secured by real property and matures December 1, 2056.		232,654
232,654		
HOME loan mortgage notes payable to New Mexico Mortgage Finance Authority (MFA). Loan is a no-interest loan. Post construction loan amount will be \$600,000. The construction period is 8/1/2017 through 7/1/2019 and the permanent loan period is 8/1/2019 through 7/1/2059. Principal payments begin with the permanent loan period. The loan is secured by real property and matures July 1, 2059.	26,000	25,000

PASA TIEMPO, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

5. NOTES PAYABLE AND LONG-TERM DEBT (CONTINUED)

	<u>2018</u>	<u>2017</u>
Mortgage note payable to Santa Fe Civic Housing Authority; (SFCHA); accrues interest at 2.75% upon completion of construction; monthly principal and interest due based upon available cash flow. The loan is secured by real property and is due on 55 th anniversary of final certificate of occupancy.	\$ 6,593,000	\$ 6,593,000
Mortgage note payable to SFCHA; loan advances accrue interest at 5% per annum until the conversion date, thence interest-free. After the conversion date, principal and interest are due annually until maturity based upon available cash flow. Loan matures on the 55 th anniversary of final certificate of occupancy.	3,750,000	3,310,000
Mortgage note payable to SFCHA; loan advances accrue interest at 5% per annum until the conversion date; interest is due monthly until the conversion date; thereafter, principal interest payments are due monthly until maturity. The loan is secured by real property and matures on the 55 th anniversary of final certificate of occupancy.	<u>450,000</u>	<u>450,000</u>
Total notes payable	18,896,292	12,911,042
Total current portion	<u>(7,914)</u>	<u>-</u>
Total long-term portion	<u>\$18,888,378</u>	<u>\$12,911,042</u>

Future maturities of long-term debt are as follows:

Year ending December 31:	
2019	7,914
2020	20,418
2021	11,294
2022	6,934
2023	7,370
Thereafter	2,961,482
Payments contingent on cash flows	<u>9,903,000</u>
Total	<u>\$ 18,896,292</u>

PASA TIEMPO, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

6. CAPITAL ASSETS

Capital assets are summarized as follows:

	<u>2018</u>	<u>2017</u>
Construction-in-progress	\$17,089,990	\$10,283,888
Building and improvements	-	-
Furniture, fixtures and equipment	-	-
	17,089,990	10,283,888
Less accumulated depreciation	-	-
Total property and equipment, net	<u>\$17,089,990</u>	<u>\$10,283,888</u>

7. US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT SUBSIDIES

The Pasa Tiempo, LLC, received \$7,415 from the US Department of Housing and Urban Development under Federal CFDA Number 14.149 during 2017 passed through the SFCHA. Subsidies will be received in future years and will be reported as a part of net rental revenue in gross potential rents and vacancies - apartments. At December 31, 2018, Accounts Receivable – HUD Subsidy and a corresponding revenue account (Vacancies-Apartments) was recorded in the amount of \$398,231.

8. RELATED PARTY TRANSACTIONS AND BALANCES

Development Fee

The development services agreement provides for development fees to be paid to SFCHA in the amount of \$1,800,000. The development fee is to be incurred during construction and paid corresponding to the investor member’s capital installments as follows:

First capital installment	\$ 270,223
Second capital installment	344,588
Third capital installment	300,000
Fourth capital installment	75,000
Final capital installment	<u>810,189</u>
Total development fees	<u>\$1,800,000</u>

At December 31, 2018, the first capital installment had been paid.

PASA TIEMPO, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

8. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Asset Management Fee

The Company is required to pay an affiliate of the investor member as asset management fee of \$5,500, for annual review of the operations of the Company and the Project, beginning in 2017 with a prorated amount of \$5,500. Amount is payable from net cash flow, as defined in the operating agreement. The fee increases every five years by 10 percent. If cash flows are not available, the fee will accrue. There were no fees paid during 2018.

Company Management Fee

The Company is required to pay the managing member an annual administration fee of 10 percent of gross rents collected up to \$15,000, payable from net cash flow, as defined in the operating agreement. If cash flow is not available, the fee will not accrue. There were no fees paid during 2018.

Other Transactions and Payables

Amounts due to:	<u>2018</u>	<u>2017</u>
Note payable - SFCHA- Cash Flow (Note 5)	\$3,750,000	\$ 3,310,000
Note payable - SFCHA – Acquisition loan	6,593,000	6,593,000
Note payable - SFCHA – Loan	450,000	450,000
Due to related parties (expenses paid for Company):		
Due to SFCHA	63,754	-
Due to PT RAD	-	100,000
Due to SFCHA (Cielo Azul)	100,000	-

Additionally, the Company maintains a bank account and holds a note payable with U.S. Bank, an affiliate of the investor member.

PASA TIEMPO, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

9. COMMITMENTS

The Project'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 noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the investor member.

Under contracts with other companies, the Company has committed to contracted amounts for building renovations.

10. BARGAIN LAND LEASE

The Company has committed to pay \$1 per year through 2112 for the rental of the land on which the Company's building is located. The lease is subject to certain compliance requirements and can be canceled under specific provisions.

11. DISTRIBUTABLE CASH

Distributable Cash. Shall be distributed in the following order of priority:

A. 75% of net cash provided by operating activities shall be applied as follows:

- a. First, Asset Management Fee
- b. Second, Credit Deficiencies and Tax Equivalency Payments;
- c. Third, Default Cash Flow Priority;
- d. Fourth (a) Company Replacement Reserve, Fourth (b), Operating Reserve Replenishment, Fourth (c), Debt Service Reserve Replenishment;
- e. Fifth, Investor Member Loans and Advances;
- f. Sixth, Principal and interest payments on SFCHA, Inc. Loan;
- g. Seventh, Managing Member: Management Fee;
- h. Eighth, Managing Member: Development advance, Operating Deficit Advance, Credit Adjustor Advance, or Development Fee Advance, then other loans and payables from Managing Member;
- i. Ninth (a), principal and interest payments on SFCHA Cash Flow Loan (4th), Ninth (b), principal and interest on SFCHA Sponsor Loan (5th); Ninth (c), principal and interest on SFCHA Acquisition Loan (6th);
- j. Tenth, Balance to Managing Member and Investor Member.

SANTA FE COMMUNITY LIVING, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization. Santa Fe Community Living, LLC, a New Mexico limited liability company (the “Company”) was formed to acquire, rehabilitate and develop, own and operate a 120-unit low-income housing project (the Project) located in Santa Fe, New Mexico. The company was formed September 12, 2013 with Santa Fe RAD Development, LLC, as a sole member and manager. On December 14, 2014, U.S. Bancorp Community Development Corporation was admitted as the investor member. On June 24, 2015, U.S. Bancorp Community Development assigned its entire investor member interest to USB LIHTC Fund 2015-3, LLC. The Project is eligible for low-income housing tax credits established under the program described in Section 42 of the Internal Revenue Code of 1986, as amended, which requires the Company to ensure that residents meet certain eligibility requirements to maintain compliance with tax law and loan agreements. The Company shall continue in perpetuity unless terminated earlier in accordance with the provisions of the operating agreement.

Construction on the 120-unit low-income housing project was completed as of December 31, 2016. The Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress or other administrative changes. 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are presented on the accrual basis and include only those assets, liabilities, revenues, and expenses which relate to the business of the Company. The financial statements do not include any assets, liabilities, revenues, or expenses attributable to activities of the managing or limited members.

Cash and Cash Equivalents

Cash and cash equivalents include cash and money market funds with maturities of three months or less at the date of acquisition. It includes any funded reserves.

The Company maintains its cash balances in two financial institutions. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Company occasionally maintains cash on deposit in excess of the FDIC limit but has not experienced any losses from these accounts and believes it is not exposed to significant credit risk.

Capitalization and Depreciation

Land, buildings, improvements, furniture and equipment are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the individual assets: 40 years for building, 15 years for land improvements and 5 years for furniture and

SANTA FE COMMUNITY LIVING, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalization and Depreciation (Continued)

equipment. Depreciation on new renovations commenced during 2017. Maintenance, repairs and minor replacements are charged to expense when incurred. Major replacements and improvements are capitalized.

The Company evaluates the investment in real estate for financial impairments and will continue to evaluate the assets if events or circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the 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 amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2018 and 2017.

Financing Fees

Financing fees are amortized over the term of the loan using the straight-line method. Accumulated amortization as of December 31, 2018 was \$1,272, and as of December 31, 2017 was \$636.

Tax Credit Fees

Tax credit fees are recorded at cost and amortized over 15 years. Accumulated amortization as of December 31, 2018 was \$19,314, and as of December 31, 2017 was \$9,657.

The Company received an allocation of Low-Income Housing Tax Credits (LIHTC) for its qualifying rental property. The benefits of the LIHTC are provided to the Company's members through the Company's annual federal income tax return filing and are not reflected in the accompanying financial statements. The LIHTC is generally claimed by the Company's member's pro-rata over a 10-year period. The credit is a certain percentage (as determined by the Internal Revenue Service) of the qualified basis of the property. The Company may only lease qualified units to qualified tenants who meet certain income restrictions and whose rent payments also are restricted under guidelines set by the Internal Revenue Service.

Revenue Recognition

Rental revenues are recognized in the month in which the services are provided and are presented net of rent concessions and vacancy loss. Other income is recognized as the related services are provided and include application fees, late fees, and other miscellaneous income. Rental payments received in advance are deferred until earned.

Income Taxes

The Company is not a tax-paying entity for federal or state income tax purposes; accordingly, a provision for income taxes has not been recorded in the accompanying financial statements.

SANTA FE COMMUNITY LIVING, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

Company income or losses are reflected in members' individual or business income tax returns in accordance with their ownership percentages.

The Company's income tax returns are subject to examination by taxing authorities in its major tax jurisdictions.

The Company is also tax exempt from real estate taxes since the property is deemed to be owned by a governmental unit pursuant to New Mexico Statutes Annotated 1978.

Use of Estimates

The preparation of the financial statements in conformity with the 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 reporting period. Actual results could differ from those estimates.

Subsequent Events

The Company has evaluated all subsequent events through March 13, 2019, the date the financial statements were available to be issued.

3. MEMBERS' EQUITY

The managing member, Santa Fe RAD Development, LLC, has a 0.01 percent interest, and the investor member, USB LIHTC Fund 2015-3, LLC, has a 99.99 percent interest. Net cash flows from the Company, after payment of certain items stipulated in the operating agreement, are allocated to the members in the same proportion as profits and losses. The investor member and the managing member are required to make capital contributions of \$7,146,892 and \$100, respectively. During 2015, capital contributions totaling \$698,491 were made by the investor member and \$100 by the managing member. No contributions were made by either the managing member or the investor member during 2016. A contribution of \$6,943,363 was made by the investor member during 2017.

Operating Deficit Contributions

If an operating deficit exists at any time, the managing member shall advance funds to the Company as a loan in an amount equal to the operating deficit, limited to the maximum amount of \$1,640,000. This obligation terminates at the end of the fiscal year in which the following is last to occur: (i) the tenth anniversary of the end of the lease-up period; and (ii) the tenth anniversary of the end of the stabilization period; provided, however, the expiration of the operating deficit obligation shall be extended by one (1) fiscal year for each fiscal year during the above period that the required debt service coverage is less than 130% and thereafter until such time as the balance in the operating reserve equals or exceeds the operating reserve amount in the amount of \$309,377.

SANTA FE COMMUNITY LIVING, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

3. MEMBERS' EQUITY (CONTINUED)

Option to Purchase

The managing member has the option to purchase the investor member's entire interest after the compliance period for the purchase price equal to the greater of (A) all credit deficiencies, fees, loans and other amounts owed to the investor member and all taxes imposed on the investor member in connection with the sale and (B) the fair market value of the investor member's interest, subject to continued use of the Project for low-income housing for at least 15 years after the end of the compliance period, and at least through the end of the extended use period, as of the date of the closing of the buyout.

The managing member is granted right of first refusal and option to purchase the Project on the same terms and conditions as those set forth in any bona fide offer consented to by the investor member, subject to any applicable rules and regulations of the New Mexico Mortgage Finance Authority (MFA), the state tax credit allocating entity.

4. RESTRICTED DEPOSITS AND RESERVES

The operating agreement requires the Company to establish the following reserves in accordance with the operating agreement.

Operating Reserve – The Company is required to fund an operating reserve of at least \$309,377 on the date of payment of the third capital installment into a segregated, interest bearing company reserve account at U.S. Bank National Association (U.S. Bank) and Community Development Trust. No funds shall be expended from the operating reserve without written consent from the investor member. This reserve was established as of December 31, 2017.

Escrow and Replacement Reserve – The Company is required to fund in the amount of \$300 per unit per year, payable monthly, in equal monthly installments, beginning on the earliest to occur of (a) September 1, 2015 or (b) one month after date which is the last day of the lease-up period; or (c) the date required for commencing of funding of the replacement reserve under the first mortgage loan and shall increase by 10% on each fifth anniversary of the replacement reserve commencement date. The Company shall utilize amounts in the replacement reserve to fund repairs, capital expenditures and other costs approved by the investor member in an annual operation budget or otherwise approved by the investor member in writing. The funds shall be deposited in a segregated interest-bearing account at U.S. Bank. The escrow and replacement reserve had a balance at December 31, 2018 and 2017, of \$171,110 and \$135,028, respectively.

Debt Service Reserve – The Company is required to fund a debt service reserve to be funded during upon the third capital installment in the amount of \$118,374, deposited into a segregated, interest bearing company reserve account at U.S. Bank. Additional deposits are to be made with excess cash flows. No withdrawals may be made from the account without the consent of the investor member. Interest earned shall be added to the debt service reserve.

SANTA FE COMMUNITY LIVING, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 AND 2017

4. RESTRICTED DEPOSITS AND RESERVES (CONTINUED)

Debt Service Reserve (continued)

Debt service reserve requires a minimum balance of \$118,374. This reserve was established as of December 31, 2017 and has a balance of \$118,449 at December 31, 2018.

Tenant Security Deposits – The Company requires tenants to provide security deposits and maintains these in a segregated Company interest-bearing account and amounts cannot be used to pay Company expenses. As the property was under construction during 2015, there were no security deposits held. At December 31, 2018 and 2017, security deposits of \$37,756 and \$37,663, respectively, were held.

In accordance with provisions of the agreements, restricted cash is held in separate bank accounts. Details are as follows:

	<u>Operating Reserve</u>	<u>Escrow/Capital Replacement Reserve</u>	<u>Debt Service Reserve</u>	<u>Tenant Security Deposits</u>	<u>Total</u>
Balance, 12/31/16	\$ -	\$111,005	-	\$ 28,705	\$ 139,710
Deposits	309,377	24,023	118,378	8,958	460,736
Withdrawals	-	-	-	-	-
Bank charge	-	-	-	-	-
Interest received	-	-	-	-	-
Balance, 12/31/17	309,377	135,028	118,378	37,663	600,446
Deposits	-	35,051	-	3,046	39,097
Withdrawals	-	-	-	(2,953)	(2,953)
Bank charge	-	-	-	-	-
Interest received	-	31	71	-	102
Balance, 12/31/18	<u>\$ 309,377</u>	<u>\$ 171,110</u>	<u>\$ 118,449</u>	<u>\$ 37,756</u>	<u>\$636,692</u>

5. NOTES PAYABLE AND LONG-TERM DEBT

	<u>2018</u>	<u>2017</u>
Notes payable consist of the following December 31:		
Mortgage loan payable to Midland Load Services-PNC with interest of 5.48% and monthly principal and interest payments of \$16,996. The loan is secured by real property and matures on August 1, 2035.	\$ 2,948,702	\$2,987,646

SANTA FE COMMUNITY LIVING, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

5. NOTES PAYABLE AND LONG-TERM DEBT (CONTINUED)

	<u>2018</u>	<u>2017</u>
HOME loan mortgage notes payable to NM Mortgage Finance Authority (MFA); interest free loan with monthly principal payments of \$1,250 beginning January 1, 2017. The loan is secured by real property and matures December 1, 2056.	586,875	549,375
Housing Trust Fund loan mortgage note payable to MFA with interest of 3% with interest only payments during construction and monthly principal payments beginning January 1, 2017. The loan is secured by real property and matures December 1, 2046.	481,318	492,121
Mortgage note payable to Santa Fe Civic Housing Authority; (SFCHA); accrues interest at 2.89% upon completion of construction; monthly principal and interest due based upon available cash flow. The loan is secured by real property and is due on 40 th anniversary of final certificate of occupancy.	8,500,000	8,500,000
Mortgage note payable to SFCHA; interest free, monthly principal payments due based on available cash flow. Loan matures December 19, 2054.	2,653,299	3,144,000
Contingency loan with SFCHA used to fund construction reserves. Loan is unsecured and is anticipated to be repaid upon completion of construction	-	-
Total notes payable	15,170,194	15,718,142
Total current portion	<u>(59,796)</u>	<u>(60,328)</u>
Total long-term portion	<u>\$ 15,110,398</u>	<u>\$15,657,814</u>

Future maturities of long-term debt are as follows:

Year ending December 31:	
2019	\$ 59,990
2020	62,223
2021	65,500
2022	68,492
2023	71,644
Thereafter	3,689,046
Payments contingent on cash flows	<u>11,153,299</u>
Total	<u>\$ 15,170,194</u>

SANTA FE COMMUNITY LIVING, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

6. CAPITAL ASSETS

Capital assets are summarized as follows:

	<u>2018</u>	<u>2017</u>
Construction-in-progress	\$ -	\$ -
Building and improvements	22,249,903	22,249,903
Furniture, fixtures and equipment	<u>438,450</u>	<u>438,450</u>
	22,688,353	22,688,353
Less accumulated depreciation	<u>(1,365,300)</u>	<u>(682,650)</u>
Total property and equipment, net	<u>\$21,323,053</u>	<u>\$22,005,703</u>

7. DEFERRED FEES

Deferred fees are summarized as follows:

	<u>2018</u>	<u>2017</u>
Financing fees	\$144,857	\$144,857
Tax credit fees	<u>28,616</u>	<u>28,616</u>
	173,473	173,473
Less: accumulated amortization	<u>(20,586)</u>	<u>(10,293)</u>
Total deferred costs	<u>\$152,887</u>	<u>\$ 163,180</u>

Financing fees will be amortized over the term of the loan using the straight-line method. Accumulated amortization as of December 31, 2018 was \$1,272, and as of December 31, 2017 was \$636.

Tax credit fees will be amortized over 15 years. Accumulated amortization as of December 31, 2018 was \$19,314, and as of December 31, 2017 was \$9,657.

8. US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT SUBSIDIES

The Santa Fe Community Living, LLC received \$614,728 for 2018 and \$548,822 for 2017 from the US Department of Housing and Urban Development under Federal CFDA Number 14.149, passed through the SFCHA. The subsidies are reported as a part of net rental revenue in gross potential rents.

SANTA FE COMMUNITY LIVING, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

9. RELATED PARTY TRANSACTIONS AND BALANCES

Development Fee

The development services agreement provides for development fees to be paid to SFCHA in the amount of \$1,985,385. The development fee is to be incurred during construction and paid corresponding to the investor member's capital installments as follows:

First capital installment	\$ 200,000
Second capital installment	161,984
Third capital installment	1,095,649
Fourth capital installment	100,000
Final capital installment	<u>427,752</u>
Total development fees	<u>\$1,985,385</u>

At December 31, 2018, all development fees had been paid. At December 31, 2017, the amount remaining to be paid was \$47,933.

Asset Management Fee

The Company is required to pay an affiliate of the investor member an asset management fee of \$10,000, for annual review of the operations of the Company and the Project, beginning in 2014 with a prorated amount of \$5,000. Amount is payable from net cash flow, as defined in the operating agreement. The fee increases every five years by 10 percent. If cash flows are not available, the fee will accrue. There were no fees paid during 2018 or 2017.

SANTA FE COMMUNITY LIVING, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Company Management Fee

The Company is required to pay the managing member an annual administration fee of 10 percent of gross rents collected up to \$20,000, payable from net cash flow, as defined in the operating agreement. If cash flow is not available, the fee will not accrue. There were no fees paid during 2018 or 2017.

<u>Other Transactions and Payables</u>	<u>2018</u>	<u>2017</u>
Amounts (due to) from:		
Amount due to SFCHA for loans (Note 5)	\$11,153,299	\$11,644,000
Other amounts paid to SFCHA:		
Services provided for administration	139,198	83,692

The Company owes affiliates of the managing member \$828,547 as of December 31, 2018 and \$2,330,514 as of December 31, 2017 for expenses paid on their behalf.

10. COMMITMENTS

The Project'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 noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the investor member.

Under contracts with other companies, the Company has committed to contracted amounts for building renovations. At December 31, 2018 and December 31, 2017, all commitments had been recorded.

SANTA FE COMMUNITY LIVING, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

10. COMMITMENTS (CONTINUED)

The Company has committed to pay \$1 per year through 2113 for the rental of the land on which the Company's building is located. The lease is subject to certain compliance requirements and can be canceled under specific provisions.

11. DISTRIBUTABLE CASH

Distributable Cash. Shall be distributed in the following order of priority:

- A. 75% of net cash provided by operating activities shall be applied as follows:
- a. First (a), principal and interest payments on MFA (HOME) loan; First (b), principal and interest on HTF loan; First (c), principal and interest on PNC loan.
 - b. Second, Asset Management Fee
 - c. Third, Credit Deficiencies and Tax Equivalency Payments;
 - d. Fourth, Default Cash Flow Priority;
 - e. Fifth, Operating Reserve Replenishment;
 - f. Sixth, Investor Member Loans and Advances;
 - g. Seventh, Development Fee;
 - h. Eighth, Developer Acquisition Loan Principal and Interest;
 - i. Ninth, Managing Member: Development advance, Operating Deficit Advance, Credit Adjustor Advance, or Development Fee Advance, then other loans and payables from Managing Member;
 - j. Tenth, Managing Member: Management Fee;
 - k. Eleventh, Balance to Managing Member and Investor Member.

12. RESTATEMENT OF MEMBERS' EQUITY – PRIOR-PERIOD ADJUSTMENTS

A net adjustment to Members' Equity totaling \$(864,260) was required resulting from a reduction of \$(903,271) to Investor Members' capital contributions during 2017 which was reported in error. Capital contributions for 2017 were reported at \$7,846,634. However, the actual amount of contributions for 2017 was \$6,943,363. In addition, other miscellaneous adjustments totaling \$19,011 was required at December 31, 20107 resulting from posting errors.

TIERRA CONTENTA II, L.P.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1. NATURE OF BUSINESS

Nature of Business. Tierra Contenta II, L.P. (the partnership) is a New Mexico limited partnership formed on December 31, 1997. The Partnership consists of two General Partners, Casas de Buena Ventura, Inc., which owns a three hundredths percent (.03%) interest and Tierra Contenta II, L.L.C. that is 100% owned by the Santa Fe Civic Housing Authority (SFCHA), which owns a seven hundredths percent (.07%) interest, and one Limited Partner, Santa Fe Civic Housing Authority (previous limited partner was Banc of America Holding Fund II, Limited Partnership), which has a ninety-nine and nine-tenths percent (99.9%) partnership interest. Pursuant to the Partnership Agreement, the Limited Partner has made capital contributions of \$3,293,451. Partnership income or loss is allocated based on the conditions set forth in the Partnership Agreement. The Partnership does business as Paseo Del Sol Apartments consisting of 80 rental units in 10 buildings located in Santa Fe, New Mexico.

The property has received federal low-income housing tax credits and is subject to certain occupancy and rent restrictions for a period ending fifteen (15) years after the close of the compliance period as defined in Section 42 of the Internal Revenue Code of 1986. In addition, the Partnership has executed an Extended Use Agreement which requires the utilization of the project pursuant to Section 42 for a minimum of fifty years, even if the Partnership disposes of the project.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Accounting Method. The Partnership uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

Accounting Estimates and Assumptions. 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. Actual results could differ from those estimates.

Revenue Recognition. Rental income is shown at its maximum gross potential. Vacancy loss is shown as a reduction in rental income. The rental property is generally leased to tenants under one-year non-cancelable operating leases. Rental income is recognized on a straight-line basis in accordance with the provisions of the lease terms, net of provisions for uncollectible amounts, and as additional services are provided.

Cash- Operations. For the purposes of the statement of cash flows, the Partnership considers cash and cash equivalents to be cash on hand and demand deposits. All other cash accounts are not considered cash for operations due to various reserves and restrictions.

Tenant Receivables. The Partnership extends unsecured credit to its customers in the ordinary course of business but mitigates the associated credit risk by actively pursuing past-due accounts. Accounts are considered delinquent after the 5th day following the billing month. An allowance

TIERRA CONTENTA II, L.P.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tenant Receivables. (Continued)

for doubtful accounts has not been established since management is of the opinion that all accounts receivable at year-end are fully collectible. Accounts receivable are written off when deemed uncollectible. Bad debts of \$3,352 incurred during the year ended December 31, 2018 and there were \$2,814 of bad det recoveries. There were none incurred during the year ended December 31, 2017.

Rental Property and Equipment. Rental property and equipment are carried at cost and are being depreciated by the straight-line method over the estimated useful lives of the assets. The useful lives of the assets are estimated as follows:

Land improvements	15 years
Buildings and improvements	27.5 years
Furniture, fixtures and equipment	5-7 years

Deferred Costs. Deferred costs are incurred in order to obtain permanent financing for the project. Deferred costs are stated at cost and amortized on a straight-line basis over the term of the related loan.

The useful life of the deferred costs is estimated as follows:

Permanent loan costs	15 years
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Partners' Assets and Liabilities. In accordance with the generally accepted method of presenting the Partnership balance sheet, the balance sheet does not include the assets and liabilities of the partners, including their rights to refunds on their shares of the net income (loss) of the Partnership, nor any provision for income tax refunds.

Valuation of Long-Lived Assets. 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 flow expected to be generated by the rental property, including the 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 amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no losses in 2018 and 2017.

Income Tax and Real Estate Tax. The Partnership has always been a New Mexico limited partnership and does not have any entity level taxes. Management has determined that the Partnership does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Partnership's tax returns will not

TIERRA CONTENTA II, L.P.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax and Real Estate Tax. (Continued)

be challenged by the taxing authorities and that the Partnership or its members will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Partnership's tax returns remain open for federal income tax examination for three years from the date of filing and four years for New Mexico. The Partnership is also tax exempt from real estate taxes since the property is deemed to be owned by a governmental unit pursuant to New Mexico Statutes Annotated 1978

Subsequent Events. Management has evaluated subsequent events through March 14, 2019, the date the financial statements were available to be issued.

Reclassifications. For 2018, the Partnership revised its chart of accounts and various expense categories were reclassified. Certain expense categories for 2017 were reclassified to conform to the current year presentation. The most significant reclassification was a new separate payroll expense category.

NOTE 3. RESTRICTED CASH

Operating Reserve. The managing member is required to maintain an operating reserve in accordance with the partnership and the lenders' regulatory agreements. The reserve was funded in the amount of \$100,000 from cumulative net cash flow. The amounts in the operating reserve will be used to fund operating deficits. As of December 31, 2008, the requirements of the Partnership Agreement had been met to allow the release of funds to the General Partners. The funds were released in 2009 and no further deposits to the operating reserve are required.

Tenant Security Deposits. The Partnership is required to hold security deposits in a separate bank account in the name of the project. The balances were \$32,113 at December 31, 2018 and \$32,104 at December 31, 2017.

Replacement Reserve. The Partnership is required to establish a capital replacement reserve, the proceeds of which reserve will be used for capital expenditures. The Partnership is required to contribute \$ 200 per unit per year. Replacement reserves balances were \$465,455 at December 31, 2018 and \$429,157 at December 31, 2017.

Tax & Insurance Escrow. The Partnership has established an escrow account to fund tax and insurance payments. The balances were \$6,989 at December 31, 2018 and \$8,570 at December 31, 2017.

TIERRA CONTENTA II, L.P.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 3. RESTRICTED CASH (CONTINUED)

In accordance with provisions of the agreements, restricted cash is held in separate bank accounts. Details follow:

	<u>Tenant Security Deposits</u>	<u>Operating Reserve</u>	<u>Replacement Reserve</u>	<u>Tax & Insurance Escrow</u>	<u>Total Restricted Cash</u>
Balance, 12/31/2016	\$ 32,094	\$ -	\$ 392,951	\$ 8,855	\$ 433,900
Deposits	10	-	36,206	-	36,216
Withdrawals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(285)</u>	<u>(285)</u>
Balance, 12/31/2017	32,104	-	429,157	8,570	469,831
Deposits	9	-	36,298	-	36,307
Withdrawals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,581)</u>	<u>(1,581)</u>
Balance, 12/31/2018	<u>\$ 32,113</u>	<u>\$ -</u>	<u>\$ 465,455</u>	<u>\$ 6,989</u>	<u>\$ 504,557</u>

NOTE 4. CAPITAL ASSETS (Rental Property)

Capital assets (rental property, net is summarized as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 256,520	\$ 256,520
Buildings and improvements	5,104,090	5,104,090
Land improvements	746,813	746,813
Furniture, fixtures and equipment	<u>414,913</u>	<u>414,913</u>
	6,522,336	6,522,336
Less accumulated depreciation	<u>(4,937,560)</u>	<u>(4,747,159)</u>
Total capital assets	<u>\$ 1,584,776</u>	<u>\$ 1,775,177</u>

TIERRA CONTENTA II, L.P.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 5. DEFERRED COSTS

Deferred costs are summarized as follows:

	<u>2018</u>	<u>2017</u>
Organization costs	\$ 10,070	\$ 10,070
Deferred loan costs	<u>133,237</u>	<u>133,236</u>
	143,307	143,306
Less accumulated amortization	<u>(26,725)</u>	<u>(22,283)</u>
Total deferred costs	<u>\$ 116,582</u>	<u>\$ 121,023</u>

The annual amortization expense for each of the next five years will be \$4,441 for the loan costs.

NOTE 6. LONG-TERM DEBT

Notes payable consists of the following:

	<u>2018</u>	<u>2017</u>
The Partnership has a mortgage payable to Bellwether Enterprise Mortgage Investments, Inc., original amount of \$2,941,201, monthly principal and interest payments of \$15,193 at 4.51% interest secured by a deed of trust and security agreement. The note matures on March 1, 2033 with a balloon payment of \$1,749,445 on that date.	\$ 2,810,757	\$2,863,243
Less current maturities (due within one year)	<u>(54,937)</u>	<u>(52,486)</u>
Total long-term portion of notes payable	<u>\$ 2,755,820</u>	<u>\$2,810,757</u>

TIERRA CONTENTA II, L.P.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 6. LONG-TERM DEBT (CONTINUED)

At December 31, 2018, accrued interest was \$10,916 and \$11,120 at December 31, 2017.

Future maturities of long-term debt at December 31, 2018 are as follows:

2019	\$	54,937
2020		57,147
2021		60,171
2022		62,981
2023		65,922
Thereafter		<u>2,509,599</u>
Total		<u>\$ 2,810,757</u>

NOTE 7. COMMITMENTS AND CONTINGENCIES

Operating Deficit Guaranty and Reserve. Pursuant to the Partnership Agreement, the General Partners shall deposit 10% of the cumulative net cash flow into the operating reserve. The General Partners will not be required to make deposits once the operating reserve equals \$100,000. The amounts in the operating reserve will be used to fund operating deficits. Upon the tenth anniversary of the project's placed-in-service date, and satisfaction of certain requirements outlined in the Partnership Agreement, up to \$100,000 of the principal balance of the operating reserve may be released to the General Partners. As of December 31, 2008, the requirements had been met to allow the release of funds to the General Partners. These funds were released in 2009 and no future deposits to the reserve are required.

Partnership Management Agreement and Fee. The Partnership entered into a partnership management agreement with an affiliate of the General Partner to assist the Partnership with financial, tax and reporting obligations. For these services, the Partnership pays an annual partnership management fee of \$20,000. The fee is payable from net cash flow and does not accrue if net cash flow is insufficient to pay the fee. During 2018 and 2017, no fees were incurred.

Incentive Management Fee Agreement. The Partnership entered into an incentive management fee agreement with affiliates of the General Partners for supervisory services designed to help the project operate efficiently. For these services, the Partnership pays an annual fee of 90% of net cash flow. The fee does not accrue if net cash flow is insufficient in any year to pay the fee. In addition, the annual fee shall not exceed 10% of gross revenue for any year. During 2018 and 2017, no fees were incurred.

TIERRA CONTENTA II, L.P.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 8. DISTRIBUTABLE CASH

Distributable Cash. Shall be distributed in the following order of priority:

Net cash flow, as defined by the Partnership Agreement, shall be distributed as follows:

- a. First – Payment of development fees in the annual amount shown on the projections attached in the Partnership Agreement.
- b. Second – Payment of investor service fee and partnership management fee, *pari passu*.
- c. Third – Payment of any reserves deemed necessary by the General Partners for any contingent or unforeseen liability.
- d. Fourth – To the General Partners to repay any outstanding fee guaranty advance and outstanding operating deficit contribution.
- e. Fifth – Payment of incentive management fees.
- f. Sixth – Remaining surplus cash will be distributed to the partners with 0.1% paid to the General Partners and 99.9% to the Limited Partner.

Excess cash from operations as of December 31, 2018 and 2017 are to be distributed in the following manner:

	2018	2017
Cash from operations	\$ 107,018	\$ 128,131
Payment of development fees	-	-
Payment of partner management fees	(20,000)	(20,000)
Payment of reserves deemed necessary by the General Partner	(34,717)	-
Payment to the General Partners to repay any outstanding fee guaranty advance and outstanding operating deficit	-	-
Payment of incentive management fees	-	-
Distribution to the Partners:		
.03% to Minority General Partner, Casas De Buena Ventura	(16)	(32)
.07% to Operating General Partner, SFCHA	(36)	(76)
99.9% to Limited Partner, SFCHA	(52,249)	(108,023)
Cash remaining	\$ -	\$ -

NOTE 9. RESTATEMENT – MEMBERS’ EQUITY – PRIOR-PERIOD ADJUSTMENT

An adjustment to Members’ Equity at December 31, 2017, totaling \$3,715 was required resulting from errors in depreciation expense and accumulated depreciation of years prior to December 31, 2016.

VH SANTA FE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization. VH Santa Fe, LLC, a New Mexico limited liability company (the “Company”) was formed to acquire, rehabilitate and develop, own and operate a 116-unit low-income housing project (the Project) located in Santa Fe, New Mexico. The company was formed November 3, 2016 with VH RAD, LLC, as a sole member and manager. On February 7, 2017, U.S. Bancorp Community Development Corporation was admitted as the investor member. The Project is eligible for low-income housing tax credits established under the program described in Section 42 of the Internal Revenue Code of 1986, as amended, which requires the Company to ensure that residents meet certain eligibility requirements to maintain compliance with tax law and loan agreements. The Company shall continue in perpetuity unless terminated earlier in accordance with the provisions of the operating agreement.

Construction on the 116-unit low-income housing project was nearing completion as of December 31, 2018. The Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress or other administrative changes. 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are presented on the accrual basis and include only those assets, liabilities, revenues, and expenses which relate to the business of the Company. The financial statements do not include any assets, liabilities, revenues, or expenses attributable to activities of the managing or limited members.

Cash and Cash Equivalents

Cash and cash equivalents include cash and money market funds with maturities of three months or less at the date of acquisition. It includes any funded reserves.

The Company maintains its cash balances in one financial institution. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Company occasionally maintains cash on deposit in excess of the FDIC limit but has not experienced any losses from these accounts and believes it is not exposed to significant credit risk.

Capitalization and Depreciation

Land, buildings, improvements, furniture and equipment are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the individual assets: 40 years for building, 15 years for land improvements and 5 years for furniture and

VH SANTA FE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalization and Depreciation (Continued)

equipment. Buildings and building improvements commenced to be depreciated in 2018. Maintenance, repairs and minor replacements are charged to expense when incurred. Major replacements and improvements are capitalized.

The Company evaluates the investment in real estate for financial impairments and will continue to evaluate the assets if events or circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the 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 amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2018 and 2017.

Tax Credit Fees

Tax credit fees are recorded at cost and amortized over 15 years. Tax credit fees commenced to be amortized in 2018.

The Company received an allocation of Low-Income Housing Tax Credits (LIHTC) for its qualifying rental property. The benefits of the LIHTC are provided to the Company's members through the Company's annual federal income tax return filing and are not reflected in the accompanying financial statements. The LIHTC is generally claimed by the Company's member's pro-rata over a 10-year period. The credit is a certain percentage (as determined by the Internal Revenue Service) of the qualified basis of the property. The Company may only lease qualified units to qualified tenants who meet certain income restrictions and whose rent payments also are restricted under guidelines set by the Internal Revenue Service.

Revenue Recognition

Rental revenues are recognized in the month in which the services are provided and are presented net of rent concessions and vacancy loss. Other income is recognized as the related services are provided and include application fees, late fees, and other miscellaneous income. Rental payments received in advance are deferred until earned.

Income Taxes

The Company is not a tax-paying entity for federal or state income tax purposes; accordingly, a provision for income taxes has not been recorded in the accompanying financial statements.

Company income or losses are reflected in members' individual or business income tax returns in accordance with their ownership percentages.

The Company's income tax returns are subject to examination by taxing authorities in its major tax jurisdictions

VH SANTA FE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

Company income or losses are reflected in members' individual or business income tax returns in accordance with their ownership percentages.

The Company's income tax returns are subject to examination by taxing authorities in its major tax jurisdictions.

The Company is also tax exempt from real estate taxes since the property is deemed to be owned by a governmental unit pursuant to New Mexico Statutes Annotated 1978.

Use of Estimates

The preparation of the financial statements in conformity with the 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 reporting period. Actual results could differ from those estimates.

Subsequent Events

The Company has evaluated all subsequent events through March 13, 2019, the date the financial statements were available to be issued.

3. MEMBERS' EQUITY

The managing member, VH RAD, LLC, has a 0.01 percent interest, and the investor member, U.S. Bancorp Community Development Corporation, has a 99.99 percent interest. Net cash flows from the Company, after payment of certain items stipulated in the operating agreement, are allocated to the members in the same proportion as profits and losses. The investor member and the managing member are required to make capital contributions of \$13,108,312 and \$100, respectively. During 2017, capital contributions totaling \$1,944,559 were made by the investor member and \$101 by the managing member. There were no capital contributions in 2018.

Operating Deficit Contributions

If an operating deficit exists at any time, the managing member shall advance funds to the Company as a loan in an amount equal to the operating deficit, limited to the maximum amount of \$532,676. This obligation terminates at the end of the fiscal year in which the following is last to occur: (i) the tenth anniversary of the end of the lease-up period; and (ii) the tenth anniversary of the end of the stabilization period; provided, however, the expiration of the operating deficit obligation shall be extended by one (1) fiscal year for each fiscal year during the above period that the required debt service coverage is less than 130% and thereafter until such time as the balance in the operating reserve equals or exceeds the operating reserve amount in the amount of \$179,559.

VH SANTA FE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

3. MEMBERS' EQUITY (CONTINUED)

Option to Purchase

The managing member has the option to purchase the investor member's entire interest after the compliance period for the purchase price equal to the greater of (A) all credit deficiencies, fees, loans and other amounts owed to the investor member and all taxes imposed on the investor member in connection with the sale and (B) the fair market value of the investor member's interest, subject to continued use of the Project for low-income housing for at least 15 years after the end of the compliance period, and at least through the end of the extended use period, as of the date of the closing of the buyout.

The managing member is granted right of first refusal and option to purchase the Project on the same terms and conditions as those set forth in any bona fide offer consented to by the investor member, subject to any applicable rules and regulations of the New Mexico Mortgage Finance Authority (MFA), the state tax credit allocating entity.

4. RESTRICTED DEPOSITS AND RESERVES

The operating agreement requires the Company to establish the following reserves in accordance with the operating agreement.

Operating Reserve – The Company is required to fund an operating reserve of at least \$179,559 on the date of payment of the third capital installment into a segregated, interest bearing company reserve account at U.S. Bank National Association (U.S. Bank) and Community Development Trust. No funds shall be expended from the operating reserve without written consent from the investor member. This reserve was not established as of December 31, 2018.

Replacement Reserve – The Company is required to fund in the amount of \$80,000 at the time of the first capital installment and thereafter in the amount of \$300 per unit per year, payable monthly, in equal monthly installments, beginning no later than one month after date which is the last day of the lease-up period or the date required for commencing of funding of the replacement reserve under the first mortgage loan and shall increase by 10% on each fifth anniversary of the replacement reserve commencement date. The Company shall utilize amounts in the replacement reserve to fund repairs, capital expenditures and other costs approved by the investor member in an annual operation budget or otherwise approved by the investor member in writing. The funds shall be deposited in a segregated interest-bearing account at U.S. Bank. The balance in the Replacement Reserve at December 31, 2018 was \$80,014, and at December 31, 2017 was \$80,014.

Tenant Security Deposits – The Company requires tenants to provide security deposits and maintains these in a segregated Company interest-bearing account and amounts cannot be used to pay Company expenses.

VH SANTA FE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

4. RESTRICTED DEPOSITS AND RESERVES (CONTINUED)

In accordance with provisions of the agreements, restricted cash is held in separate bank accounts. Details are as follows:

	<u>Operating Reserve</u>	<u>Replacement Reserve</u>	<u>Tenant Security Deposits</u>	<u>Total</u>
Balance, 12/31/17	\$ -	\$ 80,014	\$ 1,450	\$81,464
Deposits	-	-	954	954
Withdrawals	-	-	-	-
Bank charge	-	-	-	-
Interest received	-	34	-	34
Balance, 12/31/18	<u>\$ -</u>	<u>\$ 80,048</u>	<u>\$ 2,404</u>	<u>\$82,452</u>

5. NOTES PAYABLE AND LONG-TERM DEBT

	<u>2018</u>	<u>2017</u>
Notes payable consist of the following December 31, 2018:		
Construction loan payable to U.S. Bank in monthly payments of variable interest-only (2.94% at year-end). The loan is secured by real property. Total amount available to be drawn is \$10,349,063.	\$9,630,595	
\$9,528,129		
HOME loan mortgage notes payable to New Mexico Mortgage Finance Authority (MFA); interest free loan with monthly principal payments of \$1,111 beginning March 1, 2019. Post-construction amount will be \$400,000. The loan is secured by real property and matures February 1, 2049.	-	335,000
Ventana Fund loan mortgage note payable to the Ventana Fund interest of 2.5% with interest only payments during construction and the total principal amount due on February 1, 2019. The loan is secured by real property and matures February 1, 2019.	725,000	725,000

VH SANTA FE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

5. NOTES PAYABLE AND LONG-TERM DEBT (CONTINUED)

	<u>2018</u>	<u>2017</u>
Mortgage note payable to Santa Fe Civic Housing Authority; (SFCHA); accrues interest at 6% upon completion of construction; monthly principal and interest due based upon available cash flow. The loan is secured by real property and is due on 40 th anniversary of final certificate of occupancy	1,000,000	1,000,000
Note payable to Santa Fe Civic Housing Authority; (SFCHA) – Development Loan; accrues no interest and is payable upon stabilization of the project.	388,360	-
Note payable to Santa Fe Civic Housing Authority (SFCHA)-AHP grant funds; simple interest at 6%. Payable from residual receipts, after payment of permanent debt service, operating expenses, deferred development fee. No payments due for the first 16 years. Loan term is 40 years.	<u>320,690</u>	<u>-</u>
Total notes payable	12,064,645	9,688,566
Total current portion	<u>-</u>	<u>-</u>
Total long-term portion	<u>\$ 12,064,645</u>	<u>\$ 9,688,566</u>

Future maturities of long-term debt are as follows:

Year ending December 31:	
2019	\$ 10,727,423
2020	13,332
2021	13,332
2022	13,332
2023	13,332
Thereafter	283,894
Payments contingent on cash flows	<u>1,000,000</u>
Total	<u>\$ 12,064,645</u>

VH SANTA FE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

6. CAPITAL ASSETS

Capital assets are summarized as follows:

	<u>2018</u>	<u>2017</u>
Construction-in-progress	-	\$11,553,226
Building and improvements	\$14,979,464	-
Furniture, fixtures and equipment	<u>418,132</u>	<u>-</u>
	15,215,596	11,553,226
Less accumulated depreciation	<u>(368,157)</u>	<u>-</u>
Total property and equipment, net	<u>\$14,847,439</u>	<u>\$11,553,226</u>

Depreciation expense for the 2018 was \$368,157. There was no depreciation expense in 2017.

7. DEFERRED FEES

Deferred fees are summarized as follows:

	<u>2018</u>	<u>2017</u>
Tax credit fees	\$ 86,250	\$ -
Less: accumulated amortization	<u>(5,750)</u>	<u>-</u>
Total deferred costs	<u>\$ 80,500</u>	<u>\$ -</u>

Tax credit fees will be amortized over 15 years. Accumulated amortization as of December 31, 2018 was \$5,750. There was no amortization expense in 2017.

7. US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT SUBSIDIES

The VH Santa Fe, LLC received \$82,696 from the US Department of Housing and Urban Development under Federal CFDA Number 14.149 during 2017 passed through the SFCHA. Subsidies will be received in future years and will be reported as a part of net rental revenue in gross potential rents and vacancies - apartments. At December 31, 2018, Accounts Receivable – HUD Subsidy Voucher and a corresponding revenue account (Vacancies-Apartments) was recorded in the amount of \$292,541.

VH SANTA FE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

8. RELATED PARTY TRANSACTIONS AND BALANCES

Development Fee

The development services agreement provides for development fees to be paid to SFCHA in the amount of \$1,621,741. The development fee is to be incurred during construction and paid corresponding to the investor member's capital installments as follows:

First capital installment	\$ 165,178
Second capital installment	234,201
Third capital installment	265,774
Fourth capital installment	53,155
Final capital installment	<u>903,433</u>
 Total development fees	 <u>\$1,621,741</u>

At December 31, 2018, the first capital installment of \$165,178 had been paid. The amount outstanding at December 31, 2018 was \$1,672,741, and is reflected as Deferred Development Loan Payable-SFCHA, in these financial statements.

Asset Management Fee

The Company is required to pay an affiliate of the investor member as asset management fee of \$5,500, for annual review of the operations of the Company and the Project, beginning in 2017 with a prorated amount of \$5,500. Amount is payable from net cash flow, as defined in the operating agreement. The fee increases every five years by 10 percent. If cash flows are not available, the fee will accrue. There were no fees paid during 2018 and 2017.

Company Management Fee

The Company is required to pay the managing member an annual administration fee of 10 percent of gross rents collected payable from net cash flow, as defined in the operating agreement. If cash flow is not available, the fee will not accrue. There were no fees paid during 2018 and 2017

Other Transactions and Payables

Amounts due to:	<u>2018</u>	<u>2017</u>
Note payable - SFCHA- Cash Flow (Note 5)	\$1,000,000	\$ 1,000,000
Note payable - SFCHA – Development Loan	388,360	-
Note payable - SFCHA – AHP Loan	320,690	-
 Due to related parties (expenses paid for Company):		
Due to SFCHA (9-1)	131,223	66,849
Due to VH RAD	102,150	-

VH SANTA FE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

8. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Additionally, the Company maintains a bank account and holds a note payable with U.S. Bank, an affiliate of the investor member.

9. COMMITMENTS

The Project'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 noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the investor member.

Under contracts with other companies, the Company has committed to contracted amounts for building renovations.

10. BARGAIN LAND LEASE

The Company has committed to pay \$1 per year through 2112 for the rental of the land on which the Company's building is located. The lease is subject to certain compliance requirements and can be canceled under specific provisions.

11. DISTRIBUTABLE CASH

Distributable Cash. Shall be distributed in the following order of priority:

A. 75% of net cash provided by operating activities shall be applied as follows:

- a. First, Asset Management Fee
- b. Second, Credit Deficiencies and Tax Equivalency Payments;
- c. Third, Default Cash Flow Priority;
- d. Fourth (a) Company Replacement Reserve, Fourth (b), Operating Reserve Replenishment, Fourth (c), Debt Service Reserve Replenishment;
- e. Fifth, Investor Member Loans and Advances;
- f. Sixth, Development Fee;
- g. Seventh (a), principal and interest payments on MFA (HOME) loan, Seventh (b), principal and interest on MFA (Ventana) loan;
- h. Eighth, Managing Member: Development advance, Operating Deficit Advance, Credit Adjustor Advance, or Development Fee Advance, then other loans and payables from Managing Member;
- i. Ninth, Managing Member: Management Fee;
- j. Tenth, Balance to Managing Member and Investor Member.

VILLA ALEGRE SENIOR, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1. NATURE OF BUSINESS

Nature of Business. Villa Alegre Senior, LLC, a New Mexico limited liability company (Company) was formed on November 20, 2009 for the purposes of acquiring the leasehold interest in approximately 3.73 acres of land in Santa Fe, New Mexico pursuant to a sublease and a ground lease and constructing, developing, maintaining and operating thereon a rental housing development which will contain, in the aggregate, 51 dwelling units in twenty-five (25) one-story buildings plus a community building and walking paths; 50 of the units are intended for rental pursuant to the Low-Income Housing Tax Credit Program of Section 42 of the Internal Revenue Code of 1986, as amended.

Construction on the 51 dwelling units was completed in July 2011. The Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress or other administrative changes. 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 2. SIGNIFICANT ACCOUNTING POLICIES

Accounting Method. The Company uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

Accounting Estimates and Assumptions. 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. Actual results could differ from those estimates.

Revenue Recognition. Rental income is shown at its maximum gross potential. Vacancy loss is shown as a reduction in rental income.

Cash- Operations. For the purposes of the statement of cash flows, the Company considers cash and cash equivalents to be cash on hand and demand deposits. All other cash accounts are not considered cash for operations due to various reserves and restrictions.

Rental Income Receivables. The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated credit risk by actively pursuing past-due accounts. Accounts are considered delinquent after the 5th day following the billing month. An allowance for doubtful accounts has not been established since management is of the opinion that all accounts receivable at year-end are fully collectible. Accounts receivable are written off when deemed uncollectible. There were no bad debts incurred during the years ended December 31, 2018 and 2017, respectively.

VILLA ALEGRE SENIOR, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Rental Property and Equipment. Rental property and equipment are carried at cost and are being depreciated by the straight-line method over the estimated useful lives of the assets. The useful lives of the assets are estimated as follows:

Land improvements	15 years
Buildings	40 years
Furniture and fixtures	5 years

Deferred Costs. Deferred costs are incurred in order to obtain permanent financing and tax credits for the project. Deferred costs are stated at cost and amortized on a straight-line basis.

The useful lives of the deferred costs are estimated as follows:

Tax credit costs	15 years
Permanent loan costs	45 years

Members' Assets and Liabilities. In accordance with the generally accepted method of presenting the Company balance sheet, the balance sheet does not include the assets and liabilities of the members, including their rights to refunds on their shares of the net income (loss) of the Company, nor any provision for income tax refunds.

Valuation of Long-Lived Assets. The Company 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 flow expected to be generated by the rental property, including the 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 amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no losses in 2018 or 2017.

Income Tax. The Company has always been a New Mexico limited liability company and does not have any entity level taxes. Management has determined that the Company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company or its members will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Company's tax returns remain open for federal income tax examination for three years from the date of filing and four years for New Mexico.

Subsequent Events. Management has evaluated subsequent events through March 15, 2019, the date the financial statements were available to be issued.

VILLA ALEGRE SENIOR, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications. For 2018, the Company revised its chart of accounts and various expense categories were reclassified. Certain expense categories for 2017 were reclassified to conform to the current year presentation. The most significant reclassification was a new separate payroll expense category.

NOTE 3. RESTRICTED CASH

Operating Reserve. The managing member is required to maintain an operating reserve in accordance with the partnership and the lenders' regulatory agreements. The reserve was funded in 2011 in the amount of \$83,736 using the proceeds from managing partner capital contribution. The operating reserve will be held by lender, in an interest-bearing account until project compliance is achieved. The investing member is also required to fund an operating reserve in accordance with the partnership agreement. The reserve balance as December 31, 2018 and 2017 was \$103,550.

Tenant Security Deposits. The Company is required to hold security deposits in a separate bank account in the name of the project.

Capital Replacement Reserve. The Company is required to establish a capital replacement reserve, the proceeds of which reserve will be used for capital expenditures. The Company is required to contribute \$20.83 per unit per month no later than the first month in which the unit is occupied. Capital replacement reserves have a balance as December 31, 2018 and 2017 of \$91,102 and \$77,041, respectively. The investing member is also required to fund a replacement reserve in accordance with the partnership agreement. The reserve balance as of December 31, 2018 and 2017 were \$42,493.

Cash in Escrow Bonds. The Company has an established escrow account with a depository agency in order to meet upcoming bond interest expense obligations. The balances as of December 31, 2018 and 2017 were \$42,368 and \$43,027, respectively.

Debt Service Fund. The Company has established a debt service fund with a depository institution in order to meet long-term debt obligations related to the bonds. The balances as of December 31, 2018 and 2017 were \$25,750 and \$26,375, respectively.

Tax & Insurance Escrow. The Company has established an escrow account to fund tax and insurance payments. The balances as of December 31, 2018 and 2017 were \$7,804 and \$2,407, respectively.

Subsidy Reserves. The investing member was required to fund a subsidy reserve in accordance with the partnership agreement. The reserve was funded in 2012 and as of December 31, 2018 and 2017 the balance was \$144,960.

VILLA ALEGRE SENIOR, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 3. RESTRICTED CASH (CONTINUED)

In accordance with provisions of the agreements, restricted cash is held in separate bank accounts. Details follow:

	Tenant Security <u>Deposits</u>	Operating Reserves- <u>MFA</u>	Replacement Reserves- <u>MFA</u>	Cash in Escrow <u>Bonds</u>	Debt Service <u>Fund</u>
Balance, 12/31/16	\$ 15,737	\$83,893	\$63,005	\$40,303	\$26,625
Deposits	5	126	14,036	46,444	-
Withdrawals	-	-	-	(43,720)	(250)
Bank charge	-	-	-	-	-
Balance, 12/31/17	15,742	84,019	77,041	43,027	26,375
Deposits	760	128	14,061	125	-
Withdrawals	(750)	-	-	(784)	(625)
Bank charge	-	-	-	-	-
Balance, 12/31/18	\$ 15,752	\$84,147	\$91,102	\$42,368	\$25,750

	Tax & Insurance <u>Escrow</u>	Capital Reserves- <u>AEGON</u>	Operating Reserves- <u>AEGON</u>	Subsidy Reserves- <u>AEGON</u>	Total Restricted <u>Cash</u>
Balance, 12/31/16	\$ 4,710	\$42,493	\$103,550	\$144,960	\$525,276
Deposits	19,352	-	-	-	79,963
Withdrawals	(21,655)	-	-	-	(65,625)
Bank charge	-	-	-	-	-
Balance, 12/31/17	2,407	42,493	103,550	144,960	539,614
Deposits	25,005	70	-	-	40,149
Withdrawals	(19,608)	(70)	-	-	(21,837)
Bank charge	-	-	-	-	-
Balance, 12/31/18	\$ 7,804	\$42,493	\$103,550	\$144,960	\$557,926

VILLA ALEGRE SENIOR, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 4. CAPITAL ASSETS

Capital assets are summarized as follows:

	<u>2018</u>	<u>2017</u>
Land improvements	\$ 1,033,000	\$1,033,000
Building and improvements	8,372,290	8,372,290
Furniture, fixtures and equipment	<u>333,544</u>	<u>333,544</u>
	9,738,834	9,738,834
Less accumulated depreciation	<u>(2,107,677)</u>	<u>(1,871,126)</u>
Total property and equipment	<u>\$ 7,631,157</u>	<u>\$7,867,708</u>

Depreciation expense for 2018 was \$236,551. Accumulated depreciation at December 31, 2017 was adjusted by \$33,355 resulting from \$33,355 in excess depreciation expense recorded in 2016.

NOTE 5. DEFERRED COSTS

Deferred costs are summarized as follows:

	<u>2018</u>	<u>2017</u>
Tax credit costs	\$ 12,647	\$ 12,647
Permanent loan costs	<u>441,032</u>	<u>441,032</u>
	453,679	453,679
Less accumulated amortization	<u>(74,930)</u>	<u>(64,286)</u>
Total deferred costs	<u>\$ 378,749</u>	<u>\$389,393</u>

The annual amortization expense for each of the next five years will be \$843 for the tax credit costs and \$9,801 for the permanent loan costs.

NOTE 6. NOTES PAYABLE

Notes payable consists of the following:

	<u>2018</u>	<u>2017</u>
Due to Finance Authority, not to exceed \$890,000, interest at 5.55% per annum due in 420 monthly, principal and interest payments of \$4,809 commencing on January 1, 2012. Secured by a first lien and mortgage on real property, evidenced by a leasehold mortgage and security agreement, as well as assignment of leases, rents and profits.	\$818,649	\$828,648

VILLA ALEGRE SENIOR, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 6. NOTES PAYABLE (CONTINUED)

	<u>2018</u>	<u>2017</u>
Due to Finance Authority, not to exceed \$1,894,287, interest at 1% per annum accruing on each disbursement until April 1, 2012 at which time all accrued interest and one-forty-fifth of the principal balance will be paid. Thereafter principal and interest due annually, matures April 1, 2056, all payments shall only be made from ten percent of "Available Cash Flow," secured by leasehold mortgage.	\$ 1,892,519	\$1,892,519
Due to related party, not to exceed \$3,497,750, interest at 0.0%, principal due annually to the extent of available cash flow, on June 9, matures June 9, 2065, secured by a third priority lien deed of trust covering the fee simple interest of the Senior LLC	3,497,750	3,497,750
Due to related party, not to exceed \$738,000, interest at 0%, principal due annually to the extent of available cash flow, with no maturity date, unsecured	<u>738,000</u>	<u>738,000</u>
Total notes payable	6,946,918	6,956,917
Total current notes payable	<u>(136,790)</u>	<u>(139,629)</u>
Total long-term notes payable	<u>\$ 6,810,128</u>	<u>\$6,817,288</u>

Future maturities of long-term debt are as follows:

2019	\$ 140,296
2020	141,001
2021	141,747
2022	142,534
2023	143,367
Thereafter	<u>6,237,973</u>
Total	<u>\$ 6,946,918</u>

VILLA ALEGRE SENIOR, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 7. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's percentage interests are held by two members, an investor member who holds 99.99% and the managing member who holds .01% interest in the LLC. The managing member is V.A. Development, LLC which is a single member LLC that is 100% owned by the Santa Fe Civic Housing Authority (SFCHA). During the years ended December 31, 2017 and 2016, amounts were owed to SFCHA and AEGON for accrued developer fees and other costs and expenses associated with the project that were paid by the Authority. The following amounts will be paid from cash funds made available from excess cash/distributions (see Note 9):

	<u>2018</u>	<u>2017</u>
Due to AEGON - accrued asset management fees	\$ 12,393	\$ 5,971
Due to SFCHA – accrued oversight fee	13,338	8,810
Due to SFCHA – deferred developer fee	115,402	115,402
Due to SFCHA – operating deficit loan	<u>1,731</u>	<u>31,731</u>
Total due to related parties	<u>\$ 142,864</u>	<u>161,914</u>
Note payable - SFCHA	\$ 3,497,750	3,497,750
Developer loan – SFCHA	<u>738,000</u>	<u>738,000</u>
Total notes due to related parties	<u>\$ 4,235,750</u>	<u>\$4,235,750</u>

NOTE 8. COMMITMENTS AND CONTINGENCIES

Operating Deficit Guaranty. The managing partner has guaranteed to fund operating deficits up to \$247,819 (operating deficit guaranty threshold) during the operating deficit guaranty period when the operating reserve is depleted and the Company is in compliance with the conditions to qualify for the property tax abatement granted per New Mexico statute (Section 3-35-3 NMSA 1978). In the event the Company no longer qualifies for the property tax abatement, the managing partner shall have no limit to the amount of the operating deficit loans and the operating deficit guaranty period will be extended indefinitely. The advances will be treated as operating deficit loans to be repaid from excess/distributable cash (see Note 9) or from cash proceeds from extraordinary transactions.

Property Management Fee. The Company entered into a property management agreement with Monarch Properties, Inc. effective April 1, 2011. Monarch Properties, Inc. is not an affiliate of the Company and has been engaged to perform certain management services for the Company at a rate of 4.5% of monthly gross income as defined by the agreement. Management fees incurred under this agreement totaled \$13,584 and \$13,218 for the years ended December 31, 2018 and 2017, respectively.

VILLA ALEGRE SENIOR, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 8. COMMITMENTS AND CONTINGENCIES

Asset Management Fee Agreement. Asset management fee will be the annual fee paid by the Company to the asset manager commencing after completion in the amount of \$5,000 increasing at a rate of 3% per annum. The fee was \$6,148 and \$5,970 for the years ended December 31, 2018 and 2017, respectively. The fee shall accrue to the extent any portion of it remains unpaid at the end of any fiscal year during the term of the Company.

Oversight Fee Agreement. For services provided under the Partnership Agreement, the Company shall pay SFCHA an annual oversight fee equal to 1.5% of the gross cash receipts from operations. The Company shall pay the oversight fee to SFCHA commencing on January 1, 2010 and continuing each January thereafter. For the years ended December 31, 2018 and 2017, the fees were \$4,528 and \$4,406, respectively.

Company Management Fee. An annual fee equal to \$30,000, to be paid by the Company to the managing member from excess/distributable cash (see Note 9) commencing with the first fiscal year in which housing tax credits are allocated to the members and increasing at a rate of 3% per year thereafter. The Company management fee shall not accrue or accumulate to the extent any portion of it remains unpaid at the end of any fiscal year during the term of the Company.

Disposition Fee. Fee equal to three percent (3%) of the gross cash receipts of the Company from an extraordinary transaction, which fee is to be paid by the Company to the investor member out of the extraordinary cash proceeds from excess/distributable cash (see Note 9).

Purchase Option. Villa Alegre Senior, LLC has an option to acquire the project during the option exercise period as referenced in the Partnership Agreement on the first day of the following the expiration of the “compliance period” and ending one year after that date. The option price is the greater of the sum of all debts and liabilities of the Partnership or the fair market value as appraised by a master appraiser institute.

NOTE 9. DISTRIBUTABLE CASH

Distributable Cash. Shall be distributed in the following order of priority:

A. Gross cash receipts from operations shall be applied as follows:

- a. First, to the payment of debt service due and payable on the loans (including any non-managing member loans but excluding any operating deficit loans and any loans payable solely out of operating cash flow pursuant to Section B below and other company expenses, but excluding any company expenses listed in clauses (b) and (d) below and the subordinated company expenses;
- b. Second, to fund the capital replacement reserve as required per the Partnership Agreement Section 8.7(a); and
- c. Third, to payment of any unpaid excess federal adjuster and/or capital adjuster distribution due to the investor member; and
- d. Fourth, to payment of the current and accrued annual asset management fee.

VILLA ALEGRE SENIOR, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 9. DISTRIBUTABLE CASH (CONTINUED)

- e. Fifth, to the investor member an amount equal, on an after-tax basis, to any taxes payable by the investor member due to an income allocation from the Company.
- B. Operating cash flow, if any, remaining after the application of Section A above shall be distributed in the following order of priority;
- a. First, to the repayment of the TCAP loan pursuant to the terms of the TCAP note;
 - b. Second, to pay amounts due with respect to the development fee note until such development fee note is paid in full.
 - c. Third, in the event the operating reserve is below the minimum amount set forth in the Partnership Agreement, to the replenishment of the operating reserve to the minimum amount;
 - d. Fourth, to repayment of the any operating deficit loans;
 - e. Fifth, to payment of the annual company management fee;
 - f. Sixth, to repayment on the ARRA green loan and the Housing Authority loan;
 - g. Seventh, 99.99% to the investor member and 0.01% to the managing member.
- C. Notwithstanding anything to the contrary contained in this Section B, if the amount of the distribution to the investor member under Section B(g) is less than ten percent (10%) of the sum of (1) the distributions to the managing member pursuant to Section B(e) and (g), plus (2) the distributions to the investor member under Section B(g), then the distributions to the managing member under Sections B(e) and (g) shall be reduced and the distribution to the investor member shall be increased so that the investor member's total distribution under Section B(g) shall equal at least ten percent (10%) of the total of the amounts distributed to the managing member under Sections B(e) and (g) as modified by the foregoing, plus the amount distributed to the investor member pursuant to Section B(g).
- D. Except as provided in Article 12 of the Partnership Agreement and subject to any limitation imposed under any loan or by any authority, extraordinary cash proceeds shall be applied as follows;
- a. First, to payment of any unpaid excess federal adjustor and/or any capital adjustor distribution due to the investor member;
 - b. Second, to repayment of any non-managing member loan and then to pay operating deficit loans;
 - c. Third, to the investor member an amount equal to, on an after-tax basis, the taxes (if any) owed by it as a result of the extraordinary transaction pursuant to Clauses (i) and (ii) of Section 6. (c) of the Partnership Agreement;
 - d. Fourth, to payment of the development fee note until such development fee note has been paid in full;
 - e. Fifth, to payment of the current and any accrued and unpaid annual asset management fee;

VILLA ALEGRE SENIOR, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

f. Sixth, to payment of the disposition fee; and

NOTE 9. DISTRIBUTABLE CASH (CONTINUED)

g. Seventh, 99.99% to the investor member and 0.01% to the managing member.

Excess cash from operations as of December 31, 2018 and 2017, are distributed in the following manner:

	<u>2018</u>	<u>2017</u>
Cash from operations	\$ 38,918	\$41,996
Funding of unpaid asset management	-	-
Funding of unpaid oversight fees	-	-
Debt service payments	(9,999)	-
Unfunded replacement reserve	<u>(14,061)</u>	<u>-</u>
Cash reserves remaining after first tier	14,858	41,996
TCAP installment	(1,486)	(4,200)
Payment of deferred developer fee	<u>(13,272)</u>	<u>(37,796)</u>
Cash remaining	<u>\$ -</u>	<u>\$ -</u>

The asset management and oversight fees have been included as operating expenses and therefore, according to footnote 9 A., take preference over excess cash distributions. Therefore, unpaid portions, if any, are included above.

For the year ended December 31, 2013, the Company changed its method of determining its cash available for distributions. The cash available for 2013 distributions and future years is based on operating income that is adjusted for payments on debt and required fees. The cash available for 2012 distributions and prior years was based on ending cash adjusted for receivables and liabilities.

NOTE 10. RESTATEMENT – MEMBERS’ EQUITY – PRIOR-PERIOD ADJUSTMENT

An adjustment to Members’ Equity at December 31, 2017, totaling \$33,355 was required resulting from excess depreciation expense recorded in error in 2016 (\$33,355).

VILLA ALEGRE FAMILY, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business. Villa Alegre Family LLC, a New Mexico limited liability company (Company) was formed on November 20, 2009 for the purposes of acquiring the leasehold interest in approximately 3.96 acres of land in Santa Fe, New Mexico pursuant to a sublease and a ground lease and constructing, developing, maintaining and operating thereon a rental housing development which contains, in the aggregate, 60 dwelling units in seventeen (17) one-story buildings plus a community building, tot lot, basketball court and walking paths; 51 of the units are intended for rental pursuant to the Low-Income Housing Tax Credit Program pursuant to Section 42 of the Internal Revenue Code of 1986, as amended.

Construction on the 60 dwelling units was completed in July 2011. The Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress or other administrative changes. 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 2. SIGNIFICANT ACCOUNTING POLICIES

Accounting Method. The Company uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

Revenue Recognition. Rental income is shown at its maximum gross potential. Vacancy loss is shown as a reduction in rental income.

Cash - Operations. For the purposes of the statement of cash flows, the Company considers cash and cash equivalents to be cash on hand and demand deposits. All other cash accounts are not considered cash for operations due to various reserves and restrictions.

Rental Income Receivables. The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated credit risk by actively pursuing past-due accounts. Accounts are considered delinquent after the 5th day following the billing month. An allowance for doubtful accounts has not been established since management is of the opinion that all accounts receivable at year-end are fully collectible. Accounts receivable are written off when deemed uncollectible. There was \$(255) and \$(360) of bad debts incurred during the years ended December 31, 2018 and 2017.

Rental Property and Equipment. Rental property and equipment are carried at cost and are being depreciated by the straight-line method over the following useful lives:

Land improvements	10-15 years
Buildings	40 years
Furniture and fixtures	5 years

VILLA ALEGRE FAMILY, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Costs. Deferred costs are incurred in order to obtain permanent financing and tax credits for the project. Deferred costs are stated at cost and amortized on a straight-line basis. The useful lives of the deferred costs are estimated as follows:

Tax credit costs	15 years
Permanent loan costs	45 years

Members' Assets and Liabilities. In accordance with the generally accepted method of presenting the Company balance sheet, the balance sheet does not include the assets and liabilities of the members, including their rights to refunds on their shares of the net income (loss) of the Company, nor any provision for income tax refunds.

Accounting Estimates and Assumptions. 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. Actual results could differ from those estimates.

Valuation of Long-Lived Assets. The Company 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 flow expected to be generated by the rental property, including the 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 amount by which the carrying amount of the real estate exceeds the fair value of such property. There was no impairment loss recognized in 2018 and 2017.

Income Tax. The Company has always been a New Mexico limited liability company and does not have any entity level taxes. Management has determined that the Company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company or its members will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Company's tax returns remain open for federal income tax examination for three years from the date of filing and four years for New Mexico.

Subsequent Events. Management has evaluated subsequent events through March 13, 2019, the date the financial statements were available to be issued.

Reclassifications. For 2018, the Company revised its chart of accounts and various expense categories were reclassified. Certain expense categories for 2017 were reclassified to conform to the current year presentation. The most significant reclassification was a new separate payroll expense category.

VILLA ALEGRE FAMILY, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 3. RESTRICTED CASH AND RESERVES

Operating Reserve. The managing member is required to maintain an operating reserve in accordance with the partnership and the lenders' regulatory agreements. The reserve was funded in 2012, in the amount of \$360,730 using the proceeds from managing partner capital contributions and has a balance of \$360,730 as of December 31, 2018 and 2017.

Tenant Security Deposits. The Company is required to hold security deposits in a separate bank account in the name of the project.

Capital Replacement Reserve. The Company is required to establish a capital replacement reserve, the proceeds of which reserve will be used for capital expenditures. The Company is required to contribute \$25 per unit per month no later than the first month in which the unit is occupied. Capital replacement reserves balances as of December 31, 2018 and 2017, were \$145,271 and \$125,012, respectively.

Housing Subsidy Reserve. The managing member shall establish and maintain an operating reserve equal to the amount of two years' payments due to the Project under the Annual Contributions Contract (the ACC). The operating subsidy reserve may be used to cover any operating deficits on the public housing units at the Project subsidized by the ACC. The reserve was funded in 2012 and has a balance of \$15,504 as of December 31, 2018 and 2017.

In accordance with provisions of the agreements, restricted cash is held in separate bank accounts. Details are as follows:

	<u>Operating Reserve</u>	<u>Tenant Security Deposit</u>	<u>Capital Replacement Reserves</u>	<u>Housing Subsidy Reserves</u>	<u>Total</u>
Balance, 12/31/16	\$ 360,730	\$21,544	\$104,753	\$15,504	\$502,531
Deposits	-	250	20,259	-	20,509
Withdrawals	-	-	-	-	-
Bank charge	-	-	-	-	-
Interest received	-	2	-	-	2
	<hr/>				
Balance, 12/31/17	360,730	21,796	125,012	15,504	523,042
Deposits	-	2,217	21,947	-	24,164
Withdrawals	-	(1,800)	(1,688)	-	(3,488)
Bank charge	-	-	-	-	-
Interest received	-	-	-	-	-
	<hr/>				
Balance, 12/31/18	\$ 360,730	\$22,213	\$145,271	\$15,504	\$543,718

VILLA ALEGRE FAMILY, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 4. CAPITAL ASSETS

Capital assets are summarized as follows:

	<u>2018</u>	<u>2017</u>
Land improvements	\$ 900,000	\$ 900,000
Building and improvements	11,753,708	11,753,708
Furniture, fixtures and equipment	<u>467,108</u>	<u>467,108</u>
	13,120,816	13,120,816
Less accumulated depreciation	<u>(3,003,340)</u>	<u>(2,664,870)</u>
Total property and equipment, net	<u>\$ 10,117,476</u>	<u>\$ 10,455,946</u>

Depreciation expense for 2018 was \$338,469. Accumulated depreciation at December 31, 2017 was adjusted by \$46,712, resulting from \$46,712 in excess depreciation expense recorded in 2016.

NOTE 5. DEFERRED COSTS

Deferred costs are summarized as follows:

	<u>2018</u>	<u>2017</u>
Tax credit costs	\$ 72,280	\$ 72,280
Permanent loan costs	<u>108,015</u>	<u>108,015</u>
	180,295	180,295
Less: accumulated amortization	<u>(52,942)</u>	<u>(45,723)</u>
Total deferred costs	<u>\$ 127,353</u>	<u>\$ 134,572</u>

The annual amortization expense for each of the next five years will be \$4,819 for the tax credit costs and \$2,400 for the permanent loan costs.

VILLA ALEGRE FAMILY, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 6. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's percentage interests are held by two members, an Investor Member which holds 99.99% and the Managing Member which holds .01% interest in the LLC. The Managing Member is V.A. Development, LLC, which is a single member LLC that is 100% owned by the Santa Fe Civic Housing Authority (SFCHA) and is also the Managing Member of Villa Alegre Senior, LLC. During the years ended December 31, 2018 and 2017, amounts were owed to Santa Fe Civic Housing Authority for accrued oversight fee expenses and the Investor Member for accrued asset management fee expenses associated with the project. The following amounts will be paid from cash funds made available as follows:

	<u>2018</u>	<u>2017</u>
Due to AEGON – accrued asset management fee	\$ 9,224	\$ 8,955
Due to SFCHA – oversight fee	<u>15,601</u>	<u>15,451</u>
Total due to related party	<u>\$ 24,825</u>	<u>\$ 24,406</u>

NOTE 7. RESTATEMENT – MEMBERS' EQUITY – PRIOR-PERIOD ADJUSTMENT

An adjustment to Members' Equity at December 31, 2017, totaling \$46,712 was required resulting from excess depreciation expense recorded in error in 2016.

VILLA ALEGRE FAMILY, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 8. LONG-TERM DEBT

	<u>2018</u>	<u>2017</u>
Notes payable, related party consists of the following:		
Due to Finance Authority, interest at 1.0% per annum, accruing on each disbursement until April 1, 2012 at which time all accrued interest and one-forty-fifth of the principal balance will be paid. Thereafter beginning April 1, 2013 principal and interest shall be due annually, matures April 1, 2056, all payments shall only be made from ten percent of "Available Cash Flow" (as defined in the note, until the deferred developer fee is paid in full, then 50% of "Available Cash Flow" thereafter), secured by leasehold mortgage	\$ 2,866,941	\$ 2,848,597
Due to Finance Authority, interest at 1.0% per annum, accruing on each disbursement. Monthly principal and interest payments of \$742, commencing in June 2012; matures June 1, 2042, secured by a second lien mortgage	181,807	188,636
Due to related party, interest at 0.0%, principal and interest Due annually to the extent of available cash flow, commencing on June 9, matures June 9, 2065, secured by a third priority lien deed of trust covering the fee simple interest of the Family LLC	532,781	535,250
Due to bank, interest at 6.25% per annum, principal and interest of \$10,529 due monthly, commencing in June 2012, matures June 2028, secured by a leasehold mortgage	<u>1,550,744</u>	<u>1,579,153</u>
Total notes payable	5,132,273	5,151,636
Total current portion	<u>(93,801)</u>	<u>(91,441)</u>
Total long-term portion	<u>\$ 5,038,472</u>	<u>\$ 5,060,195</u>

Future maturities of long-term debt are as follows:

2018	\$ 93,800
2019	95,802
2020	97,929
2021	100,189
2022	102,591
Thereafter	<u>4,641,961</u>
Total	<u>\$ 5,132,273</u>

VILLA ALEGRE FAMILY, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 9. COMMITMENTS AND CONTINGENCIES

Operating Deficit Guaranty. The managing partner has guaranteed to fund operating deficits up to \$376,234 (operating deficit guaranty threshold) during the operating deficit guaranty period when the operating reserve is depleted and the Company is in compliance with the conditions to qualify for the property tax abatement granted per New Mexico statute (Section 3-35-3 NMSA 1978). In the event the Company no longer qualifies for the property tax abatement, the managing partner shall have no limit to the amount of the operating deficit loans and the operating deficit guaranty period will be extended indefinitely. The advances will be treated as operating deficit loans to be repaid from excess/distributable cash (see Note 10) or from cash proceeds from extraordinary transactions. As of December 31, 2018, and 2017, the operating deficit guaranty threshold has been reduced to zero.

Property Management Fee. The Company entered into a property management agreement with Monarch Properties, Inc. effective October 1, 2010. Monarch Properties, Inc. is not an affiliate of the Company and has been engaged to perform certain management services for the Company at a rate of 4.5% of monthly gross income as defined by the agreement. Management fees incurred under this agreement totaled \$23,376 and \$23,426 for the years ended December 31, 2018 and 2017, respectively.

Asset Management Fee Agreement. Asset management fee will be the annual fee paid by the Company to the asset manager commencing after completion in the amount of \$7,500 increasing at a rate of 3% per annum, which was \$ - and \$8,956 for the years ended December 31, 2018 and 2017, respectively. The fee shall accrue to the extent any portion of it remains unpaid at the end of any fiscal year during the term of the Company.

Oversight Fee Agreement. For services provided under the Partnership Agreement, the Company shall pay SFCHA an annual oversight fee equal to 1.5% of the gross cash receipts from operations. The Company shall pay the oversight fee to SFCHA commencing on January 1, 2010 and continuing each January thereafter.

Company Management Fee. An annual fee equal to \$30,000, to be paid by the Company to the managing member from excess/distributable cash (see Note 10) commencing with the first fiscal year in which housing tax credits are allocated to the members and increasing at a rate of 3% per year thereafter. The Company management fee shall not accrue or accumulate to the extent any portion of it remains unpaid at the end of any fiscal year during the term of the Company.

Disposition Fee. Fee equal to three percent (3%) of the gross cash receipts of the Company from an extraordinary transaction, which fee is to be paid by the Company to the investor member out of the extraordinary cash proceeds from excess/distributable cash (see Note 10 Distributable Cash).

Purchase Option. Villa Alegre Family LLC has an option to acquire the project during the option exercise period as referenced in the Partnership Agreement on the first day of the following the expiration of the "compliance period" and ending one year after that date. The option price is the greater of the sum of all debts and liabilities of the Company or the fair market value as appraised by a master appraiser institute.

VILLA ALEGRE FAMILY, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 10. DISTRIBUTABLE CASH

Distributable Cash. Shall be distributed in the following order of priority:

- A. Gross cash receipts from operations shall be applied as follows:
- a. First, to the payment of debt service due and payable on the loans (including any non-managing member loans but excluding any operating deficit loans and any loans payable solely out of operating cash flow pursuant to Section B below and other company expenses, but excluding any company expenses listed in clauses (b) and (d) below and the subordinated company expenses;
 - b. Second, to fund the capital replacement reserve as required per the Partnership Agreement Section 8.7(a);
 - c. Third, to payment of any unpaid excess federal adjuster and/or capital adjuster distribution due to the investor member;
 - d. Fourth, to payment of the current and accrued annual asset management fee;
 - e. Fifth, to the investor member an amount equal, on an after-tax basis, to any taxes payable by the investor member due to an income allocation from the Company.
- B. Operating cash flow, if any, remaining after the application of Section A above shall be distributed in the following order of priority;
- a. First, to the repayment of the TCAP loan pursuant to the terms of the TCAP note;
 - b. Second, to pay amounts due with respect to the development fee note until such development fee note is paid in full;
 - c. Third, in the event the operating reserve is below the minimum amount set forth in the Partnership Agreement, to the replenishment of the operating reserve to the minimum amount;
 - d. Fourth, to repayment of any operating deficit loans;
 - e. Fifth, to payment of the annual company management fee;
 - f. Sixth, to repayment on the ARRA green loan and the Housing Authority loan;
 - g. Seventh, 99.99% to the investor member and 0.01% to the managing member.
- C. Notwithstanding anything to the contrary contained in this Section B, if the amount of the distribution to the investor member under Section B(g) is less than ten percent (10%) of the sum of (1) the distributions to the managing member pursuant to Section B(e) and (g), plus (2) the distributions to the investor member under Section B(g), then the distributions to the managing member under Sections B(e) and (g) shall be reduced and the distribution to the investor member shall be increased so that the investor member's total distribution under Section B(g) shall equal at least ten percent (10%) of the total of the amounts distributed to the managing member under Sections B(e) and (g) as modified by the foregoing, plus the amount distributed to the investor member pursuant to Section B(g).

VILLA ALEGRE FAMILY, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 10. DISTRIBUTABLE CASH (CONTINUED)

- D. Except as provided in Article 12 of the Partnership Agreement and subject to any limitation imposed under any loan or by any authority, extraordinary cash proceeds shall be applied as follows;
- a. First, to payment of any unpaid excess federal adjustor and/or any capital adjustor distribution due to the investor member;
 - b. Second, to repayment of any non-managing member loan and then to pay operating deficit loans;
 - c. Third, to the investor member an amount equal to, on an after-tax basis, the taxes (if any) owed by it as a result of the extraordinary transaction pursuant to Clauses (i) and (ii) of Section 6(c) of the Partnership Agreement;
 - d. Fourth, to payment of the development fee note until such development fee note has been paid in full;
 - e. Fifth, to payment of the current and any accrued and unpaid annual asset management fee;
 - f. Sixth, to payment of the disposition fee;
 - g. Seventh, 99.99% to the investor member and 0.01% to the managing member.

Excess cash from operations as of December 31, 2018 and 2017, are distributed as follows:

	<u>2018</u>	<u>2017</u>
Cash from operations	\$ 33,714	\$ 105,793
Funding of unpaid asset management fee	-	-
Funding of unpaid oversight fee	-	-
Debt service payments	(19,363)	-
Unfunded capital replacement reserve	<u>(21,947)</u>	<u>(20,259)</u>
Cash reserves remaining after first tier	-	85,534
TCAP installment	-	(42,767)
Payment of operating deficit loan	-	-
Payment of company management fee	-	(25,000)
Payment on HUD ARRA CFRC Loan	<u>-</u>	<u>(17,767)</u>
Cash remaining	<u>\$ -</u>	<u>\$ -</u>

The asset management and oversight fees are included as operating expenses and therefore, per footnote 9 A. above, take preference over excess cash distributions. Unpaid portions are included above.

For the year ended December 31, 2013, the Company changed its method of determining its cash available for distributions. The cash available for 2013 distributions and future years is based on operating income that is adjusted for payments on debt and required fees. The cash available for 2012 distributions and prior years was based on ending cash adjusted for receivables and liabilities.

VILLAGE IN THE BOSQUE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization. Village in the Bosque, LLC, a New Mexico limited liability company (the “Company”) was formed to acquire, rehabilitate and develop, own and operate Village in the Bosque Apartments, a 98-unit low-income housing project (the Project) located in Bernalillo, New Mexico. The company was formed September 12, 2013 with Santa Fe Civic Housing Authority, Inc. (SFCHA), a New Mexico nonprofit corporation, as a sole member. On July 15, 2014, Bernalillo RAD Development, LLC, was admitted as managing member, SFCHA withdrew membership and USB LIHTC Fund2014-4, LLC was admitted as the investor member. The Project is eligible for low-income housing tax credits established under the program described in Section 42 of the Internal Revenue Code of 1986, as amended, which requires the Company to ensure that residents meet certain eligibility requirements to maintain compliance with tax law and loan agreements. The Company shall continue in perpetuity unless terminated earlier in accordance with the provisions of the operating agreement.

Construction on the 98-unit low-income housing project was completed as of December 31, 2016. The Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress or other administrative changes. 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are presented on the accrual basis and include only those assets, liabilities, revenues, and expenses which relate to the business of the Company. The financial statements do not include any assets, liabilities, revenues, or expenses attributable to activities of the managing or limited members.

Cash and Cash Equivalents

Cash and cash equivalents include cash and money market funds with maturities of three months or less at the date of acquisition. It includes any funded reserves.

The Company maintains its cash balances in one financial institution. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Company occasionally maintains cash on deposit in excess of the FDIC limit but has not experienced any losses from these accounts and believes it is not exposed to significant credit risk.

Capitalization and Depreciation

Land, buildings, improvements, furniture and equipment are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the individual assets: 40 years for building, 15 years for land improvements and 5 years for furniture and

VILLAGE IN THE BOSQUE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalization and Depreciation (Continued)

equipment. Depreciation on new renovations commenced on January 1, 2016. Maintenance, repairs and minor replacements are charged to expense when incurred. Major replacements and improvements are capitalized.

The Company evaluates the investment in real estate for financial impairments and will continue to evaluate the assets if events or circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the 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 amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2018 or 2017.

Financing Fees

Financing fees are amortized over the term of the loan using the straight-line method. Accumulated amortization totaled \$16,718 as of December 31, 2018 and \$11,146 as of December 31, 2017. Amortization on new loan financing fees commenced on January 1, 2016.

Tax Credit Fees

Tax credit fees are recorded at cost and amortized over 15 years. Accumulated amortization totaled \$23,589 as of December 31, 2018 and \$15,726 as of December 31, 2017. Amortization on new tax credit fees commenced on January 1, 2016.

The Company received an allocation of Low-Income Housing Tax Credits (LIHTC) for its qualifying rental property. The benefits of the LIHTC are provided to the Company's members through the Company's annual federal income tax return filing and are not reflected in the accompanying financial statements. The LIHTC is generally claimed by the Company's member's pro-rata over a 10-year period. The credit is a certain percentage (as determined by the Internal Revenue Service) of the qualified basis of the property. The Company may only lease qualified units to qualified tenants who meet certain income restrictions and whose rent payments also are restricted under guidelines set by the Internal Revenue Service.

Revenue Recognition

Rental revenues are recognized in the month in which the services are provided and are presented net of rent concessions and vacancy loss. Other income is recognized as the related services are provided and include application fees, late fees, and other miscellaneous income. Rental payments received in advance are deferred until earned.

VILLAGE IN THE BOSQUE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Company is not a tax-paying entity for federal or state income tax purposes; accordingly, a provision for income taxes has not been recorded in the accompanying financial statements. Company income or losses are reflected in members' individual or business income tax returns in accordance with their ownership percentages. The Company's income tax returns are subject to examination by taxing authorities in its major tax jurisdictions.

The Company is also tax exempt from real estate taxes since the property is deemed to be owned by a governmental unit pursuant to New Mexico Statutes Annotated 1978.

Use of Estimates

The preparation of the financial statements in conformity with the 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 reporting period. Actual results could differ from those estimates.

Reclassification

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

Subsequent Events

The Company has evaluated all subsequent events through March 13, 2019, the date the financial statements were available to be issued.

3. MEMBERS' EQUITY

The managing member, Bernalillo RAD Development, LLC has a 0.01 percent interest, and the investor member, USB LIHTC Fund 2014-4, LLC, has a 99.99 percent interest. Net cash flows from the Company, after payment of certain items stipulated in the operating agreement, are allocated to the members in the same proportion as profits and losses. The investor member and the managing member are required to make capital contributions of \$11,020,398 and \$100, respectively. During 2014 and 2015, capital contributions totaling \$1,621,338 were made by the investor member and \$100 by the managing member. Capital contributions totaling \$8,878,841 were made by the investor member during 2016, \$309,000 was made by the investor member during 2017, and \$100,000 of contributions during 2018, for a total of \$11,167,781 as of December 31, 2018.

Operating Deficit Contributions

If an operating deficit exists at any time, the managing member shall advance funds to the Company as a loan in an amount equal to the operating deficit, limited to the maximum amount of \$620,000. This obligation terminates at the end of the fiscal year in which the following is last to occur: (i) the fifth anniversary of the end of the lease-up period; and (ii)

VILLAGE IN THE BOSQUE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

3. MEMBERS' EQUITY (CONTINUED)

Operating Deficit Contributions (continued)

the fifth anniversary of the end of the stabilization period; provided, however, the expiration of the operating deficit obligation shall be extended by one (1) fiscal year for each fiscal year during the above period that the required debt service coverage is less than 130% and thereafter until such time as the balance in the operating reserve equals or exceeds the operating reserve amount.

Option to Purchase

The managing member has the option to purchase the investor member's entire interest after the compliance period for the purchase price equal to the greater of (A) all credit deficiencies, fees, loans and other amounts owed to the investor member and all taxes imposed on the investor member in connection with the sale of (B) the fair market value of the investor member's interest, subject to continued use of the Project for low-income housing for at least 15 years after the end of the compliance period, and at least through the end of the extended use period, as of the date of the closing of the buyout.

The managing member is granted right of first refusal and option to purchase the Project on the same terms and conditions as those set forth in any bona fide offer consented to by the investor member, subject to any applicable rules and regulations of the New Mexico Mortgage Finance Authority (MFA), the state tax credit allocating entity.

4. RESTRICTED DEPOSITS AND RESERVES

The operating agreement requires the Company to establish the following reserves in accordance with the operating agreement.

Operating Reserve – The Company is required to fund an operating reserve of at least \$309,000 on the date of payment of the third capital installment into a segregated, interest bearing company reserve account at U.S. Bank National Association (U.S. Bank). In addition, the Company funds the operating reserve from available cash flow. No funds shall be expended from the operating reserve without written consent from the investor member. This reserve was established as of December 31, 2017.

Replacement Reserve – The Company is required to fund in the amount of \$300 per unit per year, payable monthly, in equal monthly installments, beginning on the earliest to occur of (a) June 1, 2015 or (b) one month after date which is the last day of the lease-up period; or (c) the date required for commencing of funding of the replacement reserve under the first mortgage loan and shall increase by 10% on the fifth anniversary of the replacement reserve commencement date. The Company shall utilize amounts in the replacement reserve to fund repairs, capital expenditures and other costs approved by the investor member in an annual

VILLAGE IN THE BOSQUE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

4. RESTRICTED DEPOSITS AND RESERVES (CONTINUED)

Replacement Reserve (continued)

operational budget or otherwise approved by the investor member in writing. The funds, deposited in a segregated interest-bearing account at U.S. Bank, totaled \$93,165 at December 31, 2018 and \$56,268 at December 31, 2017.

Working Capital Reserve – The Company is required to fund a working capital reserve to be funded during construction from project sources in the amount of \$150,000, deposited into a segregated, interest bearing company reserve account at U.S. Bank. The working capital reserve shall be used to fund operations and other project uses through the end of the stabilization period. No withdrawals may be made from the account without the consent of the investor member. Interest earned shall be added to the working capital reserve. The working capital reserve had a balance of \$7,434 as of December 31, 2018 and \$97,434 as of December 31, 2017.

Tenant Security Deposits – The Company requires tenants to provide security deposits and maintains these in a segregated Company interest-bearing account and amounts cannot be used to pay Company expenses. Since the property was under construction during 2015, no security deposits were held at December 31, 2015. Security deposits at December 31, 2018 totaled \$30,447 and \$30,149 at December 31, 2017.

In accordance with provisions of the agreements, restricted cash is held in separate bank accounts. Details are as follows:

	<u>Operating Reserve</u>	<u>Capital Replacement Reserve</u>	<u>Working Capital Reserve</u>	<u>Tenant Security Deposits</u>	<u>Total</u>
Balance, 12/31/17	\$ 309,014	\$ 56,268	\$ 97,434	30,149	\$492,865
Deposits	-	29,400	-	6,070	35,470
Withdrawals	-	-	(90,000)	(5,772)	(95,772)
Other balance adjustments	-	7,497	-	-	7,497
Interest received	262	-	-	-	262
Balance, 12/31/18	\$ 309,276	\$ 93,165	\$ 7,434	\$ 30,447	\$440,322

VILLAGE IN THE BOSQUE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

5. NOTES PAYABLE AND LONG-TERM DEBT

	<u>2018</u>	<u>2017</u>
Note payable to PNC Bank in monthly, interest-only payments at 4.23% through January 1, 2016. Thereafter, principal and interest payments of \$12,971. The loan is secured by real property and due January 1, 2056. Total available to be drawn is \$3,000,000.	\$ 2,910,926	\$ 2,939,879
Mortgage note payable to Santa Fe Civic Housing Authority (SFCHA); accrues interest at 3.49% through date of final certificate of occupancy; monthly principal and interest payments due thereafter of \$5,208. The loan is secured by real property and is due on 40 th anniversary of final certificate of occupancy.	2,500,000	2,500,000
Mortgage note payable to Santa Fe Civic Housing Authority; interest free; monthly principal payments due based on available cash flow.	900,220	1,005,922
HOME loan mortgage notes payable to MFA; interest free; monthly principal payments beginning January 1, 2016 based on available cash flow. The loan is secured by real property and matures December 1, 2055.	433,125	441,563
Housing Trust fund mortgage note payable to MFA at 3% interest. Interest only payments through December 31, 2015. Beginning January 1, 2016, monthly principal and interest payments of \$2,108. The loan is secured by real property and matures December 1, 2045.	467,682	478,762
Note payable to Santa Fe Civic Housing Authority-FHLP; interest free; monthly principal payments due based on available cash flow.	<u>500,000</u>	<u>500,000</u>
Total notes payable	7,711,953	7,866,126
Total current portion	<u>(50,199)</u>	<u>(48,491)</u>
Total long-term portion	<u>\$ 7,661,754</u>	<u>\$ 7,817,635</u>

Future maturities of long-term debt each year ending December 31 are as follows:

2019	\$ 50,199	2023	\$ 57,753
2020	51,976	Thereafter	3,542,230
2021	53,825	Payments contingent on cash flow	<u>3,900,220</u>
2022	55,750	Total	<u>\$ 7,711,953</u>

VILLAGE IN THE BOSQUE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

6. CAPITAL ASSETS

Capital assets are summarized as follows:

	<u>2018</u>	<u>2017</u>
Building and improvements	\$ 18,590,163	\$ 18,590,163
Furniture, fixtures and equipment	<u>40,157</u>	<u>40,157</u>
	18,630,320	18,630,320
Less accumulated depreciation	<u>(1,418,355)</u>	<u>(945,570)</u>
Total property and equipment, net	<u>\$ 17,211,965</u>	<u>\$17,684,750</u>

Depreciation expense was \$472,785 for 2018 and \$472,785 for 2017.

7. DEFERRED FEES

Deferred fees are summarized as follows:

	<u>2018</u>	<u>2017</u>
Permanent financing fees	\$ 214,551	\$ 214,551
Tax credit fees	<u>117,950</u>	<u>117,950</u>
	332,501	332,501
Less: accumulated amortization	<u>(40,307)</u>	<u>(26,872)</u>
Total deferred costs	<u>\$ 292,194</u>	<u>\$ 305,629</u>

Financing fees will be amortized over the term of the loan using the straight-line method. Accumulated amortization totaled \$16,718 as of December 31, 2018 and \$11,146 as of December 31, 2017. Amortization expense was \$5,573 for 2018 and \$5,573 for 2017.

Tax credit fees will be amortized over 15 years. Accumulated amortization totaled \$23,589 as of December 31, 2018 and \$15,726 as of December 31, 2017. Amortization expense was \$7,863 for 2018 and \$7,863 for 2017.

8. US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT SUBSIDIES

The Village in the Bosque, LLC received \$308,381 and \$300,369 for 2018 and 2017, respectively, from the US Department of Housing and Urban Development under Federal CFDA Number 14.149, passed through the SFCHA. The subsidies are reported as a part of net rental revenue in gross potential rents.

VILLAGE IN THE BOSQUE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

9. RELATED PARTY TRANSACTIONS AND BALANCES

Asset Management Fee

The Company is required to pay an affiliate of the investor member an asset management fee of \$7,500 for annual review of the operations of the Company and the Project, beginning in 2015. Amount is payable from net cash flow, as defined in the operating agreement. The fee increases every five years by 10 percent. If cash flow is not available, the fee will accrue.

Company Administrative Fee

The Company is required to pay the managing member an annual administration fee of 10 percent of gross rents collected up to \$20,000, payable from net cash flow, as defined in the operating agreement. If cash flow is not available, the fee will not accrue interest. There were no fees paid during 2018 or 2017.

Developer Fee

The development services agreement provides for development fees to be paid to SFCHA in the amount of \$1,070,354. The development fee is to be incurred all before construction completion and paid corresponding to the investor member's capital installment as follows:

First capital installment	\$ 175,000
Second capital installment	149,195
Third capital installment	258,102
Fourth capital installment	100,000
Final capital installment - deferred	<u>388,057</u>
 Total development fees	 <u>\$1,070,354</u>

At December 31, 2018, the first, second, third, fourth and a portion of the final capital installments had been paid. The balance of \$298,057 is owing at December 31, 2018, reported as Deferred Developer Fee Payable.

Notes Payable

Three notes payable to the SFCHA totaled \$3,900,220 at December 31, 2018, and \$4,005,922 at December 31, 2017.

Other Payables

A summary of amounts due to related parties are as follows:

Additionally, the Company maintained a bank account and held a note payable with U.S. Bank, an affiliate of the investor member.

VILLAGE IN THE BOSQUE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Other Payables (continued)

	<u>2018</u>	<u>2017</u>
Amount due to SFCHA for construction and Initial operations	\$ 76,599	\$141,488
Developer fee payable	-	158,102
Deferred developer fee payable	298,057	388,057
Accrued interest on note payable	-	-
Accrued interest	-	-
Accrued asset management fee	-	-

The Project'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 noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the investor member.

10. BARGAIN LAND LEASE

The Company has committed to SFCHA to pay \$1 per year through 2113 for the rental of the land on which the Company's building is located. The lease is subject to certain compliance requirements and can be canceled under specific provisions.

11. RESTATEMENT OF MEMBERS' EQUITY – PRIOR-PERIOD ADJUSTMENT

A net adjustment to Members' Equity totaling \$5,483 was required to adjust the Amounts Due to SFCHGA for Construction and Initial Operations Payable \$(5,494), and \$11 to the balance in the Operating Reserve at December 31, 2017.

VILLAGE IN THE BOSQUE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

12. DISTRIBUTABLE CASH

Distributable Cash. Shall be distributed in the following order of priority:

- A. 100% of net cash provided by operating activities shall be applied as follows:
- a. First (a),
 - 1. 75% of principal and interest payments on MFA (HOME) loan, First (b), principal and interest on HTF loan.
 - 2. After allocation to MFA loans above, all remaining cash to 100% shall be applied to the HUD/PNC loan.
 - b. Second, Asset Management Fee
 - c. Third, Credit Deficiencies and Tax Equivalency Payments;
 - d. Fourth, Default Cash Flow Priority;
 - e. Fifth, Operating Reserve Replenishment;
 - f. Sixth, Investor Member Loans and Advances;
 - g. Seventh, Development Fee;
 - h. Eighth, Developer Acquisition Loan Principal and Interest;
 - i. Ninth, Managing Member: Development advance, Operating Deficit Advance, Credit Adjustor Advance, or Development Fee Advance, then other loans and payables from Managing Member;
 - j. Tenth, Managing Member: Management Fee;
 - k. Eleventh, Balance to Managing Member and Investor Member.

13. RESTATEMENT

The previously issued financial statements dated March 13, 2019, as of and for the year ended December 31, 2018 and 2017, were restated to correct for an error in Prepaid Insurance and related insurance expense. The effect on net income (loss) for the year ended December 31, 2018, resulted in a decrease of insurance expenses totaling \$25,438.

REQUIRED SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
 SANTA FE CIVIC HOUSING AUTHORITY
 SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 OF PERA MUNICIPAL GENERAL DIVISION
 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
 LAST 10 FISCAL YEARS *

	2019 Measurement Date (As of and for the Year Ended <u>June 30, 2018</u>)	2018 Measurement Date (As of and for the Year Ended <u>June 30, 2017</u>)	2017 Measurement Date (As of and for the Year Ended <u>June 30, 2016</u>)	2016 Measurement Date (As of and for the Year Ended <u>June 30, 2015</u>)	2015 Measurement Date (As of and for the Year Ended <u>June 30, 2014</u>)
Santa Fe Civic Housing Authority's proportion of the net pension liability	0.1544%	0.1511%	0.1485%	0.1685%	.01904%
Santa Fe Civic Housing Authority's proportionate share of the net pension liability	\$ 2,461,707	\$ 2,076,242	\$ 2,372,529	\$ 1,718,003	\$ 1,485,324
Santa Fe Civic Housing Authority's covered-employee payroll	\$ 1,492,850	\$ 1,302,775	\$ 1,327,309	\$ 1,271,780	\$ 1,395,309
Santa Fe Civic Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	164.90%	159.37%	178.75%	135.09%	106.45%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	76.99%	81.29%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Santa Fe Civic Housing Authority will present information for those years for which information is available.

See notes to required supplementary information

STATE OF NEW MEXICO
 SANTA FE CIVIC HOUSING AUTHORITY
 SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
 PERA MUNICIPAL GENERAL DIVISION
 LAST 10 FISCAL YEARS *

	As of and for the Year Ended June 30, 2019	As of and for the Year Ended June 30, 2018	As of and for the Year Ended June 30, 2017	As of and for the Year Ended June 30, 2016	As of and for the Year Ended June 30, 2015
Contractually required contributions	\$ 142,567	\$ 124,415	\$ 126,758	\$ 121,455	\$ 133,252
Contributions in relation to the contractually required contribution	<u>142,567</u>	<u>124,415</u>	<u>126,758</u>	<u>121,455</u>	<u>133,252</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Santa Fe Civic Housing Authority's covered-employee payroll	\$ 1,492,850	\$ 1,302,775	\$ 1,327,309	\$ 1,271,780	\$ 1,395,309
Contributions as a percentage of covered-employee payroll	9.55%	9.55%	9.55%	9.55%	9.55%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Santa Fe Civic Housing Authority will present information for those years for which information is available.

See notes to required supplementary information.

**STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
RETIREE HEALTH CARE AUTHORITY (RHCA) PLAN
LAST 10 FISCAL YEARS ***

	<u>2019</u>	<u>2018</u>
Santa Fe Civic Housing Authority's proportion of the net OPEB liability	0.03248%	0.03092%
Santa Fe Civic Housing Authority's proportionate share of the net pension liability \$	1,412,346 \$	1,401,193
Santa Fe Civic Housing Authority's covered-employee payroll \$	1,393,592 \$	1,288,018
Santa Fe Civic Housing Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	101.35%	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	11.34%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement show information for 10 years. However, until a full 10-year trend is compiled, Santa Fe Civic Housing Authority will present information for those years for which information is available.

See notes to required supplementary information

**STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
RETIREE HEALTH CARE AUTHORITY (RHCA) PLAN
LAST 10 FISCAL YEARS ***

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 50,755	\$ 98,196
Contributions in relation to the contractually required contribution	<u>50,136</u>	<u>49,278</u>
Contribution deficiency (excess)	<u>\$ 619</u>	<u>\$ 48,918</u>
Santa Fe Civic Housing Authority's covered employee payroll	\$ 1,393,529	\$ 2,217,221
Contributions as a percentage of covered-employee payroll	3.60%	3.83%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, Santa Fe Civic Housing Authority will present information for those years for which information is available.

See notes to required supplementary information

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

Public Employees Retirement Association (PERA) Plan

Changes of benefit terms. The PERA Fund and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY 18 audit report available at: <https://www.saonm.org>

Assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2018 report is available at: <http://www.nmpera.org>

Retiree Health Care Authority (RHCA) Plan - Other Post-Employment Benefits (OPEB)

Changes of benefit terms. There were no changes to benefit terms which impact the measurements provided in the pooled OPEB Trust - Retirement Healthcare Fund.

Assumptions. The results of the June 30, 2019 were developed by a one-year roll forward of the results from July 1, 2018 valuation. The actuarial assumptions are contained in the GASB 75 Actuarial report submitted as an Appendix of the SFCHA OPEB Trust Plan separate report. Changes in assumptions and methods are described in the RHCA GASB Actuarial Report.

See notes to required supplementary information.

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
PUBLIC HOUSING COMBINING STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2019

	Santa Fe Housing Authority	Española Housing Authority	Sub- Total	Eliminations	Total
ASSETS					
Current Assets:					
Cash, investments and equivalents	\$ 300,978	\$ 92,080	\$ 393,058	\$ -	\$ 393,058
Tenant receivable	-	24,482	24,482	-	24,482
Other receivables - related parties	573,477	-	573,477	-	573,477
Due from other funds	923,830	386,674	1,310,504	(386,674)	923,830
Prepaid expenses	7,321	49,597	56,918	-	56,918
Cash, investments and equivalents - restricted	5,743	43,202	48,945	-	48,945
Total current assets	<u>1,811,349</u>	<u>596,035</u>	<u>2,407,384</u>	<u>(386,674)</u>	<u>2,020,710</u>
Non-current assets:					
Capital Assets:					
Land	22,200	277,437	299,637	-	299,637
Construction in progress	500,087	-	500,087	-	500,087
Buildings and improvements	2,930,537	12,374,102	15,304,639	-	15,304,639
Furniture and fixtures	43,183	639,153	682,336	-	682,336
Machinery and equipment	120,164	-	120,164	-	120,164
Vehicles	263,835	157,068	420,903	-	420,903
Accumulated depreciation	(3,229,139)	(10,031,966)	(13,261,105)	-	(13,261,105)
Total capital assets (net of depreciation)	<u>650,867</u>	<u>3,415,794</u>	<u>4,066,661</u>	<u>-</u>	<u>4,066,661</u>
Other non-current assets:					
Notes receivable - related parties	26,290,750	-	26,290,750	-	26,290,750
Total non-current assets	<u>26,941,617</u>	<u>3,415,794</u>	<u>30,357,411</u>	<u>-</u>	<u>30,357,411</u>
Total assets	<u>28,752,966</u>	<u>4,011,829</u>	<u>32,764,795</u>	<u>(386,674)</u>	<u>32,378,121</u>
DEFERRED OUTFLOWS OF RESOURCES					
Change in assumptions	67,866	30,752	98,618	-	98,618
Net difference between projected and actual investment earnings on plan investments	55,516	25,157	80,673	-	80,673
Differences between expected and actual experience	21,635	9,804	31,439	-	31,439
Change in proportion	35,408	16,044	51,452	-	51,452
Employer contributions subsequent to measurement date	52,430	23,759	76,189	-	76,189
Total deferred outflows of resources	<u>232,855</u>	<u>105,516</u>	<u>338,371</u>	<u>-</u>	<u>338,371</u>
Total assets and deferred outflows	<u>\$ 28,985,821</u>	<u>\$ 4,117,345</u>	<u>\$ 33,103,166</u>	<u>\$ (386,674)</u>	<u>\$ 32,716,492</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
PUBLIC HOUSING COMBINING STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2019

	Santa Fe Housing Authority	Espanola Housing Authority	Sub- Total	Eliminations	Total
LIABILITIES					
Current Liabilities (payable from unrestricted assets):					
Accounts payable	\$ -	\$ 8,244	\$ 8,244	\$ -	\$ 8,244
Compensated absences payable	255,469	31,999	287,468	-	287,468
Accrued liabilities	402,928	-	402,928	-	402,928
Other payables-related parties	28,979	-	28,979	-	28,979
Due to other funds	386,674	-	386,674	(386,674)	-
Total current liabilities payable from unrestricted assets	1,074,050	40,243	1,114,293	(386,674)	727,619
Current Liabilities (payable from restricted assets):					
Tenant security deposits	5,733	43,202	48,935	-	48,935
Escrows and deposits	10	-	10	-	10
Total current liabilities payable from restricted assets	5,743	43,202	48,945	-	48,945
Noncurrent Liabilities:					
Net PERA pension liability	748,545	339,194	1,087,739	-	1,087,739
Net OPEB liability	429,460	194,604	624,064	-	624,064
Total noncurrent liabilities	1,178,005	533,798	1,711,803	-	1,711,803
Total liabilities	2,257,798	617,243	2,875,041	(386,674)	2,488,367
DEFERRED INFLOWS OF RESOURCES					
Change in assumptions	84,482	38,281	122,763	-	122,763
Difference between expected and actual experience	45,080	20,428	65,508	-	65,508
Change in proportion	20,881	9,462	30,343	-	30,343
Net difference between projected and actual investment earnings on plan investments	5,360	2,428	7,788	-	7,788
Total deferred inflows of resources	155,803	70,599	226,402	-	226,402
NET POSITION					
Net invested in capital assets	650,867	\$ 3,415,794	4,066,661	-	4,066,661
Restricted	-	-	-	-	-
Unrestricted	25,921,353	13,709	25,935,062	-	25,935,062
Total net position	26,572,220	3,429,503	30,001,723	-	30,001,723
Total liabilities, deferred inflows and net position	\$ 28,985,821	\$ 4,117,345	\$ 33,103,166	\$ (386,674)	\$ 32,716,492

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
PUBLIC HOUSING COMBINING STATEMENT
OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ENTERPRISE FUNDS
Year Ended June 30, 2019

	Santa Fe Housing Authority	Española Housing Authority	Total
Operating Revenues			
Rental revenue	\$ 60	\$ 261,751	\$ 261,811
Other tenant revenue	969,164	-	969,164
Operating subsidies and grants	145,940	447,224	593,164
Total operating revenues	1,115,164	708,975	1,824,139
Operating Expenses			
Housing assistance payments	-	-	-
Administration	822,374	320,167	1,142,541
Maintenance and operations	637,767	225,477	863,244
Utilities	1,260	26,337	27,597
Depreciation	50,245	413,910	464,155
Total operating expenses	1,511,646	985,891	2,497,537
Operating gain (loss)	(396,482)	(276,916)	(673,398)
Nonoperating Revenues (Expenses)			
Interest income	65	75	140
Fees for service	728,067	-	728,067
Management fees and other income	-	4,090	4,090
Other expense	(170,610)	-	(170,610)
Total nonoperating revenues	557,522	4,165	561,687
Capital grant - Public Housing	180,008	-	180,008
Change in net position	341,048	(272,751)	68,297
Net position, beginning of year, as reported	26,725,998	3,699,211	30,425,209
Restatements:			
GASB 68 PERA adjustment	6,719	3,045	9,764
FY18 equity difference-unexplained	-	(2)	(2)
Tenant Services	43,407	-	43,407
Other receivables	(12,171)	-	(12,171)
Net position, beginning of year, as restated	26,763,953	3,702,254	30,466,207
Equity transfers in (out)	(532,781)	-	(532,781)
Net position, end of year	\$ 26,572,220	\$ 3,429,503	\$ 30,001,723

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
PUBLIC HOUSING COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2019

	<u>Santa Fe Housing Authority</u>	<u>Espanola Housing Authority</u>	<u>Total</u>
Cash Flows from Operating Activities			
Cash received from tenant rents	\$ 103,353	\$ 246,639	\$ 349,992
Cash received from subsidies, grants and other receipts	2,063,969	450,559	2,514,528
Cash payments to suppliers for goods and services	(398,975)	(293,809)	(692,784)
Cash payments to employees for services	(713,108)	(390,852)	(1,103,960)
Net cash provided (used) by operating activities	<u>1,055,239</u>	<u>12,537</u>	<u>1,067,776</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(500,087)	-	(500,087)
Residual equity transfers (out) - CIP	(532,781)	-	(532,781)
Net cash used by financing activities	<u>(1,032,868)</u>	<u>-</u>	<u>(1,032,868)</u>
Cash Flows from Non-capital Financing Activities			
Pension liability, deferred outflow and inflow changes	60,598	(7,023)	53,575
Prior period adjustment	37,955	3,043	40,998
Net cash used by non-capital financing activities	<u>98,553</u>	<u>(3,980)</u>	<u>94,573</u>
Cash Flows from Investing Activities			
Interest and dividends on investments	951	830	1,781
Net cash provided by noncapital financing activities	<u>951</u>	<u>830</u>	<u>1,781</u>
Net increase (decrease) in cash and cash equivalents	121,875	9,387	131,262
Cash investments and cash equivalents at beginning of year	<u>179,103</u>	<u>82,693</u>	<u>261,796</u>
Cash investments and cash equivalents at end of year	<u>\$ 300,978</u>	<u>\$ 92,080</u>	<u>\$ 393,058</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
PUBLIC HOUSING COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2019

	<u>Santa Fe Housing Authority</u>	<u>Espanola Housing Authority</u>	<u>Total</u>
Reconciliation of operating gain (loss) to net cash provided by operating activities			
Operating gain (loss)	\$ 341,048	\$ (272,751)	\$ 68,297
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation/amortization	50,245	413,910	464,155
Change in assets and liabilities:			
Accounts receivable	103,293	(15,112)	88,181
Grants receivable	-	-	-
Prepaid expenses	6,272	(6,604)	(332)
Due from other funds	(200,202)	(120,037)	(320,239)
Due from related parties	41,676	-	41,676
Notes receivable - related parties	474,505	-	474,505
Accounts payable	-	8,244	8,244
Due to related parties	28,979	-	28,979
Compensated absences payable	35,430	5,717	41,147
Accrued liabilities	54,907	-	54,907
Security deposits	(951)	(830)	(1,781)
Due to other funds	120,037	-	120,037
Total adjustments	<u>714,191</u>	<u>285,288</u>	<u>999,479</u>
Net cash provided (used) by operating activities	<u>\$ 1,055,239</u>	<u>\$ 12,537</u>	<u>\$ 1,067,776</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
SECTION 8 VOUCHERS AND MAINSTREAM VOUCHERS COMBINING STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2019

	Section 8 Vouchers	Mainstream Vouchers	Subtotal	Eliminations	Total
ASSETS					
Current Assets					
Cash, investments and equivalents	\$ 1,503,499	\$ 27,190	\$ 1,530,689	\$ -	\$ 1,530,689
Due from other funds	-	10,874	10,874	(10,874)	-
Cash, investments and equivalents - restricted	140,558	-	140,558	-	140,558
Total current assets	<u>1,644,057</u>	<u>38,064</u>	<u>1,682,121</u>	<u>(10,874)</u>	<u>1,671,247</u>
Non-current assets					
	-	-	-	-	-
Total assets	<u>1,644,057</u>	<u>38,064</u>	<u>1,682,121</u>	<u>(10,874)</u>	<u>1,671,247</u>
DEFERRED OUTFLOWS					
Change in assumptions	48,024	-	48,024	-	48,024
Change in proportion	25,056	-	25,056	-	25,056
Net difference between projected and actual investment earnings on plan investments	39,285	-	39,285	-	39,285
Differences between expected and actual experience	15,309	-	15,309	-	15,309
Employer contributions subsequent to measurement date	37,101	-	37,101	-	37,101
Total deferred outflows	<u>164,775</u>	<u>-</u>	<u>164,775</u>	<u>-</u>	<u>164,775</u>
Total assets and deferred outflows	<u>\$ 1,808,832</u>	<u>\$ 38,064</u>	<u>\$ 1,846,896</u>	<u>\$ (10,874)</u>	<u>\$ 1,836,022</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
SECTION 8 VOUCHERS AND MAINSTREAM VOUCHERS COMBINING STATEMENT OF NET POSITION
ENTERPRISE FUNDS
June 30, 2019

	Section 8 Vouchers	Mainstream Vouchers	Subtotal	Eliminations	Total
LIABILITIES					
Current Liabilities (payable from unrestricted assets)					
Due to other funds	\$ 10,874	\$ 12,552	\$ 23,426	\$ (10,874)	\$ 12,552
Other payables - related parties	-	-	-	-	-
Total current liabilities (payable from unrestricted a	<u>10,874</u>	<u>12,552</u>	<u>23,426</u>	<u>(10,874)</u>	<u>12,552</u>
Current Liabilities (payable from restricted assets)					
Escrows and deposits	140,558	-	140,558	-	140,558
Total current liabilities (payable from restricted asse	<u>140,558</u>	<u>-</u>	<u>140,558</u>	<u>-</u>	<u>140,558</u>
Noncurrent Liabilities					
Net PERA pension liability	529,694	-	529,694	-	529,694
Net OPEB liability	303,900	-	303,900	-	303,900
Total noncurrent liabilities	<u>833,594</u>	<u>-</u>	<u>833,594</u>	<u>-</u>	<u>833,594</u>
Total liabilities	<u>985,026</u>	<u>12,552</u>	<u>997,578</u>	<u>(10,874)</u>	<u>986,704</u>
DEFERRED INFLOWS					
Change in assumptions	59,783	-	59,783	-	59,783
Change in proportion	14,777	-	14,777	-	14,777
Net difference between expected and actual earnings, actual experience	31,899	-	31,899	-	31,899
Net difference between projected and actual investment earnings on plan investments	3,792	-	3,792	-	3,792
Total deferred inflows	<u>110,251</u>	<u>-</u>	<u>110,251</u>	<u>-</u>	<u>110,251</u>
NET POSITION					
Restricted	32,813	-	32,813	-	32,813
Unrestricted	680,742	25,512	706,254	-	706,254
Total net position	<u>713,555</u>	<u>25,512</u>	<u>739,067</u>	<u>-</u>	<u>739,067</u>
Total liabilities, deferred inflows and net position	<u>\$ 1,808,832</u>	<u>\$ 38,064</u>	<u>\$ 1,846,896</u>	<u>\$ (10,874)</u>	<u>\$ 1,836,022</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
PUBLIC HOUSING COMBINING STATEMENT
OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ENTERPRISE FUNDS
Year Ended June 30, 2019

	Section 8 Vouchers	Mainstream Vouchers	Total
Operating Revenues			
Rental revenue	\$ -	\$ -	\$ -
Other tenant revenue	-	-	-
Operating subsidies and grants	8,106,949	160,238	8,267,187
Total operating revenues	<u>8,106,949</u>	<u>160,238</u>	<u>8,267,187</u>
Operating Expenses			
Housing assistance payments	7,288,032	143,191	7,431,223
Administration	628,984	10,151	639,135
Maintenance and operations	-	-	-
Utilities	-	-	-
Depreciation	-	-	-
Miscellaneous	-	-	-
Total operating expenses	<u>7,917,016</u>	<u>153,342</u>	<u>8,070,358</u>
Operating gain (loss)	<u>189,933</u>	<u>6,896</u>	<u>196,829</u>
Nonoperating Revenues (Expenses)			
Interest income	3,456	12	3,468
Management fees and other income	76,924	-	76,924
Total nonoperating revenues	<u>80,380</u>	<u>12</u>	<u>80,392</u>
Change in net position	<u>270,313</u>	<u>6,908</u>	<u>277,221</u>
Net position beginning of year as reported	438,487	18,604	457,091
Restatements:			
GASB 68 PERA adjustment	4,755	-	4,755
Net position beginning of year as restated	<u>443,242</u>	<u>18,604</u>	<u>461,846</u>
Net position, end of year	<u>\$ 713,555</u>	<u>\$ 25,512</u>	<u>\$ 739,067</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
SECTION 8 VOUCHERS AND MAINSTREAM VOUCHERS COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2019

	<u>Section 8 Vouchers</u>	<u>Mainstream Vouchers</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from tenant rents	\$ -	\$ -	\$ -
Cash received from subsidies, grants and other receipts	8,178,635	160,250	8,338,885
Cash payments to suppliers for goods and services	(7,402,837)	(140,725)	(7,543,562)
Cash payments to employees for services	(507,494)	(10,151)	(517,645)
Net cash provided (used) by operating activities	<u>268,304</u>	<u>9,374</u>	<u>277,678</u>
Cash Flows from Capital Financing Activities:	-	-	-
Net cash used by financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Noncapital Financing Activities:			
Pension liability, deferred outflow and inflow changes	(81,678)	-	(81,678)
Prior period adjustment	4,755	-	4,755
Net cash used by non-capital financing activities	<u>(76,923)</u>	<u>-</u>	<u>(76,923)</u>
Cash Flows from Investing Activities:			
Interest and dividends on investments	8,694	-	8,694
Net cash provided by noncapital financing activities	<u>8,694</u>	<u>-</u>	<u>8,694</u>
Net increase (decrease) in cash and cash equivalents	200,075	9,374	209,449
Cash investments and cash equivalents at beginning of year	<u>1,303,424</u>	<u>17,816</u>	<u>1,321,240</u>
Cash investments and cash equivalents at end of year	<u>\$ 1,503,499</u>	<u>\$ 27,190</u>	<u>\$ 1,530,689</u>
Reconciliation of operating loss to net cash provided by operating activities:			
Operating (loss) gain	\$ 270,313	\$ 6,908	\$ 277,221
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Change in assets and liabilities:			
Grants receivable	-	-	-
Due from other funds	-	(7,685)	(7,685)
Other receivables	-	-	-
Escrow and deposits	(8,694)	-	(8,694)
Due to related parties	(1,000)	-	(1,000)
Due to other funds	7,685	10,151	17,836
Total adjustments	<u>(2,009)</u>	<u>2,466</u>	<u>457</u>
Net cash provided (used) by operating activities	<u>\$ 268,304</u>	<u>\$ 9,374</u>	<u>\$ 277,678</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
COMBINING SCHEDULE OF DEPOSITS AND INVESTMENTS
(RECONCILIATION OF BANK BALANCE TO CARRYING BALANCE)
ALL FUNDS
June 30, 2019

	Type of Account	Bank Balance	Outstandin g Checks	Deposits in Transit	Carrying Balance	Fair Value
Deposits with financial institutions:						
NM Bank & Trust:						
Operating (Santa Fe 9-1)	Checking	\$ 150,692	\$ (11,987)	\$ 49,690	\$ 188,395	\$ 188,395
Operating (La Cieneguita)	Checking	162,056	(1,815)	-	160,241	160,241
Operating (Espanola)	Checking	86,049	(3,079)	-	82,970	82,970
Security Deposits (Espanola)	Checking	52,762	(450)	-	52,313	52,313
Operating (Vouchers-Sec 8)	Checking	1,217,124	(57,307)	-	1,159,817	1,159,817
Reserve Account (9-8)(Camino Consuelo)	Savings	277,066	-	-	277,066	277,066
Sec.Dep. Market max 757 (La Cieneguita)	Market Max.	12,587	-	-	12,587	12,587
Res. Receipt Market max 765 (La Cieneguita)	Market Max.	311,675	-	-	311,675	311,675
Replace. Reserve 6 (La Cieneguita)	Market Max.	103,263	-	-	103,263	103,263
Insurance & Taxes Escrow (La Cieneguita)	Market Max.	5,240	-	-	5,240	5,240
		<u>2,378,515</u>	<u>(74,638)</u>	<u>49,690</u>	<u>2,353,567</u>	<u>2,353,567</u>
US Bank:						
General Fund (9-1)Operating	Checking	67,063	(1,557)	-	65,507	65,507
Operating (Vouchers-Sec 8)	Checking	282,951	(5,510)	871	278,312	278,312
FSS Escrow (Voucher)	Checking	144,898	-	-	144,898	144,898
		<u>494,913</u>	<u>(7,066)</u>	<u>871</u>	<u>488,717</u>	<u>488,717</u>
Enterprise Bank & Trust						
Operating (9-8)(SF Hsg Dev Corp)	Checking	664,292	(88)	-	664,204	664,204
Security Deposits (SFHsg Dev Corp)	Checking	15,478	(280)	-	15,198	15,198
Operating (Cielo Azul)	Checking	827,846	(4,334)	-	823,512	823,512
Security Deposits (9-1) (Operating)	Checking	45,688	(629)	-	45,059	45,059
Employee Fund(Coke Fund) (Cielo Azul)	Checking	7,015	-	-	7,015	7,015
Construction Development Account (Cielo Azul)	Checking	961,561	-	-	961,561	961,561
Security Deposits (Cielo Azul)	Checking	19,898	-	-	19,898	19,898
Cielo Replacement Reserve	Checking	182,495	-	-	182,495	182,495
TRBA (Voucher)	Checking	61,230	(200)	-	61,030	61,030
Mainstream (Voucher)	Checking	27,190	-	-	27,190	27,190
FSS PH (9-1)(Operating)	Checking	7,760	-	-	7,760	7,760
		<u>2,820,451</u>	<u>(5,530)</u>	<u>-</u>	<u>2,814,921</u>	<u>2,814,921</u>
Total cash deposits		<u>\$ 5,693,879</u>	<u>\$ (87,235)</u>	<u>\$ 50,561</u>	<u>\$ 5,657,205</u>	<u>\$ 5,657,205</u>
Shown on the Statement of Net Position as:						
Cash, investments and equivalents					\$ 5,399,508	
Cash, investments and equivalents - restricted					<u>257,697</u>	
Total cash, investments and equivalents					<u>\$ 5,657,205</u>	

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
SCHEDULE OF PLEDGED COLLATERAL
MARKET VALUE
June 30, 2019

	<u>Maturity Date</u>	<u>Bank Balance</u>	<u>Federal Depository Insurance</u>	<u>Total Uninsured Public Funds</u>	<u>Required Collateral</u>	<u>Pledged Securities Market Value</u>	<u>Over/ (Under)</u>
<u>New Mexico Bank & Trust</u>							
Checking	None	\$ 2,101,449	\$ 250,000	\$ 1,851,449	\$ 925,725	\$ -	\$ -
Savings	None	277,066	250,000	27,066	13,533	-	-
Collateral:							
FNMA POOL 545759							
CUSIP 31385JJC3, 6.5%, \$121,765,059 face	7/1/32					695,156	
SARASOTA CNTY FL UTIL SYS REV SER							
CUSIP 803321PKB, 5.0%, \$6,915,000 face	10/1/40					622,741	
(Underwritten by a member of NASDA)							
(Compliant with NMSA 1978)							378,639
		<u>2,378,515</u>	<u>500,000</u>	<u>1,878,515</u>	<u>939,258</u>	<u>1,317,897</u>	<u>378,639</u>
Total New Mexico Bank and Trust							
<u>US Bank:</u>							
Checking	None	494,913	250,000	244,913	122,457	-	-
Savings	None	-	-	-	-	-	-
Collateral held at FRB Dallas:							
FHLB of Cincinnati, OH Letter of Credit							
\$4,000,000						4,000,000	3,877,544
		<u>494,913</u>	<u>250,000</u>	<u>244,913</u>	<u>122,457</u>	<u>4,000,000</u>	<u>3,877,544</u>
Total US Bank							
<u>Enterprise Bank & Trust</u>							
Checking	None	2,820,451	250,000	2,570,451	1,285,226	-	-
Savings	None	-	-	-	-	-	-
Collateral:							
FMHS , Cusip 3136B2G71							
\$4,712,148 face, 3.5%	5/25/47					4,841,412	3,556,187
		<u>2,820,451</u>	<u>250,000</u>	<u>2,570,451</u>	<u>1,285,226</u>	<u>4,841,412</u>	<u>3,556,187</u>
Total Enterprise Bank and Trust							
Total - All Banks		<u>\$ 5,693,879</u>	<u>\$ 1,000,000</u>	<u>\$ 4,693,879</u>	<u>\$ 2,346,940</u>	<u>\$ 10,159,309</u>	<u>\$ 7,812,369</u>

Santa Fe Civic Housing Authority (NM009)

SANTA FE, NM

FINANCIAL DATA SCHEDULE

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2019

	14.850 and 14.872 Housing Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	1 Business Activities
111 Cash - Unrestricted	393,058	-	1,470,686	27,190	3,475,761
112 Cash - Restricted - Modernization and Development	-	-	-	-	-
113 Cash - Other Restricted	-	-	32,813	-	-
114 Cash - Tenant Security Deposits	48,945	-	-	-	68,194
115 Cash - Restricted for Payment of Current Liabilities	-	-	140,558	-	-
100 Total Cash	442,003	-	1,644,057	27,190	3,543,955
121 Accounts Receivable - PHA Projects	573,477	-	-	-	6,867,852
122 Accounts Receivable - HUD Other Projects	-	-	-	-	-
124 Accounts Receivable - Other Government	-	-	-	-	-
125 Accounts Receivable - Miscellaneous	-	-	-	-	-
126 Accounts Receivable - Tenants	24,482	-	-	-	8,113
126.1 Allowance for Doubtful Accounts - Tenants	-	-	-	-	-
126.2 Allowance for Doubtful Accounts - Other	-	-	-	-	-
127 Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-
128 Fraud Recovery	192,704	-	-	-	-
128.1 Allowance for Doubtful Accounts - Fraud	(192,704)	-	-	-	-
129 Accrued Interest Receivable	-	-	-	-	-
120 Total Receivables, Net of Allowances for Doubtful Accounts	597,959	-	-	-	6,875,965
131 Investments - Unrestricted	-	-	-	-	-
132 Investments - Restricted	-	-	-	-	-
135 Investments - Restricted for Payment of Current Liability	-	-	-	-	-
142 Prepaid Expenses and Other Assets	56,918	-	-	-	35,141
143 Inventories	-	-	-	-	-
143.1 Allowance for Obsolete Inventories	-	-	-	-	-
144 Inter Program Due From	923,830	-	-	10,874	796,353
145 Assets Held for Sale	-	-	-	-	-
150 Total Current Assets	2,020,710	-	1,644,057	38,064	11,251,414
161 Land	299,637	-	-	-	2,655,287
162 Buildings	15,304,639	-	-	-	5,952,236
163 Furniture, Equipment & Machinery - Dwellings	1,103,239	-	-	-	4,415
164 Furniture, Equipment & Machinery - Administration	120,164	-	-	-	-
165 Leasehold Improvements	-	-	-	-	-
166 Accumulated Depreciation	(13,261,105)	-	-	-	(2,051,473)
167 Construction in Progress	500,087	-	-	-	2,758,882
168 Infrastructure	-	-	-	-	-
160 Total Capital Assets, Net of Accumulated Depreciation	4,066,661	-	-	-	9,319,347
171 Notes, Loans and Mortgages Receivable - Non-Current	26,290,750	-	-	-	4,877,327
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due	-	-	-	-	-
173 Grants Receivable - Non Current	-	-	-	-	-
174 Other Assets	-	-	-	-	-
176 Investments in Joint Ventures	-	-	-	-	-
180 Total Non-Current Assets	30,357,411	-	-	-	14,196,674
200 Deferred Outflow of Resources	338,371	-	164,775	-	262,635
290 Total Assets and Deferred Outflow of Resources	32,716,492	-	1,808,832	38,064	25,710,723

Subtotal	Eliminations	Total	Component Units with 6/30/2019 Year End	Component Units with 12/31/2018 Year End
5,366,695	-	5,366,695	288,431	4,978,943
-	-	-	-	-
32,813	-	32,813	-	-
117,139	-	117,139	9,800	165,688
140,558	-	140,558	273	3,116,663
5,657,205	-	5,657,205	298,504	8,261,294
7,441,329	-	7,441,329	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
32,595	-	32,595	-	816,712
-	-	-	-	-
-	-	-	-	-
192,704	-	192,704	-	-
(192,704)	-	(192,704)	-	-
-	-	-	-	-
7,473,924	-	7,473,924	-	816,712
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
92,059	-	92,059	2,584	119,758
-	-	-	-	-
-	-	-	-	-
1,731,057	(1,731,057)	-	-	-
-	-	-	-	-
1,823,116	(1,731,057)	13,223,188	301,088	9,197,764
2,954,924	-	2,954,924	74,320	1,624,478
21,256,875	-	21,256,875	6,098,702	82,347,854
1,107,654	-	1,107,654	-	1,598,399
120,164	-	120,164	128,889	-
-	-	-	-	-
(15,312,578)	-	(15,312,578)	(1,325,262)	(10,791,860)
3,258,969	-	3,258,969	-	17,089,990
-	-	-	-	-
13,386,008	-	13,386,008	4,976,649	91,868,861
31,168,077	-	31,168,077	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	27,796	1,346,392
-	-	-	-	-
31,168,077	-	44,554,085	5,004,445	93,215,253
765,781	-	765,781	-	-
33,756,974	(1,731,057)	58,543,054	5,305,533	102,413,017

Santa Fe Civic Housing Authority (NM009)
SANTA FE, NM
FINANCIAL DATA SCHEDULE
Entity Wide Balance Sheet Summary
Submission Type: Audited/Single Audit
Fiscal Year End: 06/30/2019

	14.850 and 14.872 Housing Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	I Business Activities
311 Bank Overdraft	-	-	-	-	-
312 Accounts Payable <= 90 Days	8,244	-	-	-	10,355
313 Accounts Payable >90 Days Past Due	-	-	-	-	-
321 Accrued Wage/Payroll Taxes Payable	-	-	-	-	-
322 Accrued Compensated Absences - Current Portion	287,468	-	-	-	-
324 Accrued Contingency Liability	-	-	-	-	-
325 Accrued Interest Payable	-	-	-	-	-
331 Accounts Payable - HUD PHA Programs	-	-	-	-	-
332 Account Payable - PHA Projects	28,979	-	-	-	798,642
333 Accounts Payable - Other Government	-	-	-	-	-
341 Tenant Security Deposits	48,945	-	-	-	68,194
342 Unearned Revenue	-	-	-	-	-
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	-	-	-	175,281
344 Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-
345 Other Current Liabilities	-	-	140,558	-	-
346 Accrued Liabilities - Other	402,928	-	-	-	-
347 Inter Program - Due To	0	-	10,874	12,552	1,707,631
348 Loan Liability - Current	-	-	-	-	-
310 Total Current Liabilities	776,564	-	151,432	12,552	2,760,103
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	-	3,608,679
352 Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-
353 Non-current Liabilities - Other	-	-	-	-	-
354 Accrued Compensated Absences - Non Current	-	-	-	-	-
355 Loan Liability - Non Current	-	-	-	-	-
356 FASB 5 Liabilities	-	-	-	-	-
357 Accrued Pension and OPEB Liabilities	1,711,803	-	833,594	-	1,328,656
350 Total Non-Current Liabilities	1,711,803	-	833,594	-	4,937,335
300 Total Liabilities	2,488,367	-	985,026	12,552	7,697,438
400 Deferred Inflow of Resources	226,402	-	110,251	-	175,728
508.4 Net Investment in Capital Assets	4,066,661	-	-	-	5,555,195
511.4 Restricted Net Position	-	-	32,813	-	-
512.4 Unrestricted Net Position	25,935,062	-	680,742	25,512	12,282,362
513 Total Equity - Net Assets / Position	30,001,723	-	713,555	25,512	17,837,557
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	32,716,492	-	1,808,832	38,064	25,710,723

FINANCIAL DATA SCHEDULE
Entity Wide Balance Sheet Summary
 Submission Type: Audited/Single Audit
 Fiscal Year End: 06/30/2019

Subtotal	Eliminations	Total	Component Units with 6/30/2019 Year End	Component Units with 12/31/2018 Year End
-	-	-	-	-
18,599	-	18,599	4,110	1,768,445
-	-	-	-	-
287,468	-	287,468	-	395,280
-	-	-	-	-
-	-	-	-	-
827,621	-	827,621	-	3,036,311
-	-	-	-	-
117,139	-	117,139	9,800	165,688
-	-	-	-	-
175,281	-	175,281	8,259	783,174
-	-	-	-	-
140,558	-	140,558	-	-
402,928	-	402,928	8,566	111,107
1,731,057	(1,731,057)	-	-	-
-	-	-	-	-
<u>3,700,651</u>	<u>(1,731,057)</u>	<u>1,969,594</u>	<u>30,735</u>	<u>6,260,005</u>
3,608,679	-	3,608,679	418,964	71,657,138
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
3,874,053	-	3,874,053	-	-
<u>7,482,732</u>	<u>-</u>	<u>7,482,732</u>	<u>418,964</u>	<u>71,657,138</u>
11,183,383	(1,731,057)	9,452,326	449,699	77,917,143
<u>512,381</u>	<u>-</u>	<u>512,381</u>	<u>-</u>	<u>-</u>
9,621,856	-	9,621,856	4,976,649	91,868,861
32,813	-	32,813	-	-
<u>38,923,678</u>	<u>-</u>	<u>38,923,678</u>	<u>(120,815)</u>	<u>(67,372,987)</u>
48,578,347	-	48,578,347	4,855,834	24,495,874
<u>60,274,111</u>	<u>(1,731,057)</u>	<u>58,543,054</u>	<u>5,305,533</u>	<u>102,413,017</u>

Santa Fe Civic Housing Authority (NM009)
 SANTA FE, NM
 FINANCIAL DATA SCHEDULE
 Entity Wide Revenue and Expense Summary
 Submission Type: Audited/Single Audit
 Fiscal Year End: 06/30/2019

	14.850 and 14.872 Housing Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	1 Business Activities
70300 Net Tenant Rental Revenue	261,811	-	-	-	1,296,575
70400 Tenant Revenue - Other	969,089	-	-	-	757,859
70500 Total Tenant Revenue	1,230,900	-	-	-	2,054,434
70600 HUD PHA Operating Grants	530,880	62,284	8,100,405	160,238	-
70610 Capital Grants	180,008	-	-	-	-
70710 Management Fee	-	-	-	-	120,900
70720 Asset Management Fee	-	-	-	-	-
70730 Book Keeping Fee	-	-	-	-	-
70740 Front Line Service Fee	728,067	-	-	-	-
70750 Other Fees	-	-	-	-	1,746,837
70700 Total Fee Revenue	908,075	-	-	-	1,867,737
70800 Other Government Grants	-	-	-	-	-
71100 Investment Income - Unrestricted	140	-	3,456	12	36,231
71200 Mortgage Interest Income	-	-	-	-	-
71300 Proceeds from Disposition of Assets Held for Sale	-	-	-	-	-
71310 Cost of Sale of Assets	-	-	-	-	-
71400 Fraud Recovery	75	-	6,544	-	-
71500 Other Revenue	4,090	-	76,923	-	592,480
71600 Gain or Loss on Sale of Capital Assets	-	-	-	-	5,123,998
72000 Investment Income - Restricted	-	-	-	-	-
	4,305	-	86,923	12	5,752,709
70000 Total Revenue	2,674,160	62,284	8,187,328	160,250	9,674,880

Subtotal	Eliminations	Total	Component Units with 6/30/2019 Year End	Component Units with 12/31/2018 Year End
1,558,386	-	1,558,386	217,354	4,490,393
1,726,948	-	1,726,948	-	493,505
3,285,334	-	3,285,334	217,354	4,983,898
180,008	-	180,008	-	-
120,900	-	120,900	-	-
-	-	-	-	-
728,067	-	728,067	-	-
1,746,837	-	1,746,837	-	-
2,775,812	-	2,775,812	-	-
-	-	-	-	-
39,839	-	39,839	-	5,594
-	-	-	-	-
-	-	-	-	-
6,619	-	6,619	-	-
673,493	-	673,493	622	-
5,123,998	-	5,123,998	-	-
-	-	-	-	-
5,843,949	-	5,843,949	622	5,594
11,905,095	-	11,905,095	217,976	4,989,492

Santa Fe Civic Housing Authority (NM009)
SANTA FE, NM
FINANCIAL DATA SCHEDULE
Entity Wide Revenue and Expense Summary
Submission Type: Audited/Single Audit
Fiscal Year End: 06/30/2019

	14.850 and 14.872 Housing Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	1 Business Activities
91100 Administrative Salaries	370,822	-	331,938	6,759	405,054
91200 Auditing Fees	3,801	-	35,199	-	14,000
91300 Management Fee	-	-	-	-	-
91310 Book-keeping Fee	-	-	-	-	-
91400 Advertising and Marketing	-	-	-	-	-
91500 Employee Benefit contributions - Administrative	287,260	-	173,392	3,392	264,695
91600 Office Expenses	78,808	-	81,699	-	41,379
91700 Legal Expense	3,763	-	-	-	33,555
91800 Travel	7,324	-	-	-	1,910
91810 Allocated Overhead	-	-	-	-	-
91900 Other	31,870	-	4,991	-	4,560
91000 Total Operating - Administrative	783,648	-	627,219	10,151	765,153
92000 Asset Management Fee	-	-	-	-	-
92100 Tenant Services - Salaries	45,493	42,390	-	-	770
92200 Relocation Costs	-	-	-	-	-
92300 Employee Benefit Contributions - Tenant Services	-	19,894	-	-	-
92400 Tenant Services - Other	437	-	-	-	835
92500 Total Tenant Services	45,930	62,284	-	-	1,605
93100 Water	5,797	-	-	-	44,100
93200 Electricity	9,058	-	-	-	34,020
93300 Gas	12,742	-	-	-	18,017
93400 Fuel	-	-	-	-	-
93500 Labor	-	-	-	-	-
93600 Sewer	-	-	-	-	26,761
93700 Employee Benefit Contributions - Utilities	-	-	-	-	-
93800 Other Utilities Expense	2,745	-	-	-	-
93000 Total Utilities	30,342	-	-	-	122,898
94100 Ordinary Maintenance and Operations - Labor	294,192	-	-	-	151,867
94200 Ordinary Maintenance and Operations - Materials and Other	433,162	-	-	-	61,074
94300 Ordinary Maintenance and Operations Contracts	133,145	-	-	-	80,949
94500 Employee Benefit Contributions - Ordinary Maintenance	-	-	-	-	-
94000 Total Maintenance	860,499	-	-	-	293,890
95100 Protective Services - Labor	-	-	-	-	-
95200 Protective Services - Other Contract Costs	-	-	-	-	-
95300 Protective Services - Other	-	-	-	-	-
95500 Employee Benefit Contributions - Protective Services	-	-	-	-	-
95000 Total Protective Services	-	-	-	-	-
96110 Property Insurance	90,166	-	-	-	46,634
96120 Liability Insurance	-	-	1,764	-	-
96130 Workmen's Compensation	-	-	-	-	-
96140 All Other Insurance	-	-	-	-	-
96100 Total insurance Premiums	90,166	-	1,764	-	46,634
96200 Other General Expenses	331,122	-	-	-	106,114
96210 Compensated Absences	-	-	-	-	-
96300 Payments in Lieu of Taxes	-	-	-	-	-
96400 Bad debt - Tenant Rents	-	-	-	-	-
96500 Bad debt - Mortgages	-	-	-	-	-
96600 Bad debt - Other	-	-	-	-	-
96800 Severance Expense	-	-	-	-	-
96000 Total Other General Expenses	331,122	-	-	-	106,114
96710 Interest of Mortgage (or Bonds) Payable	-	-	-	-	-
96720 Interest on Notes Payable (Short and Long Term)	-	-	-	-	288,848
96730 Amortization of Bond Issue Costs	-	-	-	-	-
96700 Total Interest Expense and Amortization Cost	-	-	-	-	288,848
96900 Total Operating Expenses	2,141,707	62,284	628,983	10,151	1,625,142
97000 Excess of Operating Revenue over Operating Expenses	532,453	-	7,558,345	150,099	8,049,738

Subtotal	Eliminations	Total	Component Units with 6/30/2019 Year End	Component Units with 12/31/2018 Year End
1,114,573	-	1,114,573	13,341	413,643
53,000	-	53,000	11,154	10,385
-	-	-	14,440	125,253
-	-	-	-	107,455
-	-	-	-	16,452
728,739	-	728,739	-	23,148
201,886	-	201,886	4,863	74,145
37,318	-	37,318	-	539
9,234	-	9,234	454	-
-	-	-	-	-
41,421	-	41,421	34,167	338,932
2,186,171	-	2,186,171	78,419	1,109,952
-	-	-	3,190	-
88,653	-	88,653	-	30,000
-	-	-	-	-
19,894	-	19,894	-	-
1,272	-	1,272	-	3,501
109,819	-	109,819	3,190	33,501
49,897	-	49,897	3,849	252,648
43,078	-	43,078	(859)	512,552
30,759	-	30,759	-	59,871
-	-	-	-	-
-	-	-	-	-
26,761	-	26,761	91	112,034
-	-	-	-	-
2,745	-	2,745	-	37,140
153,240	-	153,240	3,081	974,245
446,059	-	446,059	18,368	243,880
494,236	-	494,236	10,217	382,993
214,094	-	214,094	12,750	300,085
-	-	-	-	6,645
1,154,389	-	1,154,389	41,335	933,603
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
136,800	-	136,800	15,789	160,415
1,764	-	1,764	-	-
-	-	-	-	6,327
-	-	-	-	20,975
138,564	-	138,564	15,789	187,717
437,236	-	437,236	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
437,236	-	437,236	-	-
-	-	-	-	120,727
-	-	-	26,926	24,662
-	-	-	-	-
-	-	-	26,926	145,389
4,179,419	-	4,179,419	168,740	3,384,407
7,725,676	-	7,725,676	49,236	1,605,085

Santa Fe Civic Housing Authority (NM009)
SANTA FE, NM
FINANCIAL DATA SCHEDULE
Entity Wide Revenue and Expense Summary
Submission Type: Audited/Single Audit
Fiscal Year End: 06/30/2019

	14.850 and 14.872 Housing Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	1 Business Activities
97100 Extraordinary Maintenance	-	-	-	-	499,240
97200 Casualty Losses - Non-capitalized	-	-	-	-	-
97300 Housing Assistance Payments	-	-	6,646,272	143,191	-
97350 HAP Portability-In	-	-	641,760	-	-
97400 Depreciation Expense	464,155	-	-	-	204,614
97500 Fraud Losses	-	-	-	-	-
97600 Capital Outlays - Governmental Funds	-	-	-	-	-
97700 Debt Principal Payment - Governmental Funds	-	-	-	-	-
97800 Dwelling Units Rent Expense	-	-	-	-	-
	<u>464,155</u>	<u>-</u>	<u>7,288,032</u>	<u>143,191</u>	<u>703,854</u>
90000 Total Expenses	<u>2,605,862</u>	<u>62,284</u>	<u>7,917,015</u>	<u>153,342</u>	<u>2,328,996</u>
10010 Operating Transfer In	-	-	-	-	532,781
10020 Operating transfer Out	(532,781)	-	-	-	-
10030 Operating Transfers from/to Primary Government	-	-	-	-	-
10040 Operating Transfers from/to Component Unit	-	-	-	-	-
10050 Proceeds from Notes, Loans and Bonds	-	-	-	-	-
10060 Proceeds from Property Sales	-	-	-	-	-
10070 Extraordinary Items, Net Gain/Loss	-	-	-	-	-
10080 Special Items (Net Gain/Loss)	-	-	-	-	-
10091 Inter Project Excess Cash Transfer In	-	-	-	-	-
10092 Inter Project Excess Cash Transfer Out	-	-	-	-	-
10093 Transfers between Program and Project - In	-	-	-	-	-
10094 Transfers between Project and Program - Out	-	-	-	-	-
10100 Total Other financing Sources (Uses)	<u>(532,781)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	<u>68,298</u>	<u>-</u>	<u>270,313</u>	<u>6,908</u>	<u>7,345,884</u>
11020 Required Annual Debt Principal Payments	-	-	-	-	-
11030 Beginning Equity	30,425,209	-	438,487	18,604	9,951,573
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	40,998	-	4,755	-	7,323
11050 Changes in Compensated Absence Balance	-	-	-	-	-
11060 Changes in Contingent Liability Balance	-	-	-	-	-
11070 Changes in Unrecognized Pension Transition Liability	-	-	-	-	-
11080 Changes in Special Term/Severance Benefits Liability	-	-	-	-	-
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents	-	-	-	-	-
11100 Changes in Allowance for Doubtful Accounts - Other	-	-	-	-	-
11170 Administrative Fee Equity	-	-	-	-	-
11180 Housing Assistance Payments Equity	-	-	-	-	-
11190 Unit Months Available	-	-	-	-	-
11210 Number of Unit Months Leased	-	-	-	-	-
11270 Excess Cash	-	-	-	-	-
11610 Land Purchases	-	-	-	-	-
11620 Building Purchases	-	-	-	-	-
11630 Furniture & Equipment - Dwelling Purchases	-	-	-	-	-
11640 Furniture & Equipment - Administrative Purchases	-	-	-	-	-
11650 Leasehold Improvements Purchases	-	-	-	-	-
11660 Infrastructure Purchases	-	-	-	-	-
13510 CFFP Debt Service Payments	-	-	-	-	-
13901 Replacement Housing Factor Funds	-	-	-	-	-

COMPLIANCE AND SINGLE AUDIT INFORMATION

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

Federal Grantor/ Program Title	Grant Number	Federal CFDA Number	Cluster Expenditures	Total Expenditures
Department of Housing and Urban Development				
Direct Programs:				
Low Rent Public Housing (MAJOR Program)	NM000004,5,6	14.850	\$	\$ 530,880
Resident Opportunity and Supportive Services (ROSS)	NM009	14.855		62,284
Public Housing Capital Fund - CFP 2017	NM009-17	14.872		180,008
Housing Voucher Cluster:				
Section 8 Housing Choice Vouchers (MAJOR Program)	NM009VO	14.871	7,917,016	
Mainstream Vouchers (MS5) (MAJOR Program)	NM009VO	14.879	153,342	8,070,358
Total Department of Housing and Urban Development				\$ <u>8,843,530</u>

NOTE 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Santa Fe Housing Authority (Housing Authority) and does not include those expenditures of the City of Santa Fe, New Mexico. The schedule is presented on the accrual basis of accounting, which is the same basis used to prepare the financial statements. The information in this schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2. Loans

The Housing Authority did not have any loan or loan guarantee programs outstanding as of June 30, 2019.

NOTE 3. 10% De Minimis Indirect Cost Rate

The Housing Authority did not elect to use the 10% De Minimis indirect cost rate.

Note 4. Federally Funded Insurance

The Housing Authority has no federally funded insurance.

Robert J. Rivera, CPA, PC

Certified Public Accountants

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Santa Fe, New Mexico 87505-4761

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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 Board of Directors -
Santa Fe Civic Housing Authority
and
Brian S. Colón
New Mexico State Auditor
Santa Fe, New Mexico

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 the business type activities and each discretely presented component unit of the Santa Fe Civic Housing Authority (the Housing Authority), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and the combining and individual funds and other schedules presented as supplemental information and have issued our report thereon dated December 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 entity'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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001, that we consider to be material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002.


We noted other matters that are required to be reported per Section 12-6-5, NMSA 1978 and 2.2.2 NMAC, Audit rule, and which are described in the accompanying Schedule of Findings and Questioned Costs, Findings 2019-003 and 2019-004. The Housing Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

The Housing Authority's Response to Findings

The Housing Authority's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Housing Authority'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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Robert J. Rivera, CPA, PC
Santa Fe, New Mexico
December 13, 2019

Robert J. Rivera, CPA, PC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors -
Santa Fe Civic Housing Authority
and
Brian S. Colón
New Mexico State Auditor
Santa Fe, New Mexico
and
U.S. Department of Housing and Urban Development

Report on Compliance for Each Major Federal Program

We have audited the Santa Fe Civic Housing Authority's (the "Housing Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority's major federal programs for the year ended June 30, 2019. The Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002. Our opinion on its major federal programs is not modified with respect to this matter.

The Housing Authority's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Housing Authority was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over


compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Housing Authority as of and for the year ended June 30, 2019, and have issued our report thereon dated December 13, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.


Robert J. Rivera, CPA, PC
Santa Fe, New Mexico
December 13, 2019

**STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2019**

STATUS OF PRIOR-YEAR AUDIT FINDINGS

Financial Statements Findings

None

Federal Award Findings and Questioned Costs

None

State Auditor's Compliance and Other Matters

None

**STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(s)	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiency(s) identified?	None reported
• Known questioned costs greater than \$25,000 for compliance requirement for a major program or for a Federal program which is not audited as a major program?	No
• Known or likely fraud?	No
• Significant instances of abuse relating to major programs?	No
• Circumstances causing the auditor's report on compliance for each major program to be modified, unless otherwise reported as audit findings?	No
• Instances where results of audit follow-up procedures disclosed that the summary schedule of prior year audit findings prepared by the auditee materially misrepresents the status of any prior audit findings?	No
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in Accordance with 2 CFR section 200.516(a)?	Yes

Questioned costs? \$ -0-

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.850	Public Housing Subsidy
14.871	Section 8 Housing
14.879	Mainstream Voucher

Dollar threshold used to distinguish Types A and B programs \$750,000.

Auditee qualified as low-risk auditee? No

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

B. FINANCIAL STATEMENT FINDINGS

2019-001 Journal Entries
(Material Weakness)

Criteria: The Housing Authority should have qualified accounting staff preparing and reviewing journal entries prior to submission to an authorized individual for approval and posting to the general ledger. The approval should be documented prior to posting to the general ledger. Additionally, the Housing Authority should have internal controls to ensure all necessary journal entries are prepared and posted in a timely manner.

Condition: We noted the following issues related to journal entries and its processes:

1. The Housing Authority records accounting transactions using Quick Books accounting software. The recording of all general journal entries is not formally reviewed and approved by an authorized individual prior to the recording of the transactions.
2. Payroll allocation expenses and Fees for Service revenue journal entries were recorded in error during the year resulting in audit adjustments at year end.

Cause: The Housing Authority does not have an established process for the preparation, review, approval and posting of journal entries.

Effect: Material misstatements to the financial statements could be uncorrected in a timely manner.

Recommendation: We recommend that the Housing Authority ensure that only qualified accounting staff and management personnel prepare, review and approve journal entries to prevent future occurrence of inappropriate journal entries being posted to the general ledger.

Entity Response, Corrective Action Plan and Contact Person: The Housing Authority agrees that these errors should be precluded by the system of internal control as it pertains to the posting of journal entries. The Housing Authority will establish appropriate review and approval procedures to prevent errors in the future.

The following procedures will be formally documented and implemented: 1) Each journal entry shall be produced in hard copy with supporting documentation, 2) all journal entries will be initialed by the preparer, 3) all journal entries must be reviewed and approved by an accountant in the financial accounting division, 4) once reviewed by an accountant in the financial accounting division, all journal entries will be reviewed and approved by the financial accounting division supervisor, 5) once reviewed and approved by the financial accounting division, journal entries are submitted to the CFO and the Executive Director for final approval prior to submission to the accounting division for posting into the Quick-Books accounting software system.

**STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019**

B. FINANCIAL STATEMENT FINDINGS (continued)

**2019-001 Journal Entries (continued)
(Material Weakness)**

The time-line to ensure that this corrective action plan is implemented: January 31, 2020. The point of contact: Housing Authority Director.

C. FEDERAL MAJOR AWARD PROGRAMS FINDINGS AND QUESTIONED COSTS

**2019-002 Insufficient Controls over Federal Reporting
Program Name: All Federal Major Programs:
Low-Rent Public Housing, CFDA 14.850
Section 8 Choice Vouchers, CFDA 14.871
Mainstream Vouchers, CFDA 14.879
Federal Agency: U.S. Department of Housing and Urban Development
(Other Non-Compliance)**

Criteria: The Housing authority is responsible for establishing internal controls that ensure compliance with Federal grant requirements related to HUD Form 60002, Section 3, Summary Report, Economic Opportunities for Low and Very Low Income Persons (OMB No. 2529-0043). The report is due annually 60 days after the end of the fiscal year.

Condition: During our review of compliance for the Housing Authority programs, we noted the following:

The Housing Authority could not provide documentation of the submission of HUD Form 60002, Section 3 Summary Report, Economic Opportunities for Low and Very Low Income Persons (OMB No. 2529-0043).

Effect: The Housing Authority is not in compliance with HUD grant requirements.

Cause: The Housing Authority has not sufficiently maintained internal controls over compliance with all grant requirements.

Recommendation: The Housing Authority should consider the necessary resources over the administration of all federal programs to ensure compliance with federal grant requirements.

Entity Response, Corrective Action Plan and Contact Person: The Housing Authority concurs with the finding, and the Executive Director will implement actions to correct and prevent this recurrence. The following will be a time-line to ensure that Form 60002 is submitted timely and accurately: January 31, 2020. The point of contact: Deputy Director of the Housing Authority.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

D. FINDINGS AND OTHER MATTERS (Per Section 12-6-5 NMSA and State Auditor's Rule)

**2019-003 Late Delivery of Audit Report
(Other Non-Compliance)**

Criteria: In accordance with State Auditor Rule 2.2.2.9, NMAC, the Authority was required to submit its fiscal year 2018-2019 annual financial report to the State Auditor's Office by September 30, 2019.

Condition: The Santa Fe Civic Housing Authority did not submit its annual financial report to the State Auditor's Office prior to the deadline of September 30, 2019. The report was submitted on January 24, 2020.

Cause: The auditors assisted the Housing Authority in the preparation financial statements. There were adjustments which were needed to be made to the general ledger by the Housing Authority at year end which had not been made timely and which further delayed the preparation of the financial statements in order to meet the report submission deadline. In addition, the inclusion of various component units of the SFCHA for the first time and disclosures required also caused delays in the preparation of the financial statements. The final review and acceptance of the financial statements by the Housing Authority has further caused the report to be delivered late.

Effect: The Authority was not in compliance with the State Auditor Rule 2.2.2.9, NMAC. Users of the financial statements (i.e. board members, legislators, creditors, bondholders and state and federal grantors) do not have timely audit reports and financial statements available for their review.

Auditor's Recommendation: We recommend that management develop policies and procedures that ensure financial records are ready for audit in a timely manner so that future fiscal periods' financial reports can be submitted prior to the established deadline.

Entity Response, Corrective Action Plan and Contact Person: The Santa Fe Civic Housing Authority concurs with the finding, and the Chief Financial Officer and Executive Director have implemented actions to correct and or prevent this recurrence.

The State Auditor's office has established the date of September 30 of each year as the deadline for submitting the annual financial and compliance audit to the State Auditor's office.

Entity Response, Corrective Action Plan and Contact Person: (continued)

The Santa Fe Civic Housing Authority will implement internal controls and policies in January 2020 to ensure that the accounting records are reconciled and ready for audit by August 31 of each year. In addition, the Housing Authority will require that the external auditor perform interim audit procedures prior to June 30 as a means of meeting the September 30 audit report submission deadline.

STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

D. FINDINGS AND OTHER MATTERS (Per Section 12-6-5 NMSA and State Auditor's Rule) (continued)

**Finding 2019-004 Component Units
(Other Non-Compliance)**

Criteria: Section 2.2.2.10 (A)(1)NMAC requires that all component unit entities, except component units that are housing authorities, to be audited by the same auditor unless a request for an exception is made and granted by the Office of the State Auditor (OSA); requires the component units auditor be on the list of the OSA's approved auditors; requires the OSA standard contract form be used; and requires separately issued financial statements and associated auditor's reports be submitted to the OSA for review. Section 2.2.2.10(L)(7) NMAC also requires that all component unit audit findings be included in the report of the primary government.

Condition: All of the Santa Fe Civic Housing Authority's discretely presented component units were audited by the same auditor of the Housing Authority and the auditor was on the list of OSA approved auditors. However, the OSA standard contract form was not used. The managing partner (the Housing Authority) of each component unit independently contracted with the auditor. Prior to the current year, the financial statements of the Housing Authority's component units had not been included in the financial statement of the Housing Authority. Additionally, there were no audit findings in the various component unit audit reports which would be required to be included in the primary government audit report.

Cause: The component units of the Housing Authority engaged an auditor to meet their financial statements audit requirements; however, the managing partner (Housing Authority) did not completely follow the requirements of State Auditor Rule 2.202.10(A)(1) NMAC. In addition, the Housing Authority and the auditor had not fully assessed the inclusion of the component units in the Housing Authority's financial statements.

Effect: The component units of the Housing Authority could be excluded from the financial statements of the Housing Authority and could have weaknesses in internal control and compliance which are not reported.

Auditor's Recommendation: We recommend that the Housing Authority develop policies and procedures that ensure the financial statements of component units, for which the Housing Authority maintains management control as a managing partner, are included in the Housing Authority's financial statements. In addition, we recommend that the Housing Authority follow the provisions of Section 2.2.2.10 (A)(1) NMAC.

Entity Response, corrective Action Plan and Contact Person: The Santa Fe Civic Housing Authority agrees with the finding. Policies and procedures have already been implemented to ensure that the entity's presentation of financial statements include the component unit entities for which the Housing Authority maintains management control as a managing partner.

**STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019**

D. FINDINGS AND OTHER MATTERS (Per Section 12-6-5 NMSA and State Auditor's Rule) (Cont'd)

**Finding 2019-004 Component Units (continued)
(Other Non-Compliance)**

The Housing Authority will meet with the State Auditor's Office no later than March 1, 2020 to identify and resolve the requirements of Section 2.2.2.10 (A)(1) NMAC.

The contact person for the Housing authority is Mr. Ed Romero, Director of the Housing Authority and is responsible for implementing the corrective action by March 1, 2020.

**STATE OF NEW MEXICO
SANTA FE CIVIC HOUSING AUTHORITY
June 30, 2019**

Financial Statement Preparation

The financial statements were prepared by the auditors, with the assistance of the Housing Authority. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance. Management has reviewed and approved the financial statements.

Exit Conference

An exit conference was held on December 23, 2019, to discuss the audit. The following individuals were in attendance:

State of New Mexico - Santa Fe Civic Housing Authority

Gerard Gonzales, Co-Chairperson, Board of Directors
Ed Romero, Executive Director
and representative of the managing partners of the component units
David Martinez, Deputy Executive Director
Nellie Olivas, Accountant

Audit Firm - Robert J. Rivera, CPA, PC

Robert J. Rivera, CPA
William J. Valdes