

**Montana Senior Village, LLC**

**Financial Statements**

**Years Ended December 31, 2015 and 2014**

**And Supplementary Information**

**Year Ended December 31, 2015**

# Montana Senior Village, LLC

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## INDEPENDENT AUDITOR'S REPORT

To the Members of

Montana Senior Village, LLC  
Las Cruces, New Mexico  
and  
Tim Keller, New Mexico State Auditor

### Report on the Financial Statements

We have audited the accompanying financial statements of Montana Senior Village, LLC, which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of operations, changes in members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain 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 Montana Senior Village, LLC'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 Montana Senior Village, LLC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montana Senior Village, LLC as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Other Information*


Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 19 - 20 is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information shown on pages 19 - 20 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. 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 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 accompanying supplementary information shown on pages 19 - 20 is fairly stated, in all material respects, in relation to the financial statements as a whole.

The *Schedule of Vendors* shown on page 21 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 it.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2016, on our consideration of Montana Senior Village, LLC's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 Montana Senior Village, LLC's internal control over financial reporting and compliance.



Boothe, Vassar & Company

May 12, 2016  
Big Spring, Texas

Montana Senior Village, LLC

Balance Sheets

December 31, 2015 and 2014

ASSETS

	<u>12/31/2015</u>	<u>12/31/2014</u>
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 22,063	\$ 18,099
Accounts Receivable - Tenants	351	601
Accounts Receivable - PHA	0	2,847
Prepaid Expenses	7,279	6,574
<b>Total Current Assets</b>	<u>29,693</u>	<u>28,121</u>
<b>Restricted Deposits &amp; Funded Reserves:</b>		
Tenant Security Deposits	21,005	18,223
Real Estate Tax & Insurance	5,976	153
Other Escrows	490	496
Replacement Reserve	54,943	43,898
<b>Total Restricted Deposits &amp; Funded Reserves</b>	<u>82,414</u>	<u>62,770</u>
<b>Property &amp; Equipment:</b>		
Land	249,000	249,000
Buildings	622,639	622,639
Site Improvements	2,273,208	2,273,208
Furnishings	48,603	48,603
Accumulated Depreciation	(1,672,006)	(1,558,114)
<b>Total Property &amp; Equipment</b>	<u>1,521,444</u>	<u>1,635,336</u>
<b>Other Assets:</b>		
Deferred Finance Cost, net of amortization	35,296	36,762
<b>Total Other Assets</b>	<u>35,296</u>	<u>36,762</u>
<b>Total Project Assets</b>	<u>1,668,847</u>	<u>1,762,989</u>
<b>Entity Assets:</b>		
Operating Reserve	32,417	32,407
Operating Deficit Reserve	35,337	35,305
<b>Total Entity Assets</b>	<u>67,754</u>	<u>67,712</u>
<b>Total Assets</b>	<u>\$ 1,736,601</u>	<u>\$ 1,830,701</u>

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

Montana Senior Village, LLC

Balance Sheets

December 31, 2015 and 2014

**LIABILITIES & MEMBERS' EQUITY**

	<u>12/31/2015</u>	<u>12/31/2014</u>
<b>Liabilities:</b>		
<b>Current Liabilities:</b>		
Current Maturities of Long-Term Debt	\$ 74,010	\$ 73,013
Accounts Payable	3,124	2,727
Accrued Interest	6,277	6,357
Accrued Expenses	7,370	10,580
Accrued Property Taxes	8,145	8,021
<b>Total Current Liabilities</b>	<u>98,926</u>	<u>100,698</u>
<b>Deposits &amp; Prepaid Liabilities:</b>		
Tenant Security Deposits	18,105	17,625
Prepaid Tenant Fees	5,088	3,401
<b>Total Deposits &amp; Prepaid Liabilities</b>	<u>23,193</u>	<u>21,026</u>
<b>Long-Term Liabilities:</b>		
Long-Term Debt (net of current maturities)	1,398,721	1,411,499
Long-Term Accrued Interest	292,350	272,860
Due to Related Parties	0	8,293
<b>Total Long-Term Liabilities</b>	<u>1,691,071</u>	<u>1,692,652</u>
<b>Total Liabilities</b>	<u>1,813,190</u>	<u>1,814,376</u>
<b>Members' Equity (Deficit)</b>	<u>(76,589)</u>	<u>16,325</u>
<b>Total Liabilities &amp; Members' Equity</b>	<u>\$ 1,736,601</u>	<u>\$ 1,830,701</u>

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

**Montana Senior Village, LLC**  
**Statements of Operations**  
**For the Years Ended December 31, 2015 and 2014**

	<b>12/31/2015</b>	<b>12/31/2014</b>
<b>Rental Income:</b>		
Potential Rental Income	\$ 287,472	\$ 270,000
Lease Excess	8,478	17,520
Less: Vacancies	(6,017)	(7,184)
Less: Concessions	(5,294)	(680)
<b>Total Rental Income</b>	<b>284,639</b>	<b>279,656</b>
 <b>Other Income:</b>		
Interest Income	89	93
Laundry & Vending	1,468	911
Tenant Charges	3,904	2,266
Miscellaneous Income	3,471	415
<b>Total Other Income</b>	<b>8,932</b>	<b>3,685</b>
<b>Total Income</b>	<b>293,571</b>	<b>283,341</b>
 <b>Operating Expenses:</b>		
Administrative	56,067	56,160
Utilities	13,578	17,377
Operating & Maintenance	55,005	41,308
Taxes & Insurance	46,571	44,069
Financial Expense	99,906	100,889
<b>Total Cost of Operations</b>	<b>271,127</b>	<b>259,803</b>
<b>Net Income/(Loss) from Operations</b>	<b>22,444</b>	<b>23,538</b>
 <b>Non-Operating Income &amp; (Expenses):</b>		
Depreciation Expense	(113,892)	(114,049)
Amortization Expense	(1,466)	(1,466)
<b>Total Non-Operating Income &amp; (Expenses)</b>	<b>(115,358)</b>	<b>(115,515)</b>
<b>Net Income/(Loss)</b>	<b>\$ (92,914)</b>	<b>\$ (91,977)</b>

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**Montana Senior Village, LLC**  
**Statements of Changes in Members' Equity (Deficit)**  
**For the Years Ended December 31, 2015 and 2014**

	<b>Total</b>	<b>Managing Member Equity</b>	<b>Investor Member Equity</b>
<b>Members' Equity (Deficit), December 31, 2013</b>	\$ 108,302	\$ 497,670	\$ (389,368)
Net Income/(Loss): 12/31/2014	(91,977)	(9)	(91,968)
Members' Capital Contributions	0	0	0
Members' Distributions	0	0	0
<b>Members' Equity (Deficit), December 31, 2014</b>	\$ 16,325	\$ 497,661	\$ (481,336)
Net Income/(Loss): 12/31/2015	(92,914)	(9)	(92,905)
Members' Capital Contributions	0	0	0
Members' Distributions	0	0	0
<b>Members' Equity (Deficit), December 31, 2015</b>	<b>\$ (76,589)</b>	<b>\$ 497,652</b>	<b>\$ (574,241)</b>

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of these financial statements*



**Montana Senior Village, LLC**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2015 and 2014**  
**Increase (Decrease) in Cash and Cash Equivalents**

	<b>12/31/2015</b>	<b>12/31/2014</b>
<b>Cash Flows From Operating Activities:</b>		
<b>Revenue:</b>		
Rental Receipts	\$ 289,423	\$ 281,122
Other Income	8,932	3,685
<b>Total Receipts</b>	<b>298,355</b>	<b>284,807</b>
<b>Expenses:</b>		
Administrative	(44,530)	(41,718)
Management Fees	(15,057)	(14,453)
Utilities	(13,578)	(17,377)
Operating & Maintenance	(55,005)	(41,308)
Taxes & Insurance	(46,447)	(44,042)
Financial Expense	(99,986)	(100,963)
Tenant Security Deposits	(2,302)	(569)
<b>Total Disbursements</b>	<b>(276,905)</b>	<b>(260,430)</b>
<b>Net Cash from Operating Activities:</b>	<b>21,450</b>	<b>24,377</b>
<b>Cash Flows From Investing Activities:</b>		
Purchase Property & Equipment	0	(9,439)
Replacement Reserve	(11,045)	(11,041)
Real Estate Tax & Insurance	(5,821)	7,099
Other Escrows	6	18
Operating Reserve	(10)	(9)
Operating Deficit Reserve	(32)	(38)
<b>Net Cash from Investing Activities:</b>	<b>(16,902)</b>	<b>(13,410)</b>
<b>Cash Flows From Financing Activities:</b>		
Principal Payments on Mortgage	(11,781)	(13,612)
Long-Term Accrued Interest	19,490	19,490
Due to Related Parties	(8,293)	0
Deferred Development Fees	0	(12,446)
<b>Net Cash from Financing Activities:</b>	<b>(584)</b>	<b>(6,568)</b>
<b>Increase (Decrease) In Cash</b>	<b>3,964</b>	<b>4,399</b>
<b>Cash at Beginning of Period</b>	<b>18,099</b>	<b>13,700</b>
<b>Cash at End of Period</b>	<b>\$ 22,063</b>	<b>\$ 18,099</b>

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of these financial statements*

**Montana Senior Village, LLC**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2015 and 2014**  
**Increase (Decrease) in Cash and Cash Equivalents**

	<b>12/31/2015</b>	<b>12/31/2014</b>
<b>Reconciliation of Net Profit (Loss) to Net Cash Provided by Operating Activities:</b>		
Net Income (Loss)	\$ (92,914)	\$ (91,977)
<b>Adjustments to Reconcile Net Profit (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>		
Depreciation Expense	113,892	114,049
Amortization Expense	1,466	1,466
(Increase) Decrease In Assets		
Accounts Receivable - Tenants	250	(601)
Accounts Receivable - PHA	2,847	(883)
Prepaid Expenses	(705)	1,237
Tenant Security Deposits	(2,782)	(2,490)
Increase (Decrease) In Liabilities		
Accounts Payable	395	(170)
Accrued Interest	(80)	(74)
Accrued Expenses	(3,210)	(1,078)
Accrued Property Taxes	124	27
Tenant Security Deposits	480	1,921
Prepaid Tenant Fees	1,687	2,950
Net Cash from Operating Activities	\$ 21,450	\$ 24,377
 <b><u>Supplemental Disclosures:</u></b>		
Interest Paid	\$ 75,853	\$ 76,772

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

**Montana Senior Village, LLC**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**NOTE A - ORGANIZATION**

Montana Senior Village, LLC was organized in 1998 as a Limited Liability Company to develop, construct, own, maintain, and operate a 49-unit rental housing project for mixed income tenants with both tax credit and market rate units. The Project is located in the city of Las Cruces, New Mexico, and is currently known as Montana Senior Village Apartments. The Managing Member is the Mesilla Valley Public Housing Authority (MVPHA), previously Housing Authority of the City of Las Cruces, (the “Managing Member”) and the Investor Member is The Banc of America Housing Fund II Limited Partnership (the “Investor Member”). The major activities of the Company are governed by the Management and Operating Agreements and the Internal Revenue Code Section 42.

The management of the Company and the ongoing management of Montana Senior Village Apartments are vested in the Members. The Company has hired JL Gray Company to provide day to day management for the property. Compensation for such services is as determined under the Management Agreement.

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

The Company is reported as a component unit of Mesilla Valley Public Housing Authority (MVPHA), previously Housing Authority of the City of Las Cruces, because the MVPHA is the Managing Member of the Company. The Company has no component units.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

A summary of the Project’s significant accounting policies consistently applied in the preparation of the accompanying financial statements are as follows:

Basis of Accounting

The Project utilized the accrual basis of accounting, whereby income is recognized as earned and expenses are recognized as obligations are incurred.

Cash and Cash Equivalents

Cash and cash equivalents consist of unrestricted short-term investments with an original maturity of three months or less, cash on deposit, money market funds and certificates of deposit.

**Montana Senior Village, LLC**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Cash and Other Deposits

The Project maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. The Project has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Collateralization of Deposits

The Project is a component unit of the Housing Authority of the City of Las Cruces and as such, is not required to secure collateralization on cash deposits.

Tenants' Security Deposits

Tenants' security deposits are held in a separate bank account. This account was funded in an amount greater than the security deposit liability as of December 31, 2015 and 2014.

Tenant Receivable and Bad Debt Policy

Tenant rent charges for the current month are due on the first of the month. The Project does not accrue interest on the tenant receivable balances. The Project 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.

Property and Equipment

Property and equipment are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred. Effective January 1, 2015, the Project implemented a new capitalization policy in response to the safe harbor de minimis regulations issued by the Internal Revenue Service. Property and Equipment with a unit cost of \$5,000 or more and an estimated useful life greater than one year are capitalized and depreciated based on the straight-line method over the estimated useful lives of the assets. Property and Equipment purchases less than \$5,000 or with lives of one year or less, and maintenance and repairs which do not extend the useful lives of premises and equipment, are charged to expense as incurred.

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. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method.

**Montana Senior Village, LLC**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)**

For financial statement purposes the following estimate useful lives are used:

	Estimated Life
Buildings	27.5
Site Improvements	15-27.5
Furnishings	3-7

The Project reviews its investment 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 moment by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2015 or 2014.

Income Taxes

No federal income taxes are payable by the Company and none have been provided in the accompanying financial statements. The Members are to include their respective share of Company income or loss in their separate tax returns. As of December 31, 2015, the Company's tax years for 2012, 2013, and 2014 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2015, the Company is no longer subject to examinations by tax authorities for years before 2012.

Estimates

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

Rental Income

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

Amortization

Permanent loan fees are amortized on a straight-line basis over the life of the respective loan.

**Montana Senior Village, LLC**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)**

Reclassifications

Certain items in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

**NOTE C - MEMBERS' PROFIT AND LOSS ALLOCATION AND DISTRIBUTIONS**

The Members of Montana Senior Village, LLC and their respective profit and loss percentages are as follows as of December 31, 2015 and 2014:

Managing Member:	
<i>Mesilla Valley Public Housing Authority</i>	0.01 %
Investor Member:	
<i>The Banc of America Housing Fund II LP</i>	<u>99.99 %</u>
Total	<u><u>100.00 %</u></u>

Capital Contributions and Allocations of Profit, Loss, Tax Credits, and Cash Flow

The Investor Member contributed \$1,235,342 for a 99.99% interest in the Company. The Managing Member contributed \$170,000 for a 0.01% interest in the Company.

Profits, losses, and Tax Credits generally are to be allocated to the Members in accordance with their ownership interests. In the event the Managing Member makes an operating deficit contribution, the Managing Member receives a special allocation equal to the amount of the contribution.

Net cash flow from operations, as defined, is to be distributed annually as follows:

- 1) To the Managing Member to pay the Deferred Development Fee in accordance with the Development Services Agreement;
- 2) To the Managing Member to pay the annual Company Management Fee in accordance with the Company Administration Agreement;
- 3) To the Managing Member to pay the Incentive Management Fee in accordance with the Company Administration Agreement;
- 4) To the Managing Member to repay any Operating Deficit Contribution;
- 5) The balance, .01% to the Managing Member and 99.99% to the Investor Member.

**Montana Senior Village, LLC**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**NOTE D - LONG-TERM DEBT**

The Project is financed with a 39-year mortgage payable to New Mexico Mortgage Finance Authority under the 542(c) FHA-Insured Multifamily Loan Program in the original amount of \$1,030,000, with an interest rate of 8.15%. The mortgage is payable in monthly installments of \$7,303 including interest through the maturity date. The unpaid principal of the loan is due February 2040. The accrued interest was \$6,277 and \$6,357 as of December 31, 2015 and 2014, respectively. Interest expensed on this loan was \$75,773 and \$76,698 as of December 31, 2015 and 2014, respectively.

12/31/2015	12/31/2014
\$ 924,249	\$ 936,030

The Project also has a 15-year mortgage payable to Mesilla Valley Public Housing Authority (MVPHA), previously Housing Authority of the City of Las Cruces, in the original amount of \$99,000. The loan is subordinate to the First Mortgage Loan and payment is subject to available cash flow. During 2004, the terms of the Land Loan were changed and previously paid interest was applied to principal. The loan is now a non-interest bearing loan and was payable in full on December 1, 2015. The amount has not been paid and new terms are being negotiated. See Footnote J for subsequent event. Therefore, the remaining balance is included in the current maturities of long-term debts.

61,232	61,232
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The Project also has a 17-year mortgage payable to Mesilla Valley Public Housing Authority (MVPHA), previously Housing Authority of the City of Las Cruces, in the original amount of \$487,250. Interest will accrue on the outstanding principal balance of the loan at the annual rate of 4% per annum. Maturity of the loan occurs at the sale, refinance, or transfer of the property or on December 2017. The loan is subordinate to the First Mortgage Loan and payment is subject to available cash flow. The long-term accrued interest was \$292,350 and \$272,860 as of December 31, 2015 and 2014, respectively. Interest expensed on this loan was \$19,490 and \$19,490 as of December 31, 2015 and 2014, respectively.

	487,250	487,250
Total	1,472,731	1,484,512
Less: Current Portion	74,010	73,013
Long-Term Notes Payable	\$ 1,398,721	\$ 1,411,499

**Montana Senior Village, LLC**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**NOTE D - LONG-TERM DEBT (continued)**

Aggregate maturities of the mortgage notes in each of the next five years are approximated as follows:

	Principal	Interest
December 31, 2016	\$ 74,010	\$ 74,856
2017	501,109	405,105
2018	15,032	72,602
2019	16,304	71,330
2020	17,684	69,951
2021-2025	113,561	324,610
2026-2030	170,453	267,718
2031-2035	255,848	182,323
2036-2040	308,730	56,412
Total	\$ 1,472,731	\$ 1,524,907

The apartment project is pledged as collateral for the mortgage. The mortgage loan is nonrecourse debt secured by deeds of trust on the related real estate.

**NOTE E - RESERVE FUNDS**

Replacement Reserve

A Replacement Reserve is required to be funded from the Project's gross revenue to fund major repair and capital expenditures. The Replacement Reserve balance was \$54,943 and \$43,898 as of December 31, 2015 and 2014, respectively.

Operating Reserve

In accordance with the Operating Agreement, the Operating Reserve should maintain a balance of at least \$60,000. The Managing Member may use funds in the Operating Reserve with the consent of the Investor Member, for any Company purpose, but only to the extent the revenues of the company are insufficient to accomplish such purposes. The Operating Reserve balance was \$32,417 and \$32,407 as of December 31, 2015 and 2014, respectively. The additional accumulation of funds required are held in the Operating Deficit Reserve account.

Operating Deficit Reserve

NMMFA required that an amount equal to three monthly first mortgage payments, or \$30,327, be retained in escrow as the Operating Deficit Reserve Account. The Managing Member has established an Operating Deficit Reserve account to accumulate the additional funds required by the Operating Agreement. The Operating Deficit Reserve balance was \$35,337 and \$35,305 as of December 31, 2015 and 2014, respectively.

The combined balance for the Operating Reserve and the Operating Deficit Reserve was \$67,754 and \$67,712 as of December 31, 2015 and 2014, respectively.



**Montana Senior Village, LLC**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**NOTE F - COMMITMENTS AND CONTINGENCIES**

Guaranty of Tax Credits

Under the terms of the Operating Agreement, the Managing Member has the duty to use its best efforts to ensure that the Company 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 Investor Member are less than the amount of Credits that were projected at the formation of the Company, the contributions of capital otherwise required of the Investor Member may be reduced, or constructive advances deemed made, in accordance with applicable provisions of the Operating Agreement.

Operating Deficit Contributions

The Managing Member is obligated to make contributions to the Company as necessary to fund operating expenses, debt service payments, reserve and escrow accounts, capital improvements, and maintenance expenses that occur during certain specified periods, as defined. The Managing Member's obligation to make operating deficit contributions after the lease-up date, as defined, is limited to \$100,000 and terminates upon achievement of certain operating milestones. Per the Operating Agreement, losses equal to the deficit payments are allocated to the Managing Member.

Regulatory Agreement Provisions

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

Housing Tax Credits

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

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

**Montana Senior Village, LLC**

**Notes to Financial Statements**

**December 31, 2015 and 2014**

**NOTE F - COMMITMENTS AND CONTINGENCIES *(continued)***

Long-term Contract

The Company entered into a service agreement and a compensation agreement with Comcast of California XIV LLC (Comcast) on March 13, 2012. The service agreement is for a term of 15 years, and then automatically renews biannually unless either party provides at least 60 days notice not to renew at the end of the term. Per the compensation agreement, Comcast agreed to pay the Company a one-time fee of \$4,800 as consideration for entering into a long-term service agreement. The total fee was received by the Company upon execution of the agreements.

**NOTE G - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES**

Property Management Fee

The Company has entered into a Management Agreement with JL Gray Company to manage the rental operations of the apartment community. The compensation for this service is based on the Management Agreement. The Management Fee shall equal 5.25% of monthly gross rental collections excluding any service or laundry income. Property Management Fees expensed were \$15,201 and \$14,796 during 2015 and 2014, respectively. The amounts due to the Management Agent related to Management Fees were \$144 and \$343 as of December 31, 2015 and 2014, respectively.

Company Administration Fee

In accordance with the Operating Agreement and the Company Administrative Agreement, the Project shall pay to the Managing Member a non-accruing Company Administration Fee for its services in managing the business of the Project in the amount of \$15,000. There were no amounts recognized or due to the Managing Member related to Company Administration Fees as of December 31, 2015 and 2014, respectively.

Incentive Management Fee

In accordance with the Operating Agreement and the Company Administrative Agreement, the Project shall pay to the Managing Member an Incentive Management Fee equal to 75% of net cash flow subject to available cash flow, as defined. There were no Incentive Management Fees recognized or due to the Managing Member related to Incentive Management Fee as of December 31, 2015 and 2014, respectively.

Development Fee

The Company incurred a non-interest bearing Development Fee of \$250,448 due to Housing Authority of the City of Las Cruces currently known as Mesilla Valley Public Housing Authority (MVPHA), rendered to the Company for overseeing the construction of the Project. This Development Fee has been fully earned and was capitalized into the basis of the building. It was paid in full as of December 31, 2014.

**Montana Senior Village, LLC**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**NOTE G - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES (continued)**

Reimbursed Expenses

The Management Agent is reimbursed for a few expenses that are directly related to this property. Due to the nature and function of the Management Agent, some expenses are incurred for the property by the Management Agent. These reimbursements qualify as eligible project expenses and do not duplicate expenses that are included in the management fee. There were no amounts due to the Management Agent related to reimbursed expenses as of December 31, 2015 and 2014, respectively.

**NOTE H - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

The Company's sole asset is Montana Senior Village Apartments. The Company's operations are concentrated in the multifamily real estate market. In addition, 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 administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**NOTE I - ACCRUED EXPENSES**

The accrued expenses on the balance sheet contain the following:

	<b>12/31/2015</b>	<b>12/31/2014</b>
Accrued Payroll Expenses	\$ 1,460	\$ 1,897
Accrued Audit Fees	5,910	8,683
Total Accrued Expenses	\$ 7,370	\$ 10,580

**NOTE J - SUBSEQUENT EVENTS**

The Project has evaluated subsequent events through May 12, 2016 which is the date the financial statements were available to be issued, and the following subsequent event occurred.

The loan due to Mesilla Valley Public Housing Authority (MVPHA) matured during 2015. MVPHA finalized the new loan terms. The full amount due is \$61,232 and is included in current maturities. Interest will accrue on the outstanding principal balance of the loan at the annual rate of 2% per annum from the amendment date, December 1, 2015, until the remaining principal and all interest is paid in full. Per the Amendment, Montana Senior Village Apartments shall pay the total sum of \$11,232 by December 1, 2016. Thereafter, Montana Senior Village Apartments shall pay \$5,000 annually beginning in 2017 for a period of ten years.

**Montana Senior Village, LLC**  
**Supplemental Information**  
**Year Ended December 31, 2015**

**Montana Senior Village, LLC**  
**Supplementary Information Required by HUD**  
**Year Ending December 31, 2015**

**1. SCHEDULE OF RESERVE FOR REPLACEMENTS**

Balance as of January 1, 2015	\$ 43,898
Total Monthly Deposit	11,000
Interest Earned on Reserve for Replacement Account (Net of Service Fees)	45
Approved Withdrawals	<u>0</u>
Balance as of December 31, 2015	<u><u>\$ 54,943</u></u>

**2. SCHEDULE OF OPERATING & OPERATING DEFICIT RESERVE**

Balance as of January 1, 2015	\$ 67,712
Total Monthly Deposit	0
Interest Earned on Operating Reserve Account (Net of Service Fees)	42
Approved Withdrawals	<u>0</u>
Balance as of December 31, 2015	<u><u>\$ 67,754</u></u>

**3. SCHEDULE OF CHANGES IN FIXED ASSETS**

	Balance 12/31/2014	Additions	Deductions	Balance 12/31/2015
Land	\$ 249,000	\$ 0	\$ 0	\$ 249,000
Buildings	622,639	0	0	622,639
Site Improvements/Building Equipment	2,273,208	0	0	2,273,208
Furnishings	48,603	0	0	48,603
Totals	<u>3,193,450</u>	<u>0</u>	<u>0</u>	<u>3,193,450</u>
Accumulated Depreciation	1,558,114	\$ 113,892	\$ 0	1,672,006
Net Book Value	<u><u>\$ 1,635,336</u></u>			<u><u>\$ 1,521,444</u></u>

**Montana Senior Village, LLC**  
**Computation of Surplus Cash and Distributions**  
**Year Ending December 31, 2015**

		<u>12/31/2015</u>
<b>Cash:</b>		
	Cash	\$ 43,068
	Total Cash	<u>43,068</u>
<b>Current Obligations:</b>		
	Accrued Mortgage Interest Payable	6,277
	Mortgage Principal Payments due	61,232
	Accounts Payable - 30 Days	3,124
	Accrued Expenses (not escrowed)	7,370
	Prepaid Revenue	5,088
	Tenant Security Deposits Liability	18,105
	Total Current Obligations	<u>101,196</u>
	Surplus Cash (Deficiency)	<u>(58,128)</u>
<b>Amount Available for Distribution During Next Fiscal Period:</b>		
	Surplus Cash	<u>\$ 0</u>

**Montana Senior Village, LLC**  
**Schedule of Vendors**  
**Year Ending December 31, 2015**

<u>Agency Number</u>	<u>Agency Name</u>	<u>Agency Type</u>	<u>RFB#/RFP#</u>
9010-A	Montana Senior Village, LLC	Other Agencies	None

# BOOTHE ★ VASSAR

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BIG SPRING, TEXAS 79720 WWW.BOOTHEVASSAR.COM

CERTIFIED PUBLIC ACCOUNTANTS

KENNETH C. BOOTHE, CPA  
KENNETH@BOOTHEVASSAR.COM

MARK S. VASSAR, CPA  
MARK@BOOTHEVASSAR.COM

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Members of  
Montana Senior Village, LLC  
Las Cruces, New Mexico  
and  
Tim Keller, New Mexico State Auditor

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 Montana Senior Village, LLC which comprise the balance sheet as of December 31, 2015, and related statements of operations, changes in members' equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 12, 2016.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Montana Senior Village, LLC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Montana Senior Village, LLC's internal control. Accordingly, we do not express an opinion on the effectiveness of Montana Senior Village, LLC'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

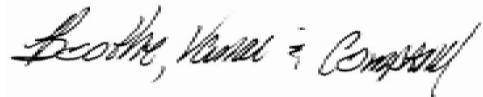


## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Boothe, Vassar & Company

May 12, 2016  
Big Spring, Texas

# BOOTHE ★ VASSAR

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR HUD PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS**

To the Members of  
Montana Senior Village, LLC  
Las Cruces, New Mexico  
and  
Tim Keller, New Mexico State Auditor

### **Report on Compliance for Each Major HUD Program**

We have audited Montana Senior Village, LLC's compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the Guide) that could have direct and material effect on each of Montana Senior Village, LLC's major U.S. Department of Housing and Urban Development (HUD) programs for the year ended December 31, 2015. Montana Senior Village, LLC's major HUD program is a HUD insured mortgage.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD program(s).

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Montana Senior Village, LLC's major HUD programs based on our audit of the 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 Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about Montana Senior Village, LLC'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 HUD program. However, our audit does not provide a legal determination of Montana Senior Village, LLC's compliance.

### ***Opinion on Each Major HUD Program***

In our opinion, Montana Senior Village, LLC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs for the year ended December 31, 2015.

### **Report on Internal Control Over Compliance**

Management of Montana Senior Village, LLC is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Montana Senior Village, LLC's internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD program and to test and report on internal control over compliance in accordance with the Guide, 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 Montana Senior Village, LLC'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 compliance requirement of a HUD 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 compliance requirement of a HUD 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 compliance requirement of a HUD 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 the Guide. Accordingly, this report is not suitable for any other purpose.



Boothe, Vassar & Company

May 12, 2016  
Big Spring, Texas

**Montana Senior Village, LLC**  
**Schedule of Findings and Responses**  
**December 31, 2015**

**Current Year Audit Findings: December 31, 2015**

Our audit disclosed no findings that are required to be reported.

**Montana Senior Village, LLC**  
**Schedule of the Status of Prior Audit Findings,**  
**Questioned Costs, and Recommendations**  
**December 31, 2015**

**Prior Year Audit Findings: December 31, 2014**

Our audit disclosed no findings that are required to be reported.


**Montana Senior Village, LLC**

**Mortgagor's Certification**

**December 31, 2015**

We hereby certify that we have examined the accompanying financial statements and supplemental information of Montana Senior Village, LLC as of December 31, 2015, and to the best of our knowledge and belief, the same are complete and accurate.

Signatories:

Signed:  Date: 5/12/2016

Name Juan Olvera

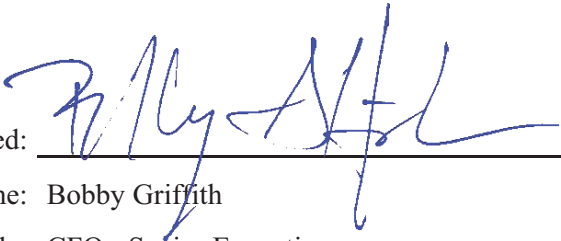
Title Executive Director  
Mesilla Valley Public Housing Authority

Auditee Information:

505-325-6515  
May 12, 2016  
Montana Senior Village, LLC  
305 & 370 E. Montana  
Las Cruces, New Mexico 88005

**Montana Senior Village, LLC**  
**Management Agent's Certification**  
**December 31, 2015**

We hereby certify that we have examined the accompanying financial statements and supplemental information of Montana Senior Village, LLC as of December 31, 2015, and to the best of our knowledge and belief, the same are complete and accurate.

Signed:  \_\_\_\_\_ Date: \_\_\_\_\_  
Name: Bobby Griffith  
Title: CFO - Senior Executive

Management Company: JL Gray Company

Address: 1816 East Mojave St.  
Farmington, NM 87401

**Montana Senior Village, LLC**

**Information on Auditor**

**December 31, 2015**

**Auditor's Transmittal Letter**

Audit Firm: Boothe, Vassar & Company  
State of New Mexico License No. 10014

Lead Auditor: Diane Fox  
Certified Public Accountant

Audit Firm Address: 1001 East Farm Road 700  
Big Spring, Texas 79720  
Phone: 432-263-1324  
Fax: 432-263-2124

Auditor's Report Date: May 12, 2016

Contacts: [diane@boothevassar.com](mailto:diane@boothevassar.com)



**Montana Senior Village, LLC**

**Exit Conference**

**December 31, 2015**

**EXIT CONFERENCE**

An exit conference was held on May 12, 2016, which was attended by the following:

**Housing Authority Administration**

Juan Olvera	Executive Director
Laura Ramos	Accountant

**Boothe, Vassar & Company**

Mark Vassar	Partner
Diane Fox	Audit Manager
Shelleyn Garcia	Audit Manager

**Management Agent**

Jack Curry	Owner
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Preparation of Financial Statements

The financial statements presented in this report were compiled by the auditor Boothe, Vassar & Company. However, the contents of the financial statements remain the responsibility of management.