



FOX, GARCIA & Co, LLC

CERTIFIED PUBLIC ACCOUNTANTS

Montana Senior Village, LLC

*Independent Auditor's Report
and Financial Statements
For the Years Ended
December 31, 2017 and 2016*

*Supplementary Information
For the Year Ended
December 31, 2017*

Montana Senior Village, LLC

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FOX, GARCIA & Co. LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Members of

Montana Senior Village, LLC
Las Cruces, New Mexico
and
Wayne Johnson, 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, 2017 and 2016, 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 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 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, 2017 and 2016, 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.

Prior Period Financial Statements

The financial statements of Montana Senior Village, LLC as of December 31, 2016, were audited by other auditors whose report dated May 26, 2017, expressed an unmodified opinion on those statements.

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 20 - 21 is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information shown on pages 20 - 21 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 20 - 21 is fairly stated, in all material respects, in relation to the financial statements as a whole.

The *Schedule of Vendors* shown on page 22 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 18, 2018, 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.



Fox, Garcia & Company, LLC

May 18, 2018
Big Spring, Texas

Montana Senior Village, LLC

Balance Sheets

December 31, 2017 and 2016

ASSETS

	<u>12/31/2017</u>	<u>12/31/2016</u>
Current Assets:		
Cash and Cash Equivalents	\$ 33,121	\$ 136,101
Prepaid Expenses	5,410	8,241
Total Current Assets	<u>38,531</u>	<u>144,342</u>
Restricted Deposits & Funded Reserves:		
Tenant Security Deposits	19,176	18,994
Real Estate Tax & Insurance	9,509	6,411
Other Escrows	515	515
Replacement Reserve	65,452	66,025
Total Restricted Deposits & Funded Reserves	<u>94,652</u>	<u>91,945</u>
Property & Equipment:		
Land	249,000	249,000
Buildings	622,639	622,639
Site Improvements	2,284,876	2,273,208
Furnishings	48,603	48,603
Accumulated Depreciation	(1,892,144)	(1,784,322)
Total Property & Equipment	<u>1,312,974</u>	<u>1,409,128</u>
Total Project Assets	<u>1,446,157</u>	<u>1,645,415</u>
Entity Assets:		
Operating Reserve	32,437	32,427
Operating Deficit Reserve	35,438	35,385
Total Entity Assets	<u>67,875</u>	<u>67,812</u>
Total Assets	<u>\$ 1,514,032</u>	<u>\$ 1,713,227</u>

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

Montana Senior Village, LLC

Balance Sheets

December 31, 2017 and 2016

LIABILITIES & MEMBERS' EQUITY

	<u>12/31/2017</u>	<u>12/31/2016</u>
Liabilities:		
Current Liabilities:		
Current Maturities of Long-Term Debt	\$ 21,264	\$ 20,091
Accounts Payable	2,751	732
Accrued Interest	6,718	7,317
Accrued Expenses	7,225	8,768
Accrued Property Taxes	8,115	8,103
Deferred Construction in Progress	0	107,876
Total Current Liabilities	<u>46,073</u>	<u>152,887</u>
Deposits & Prepaid Liabilities:		
Tenant Security Deposits	18,325	18,477
Prepaid Tenant Fees	5,587	3,890
Total Deposits & Prepaid Liabilities	<u>23,912</u>	<u>22,367</u>
Long-Term Liabilities:		
Long-Term Debt (net of current maturities)	1,362,361	1,396,032
Long-Term Accrued Interest	329,706	311,840
Total Long-Term Liabilities	<u>1,692,067</u>	<u>1,707,872</u>
Total Liabilities	<u>1,762,052</u>	<u>1,883,126</u>
Members' Equity (Deficit)	<u>(248,020)</u>	<u>(169,899)</u>
Total Liabilities & Members' Equity	<u>\$ 1,514,032</u>	<u>\$ 1,713,227</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, 2017 and 2016

	12/31/2017	12/31/2016
Rental Income:		
Potential Rental Income	\$ 296,928	\$ 294,492
Lease Excess	6,843	6,180
Less: Vacancies	(10,699)	(9,583)
Less: Concessions	(3,482)	(3,423)
Total Rental Income	289,590	287,666
 Other Income:		
Interest Income	162	145
Laundry & Vending	1,179	1,520
Tenant Charges	2,323	3,693
Miscellaneous Income	8,043	84
Total Other Income	11,707	5,442
Total Income	301,297	293,108
 Operating Expenses:		
Administrative	54,942	53,975
Utilities	14,971	13,603
Operating & Maintenance	57,290	55,712
Taxes & Insurance	45,286	48,415
Financial Expense	99,107	102,397
Total Cost of Operations	271,596	274,102
Net Income/(Loss) from Operations	29,701	19,006
 Non-Operating Income & (Expenses):		
Depreciation Expense	(107,822)	(112,316)
Total Non-Operating Income & (Expenses)	(107,822)	(112,316)
Net Income/(Loss)	\$ (78,121)	\$ (93,310)

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

Montana Senior Village, LLC
Statements of Changes in Members' Equity (Deficit)
For the Years Ended December 31, 2017 and 2016

	<u>Total</u>	<u>Managing Member Equity</u>	<u>Investor Member Equity</u>
Members' Equity (Deficit), December 31, 2015	\$ (76,589)	\$ 497,652	\$ (574,241)
Net Income/(Loss): 12/31/2016	(93,310)	(9)	(93,301)
Members' Capital Contributions	0	0	0
Members' Distributions	<u>0</u>	<u>0</u>	<u>0</u>
Members' Equity (Deficit), December 31, 2016	\$ (169,899)	\$ 497,643	\$ (667,542)
Net Income/(Loss): 12/31/2017	(78,121)	(8)	(78,113)
Members' Capital Contributions	0	0	0
Members' Distributions	<u>0</u>	<u>0</u>	<u>0</u>
Members' Equity (Deficit), December 31, 2017	<u>\$ (248,020)</u>	<u>\$ 497,635</u>	<u>\$ (745,655)</u>

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

Montana Senior Village, LLC
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016
Increase (Decrease) in Cash and Cash Equivalents

	12/31/2017	12/31/2016
Cash Flows From Operating Activities:		
Revenue:		
Rental Receipts	\$ 291,287	\$ 286,819
Other Income	11,707	5,442
Total Receipts	302,994	292,261
Expenses:		
Administrative	(36,558)	(40,930)
Management Fees	(15,075)	(15,000)
Utilities	(14,971)	(13,603)
Operating & Maintenance	(57,290)	(55,712)
Taxes & Insurance	(45,274)	(48,457)
Financial Expense	(98,240)	(99,891)
Tenant Security Deposits	(334)	2,383
Total Disbursements	(267,742)	(271,210)
Net Cash from Operating Activities:	35,252	21,051
Cash Flows From Investing Activities:		
Purchase Property & Equipment	(11,668)	0
Replacement Reserve	573	(11,082)
Real Estate Tax & Insurance	(3,100)	(436)
Other Escrows	0	(25)
Operating Reserve	(10)	(10)
Operating Deficit Reserve	(53)	(48)
Deferred Construction in Progress	(107,876)	107,876
Net Cash from Investing Activities:	(122,134)	96,275
Cash Flows From Financing Activities:		
Principal Payments on Mortgage	(33,964)	(22,778)
Long-Term Accrued Interest	17,866	19,490
Net Cash from Financing Activities:	(16,098)	(3,288)
Increase (Decrease) In Cash	(102,980)	114,038
Cash at Beginning of Period	136,101	22,063
Cash at End of Period	\$ 33,121	\$ 136,101

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

Montana Senior Village, LLC
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016
Increase (Decrease) in Cash and Cash Equivalents

	12/31/2017	12/31/2016
Reconciliation of Net Profit (Loss) to Net Cash Provided by Operating Activities:		
Net Income (Loss)	\$ (78,121)	\$ (93,310)
Adjustments to Reconcile Net Profit (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation Expense	107,822	112,316
Non-Cash Interest for Debt Issuance Costs	1,466	1,466
(Increase) Decrease In Assets		
Accounts Receivable - Tenants	0	351
Prepaid Expenses	2,831	(962)
Tenant Security Deposits	(182)	2,011
Increase (Decrease) In Liabilities		
Accounts Payable	2,021	(2,391)
Accrued Interest	(599)	1,040
Accrued Expenses	(1,543)	1,398
Accrued Property Taxes	12	(42)
Tenant Security Deposits	(152)	372
Prepaid Tenant Fees	1,697	(1,198)
Net Cash from Operating Activities	\$ 35,252	\$ 21,051
 <u>Supplemental Disclosures:</u>		
Interest Paid	\$ 74,903	\$ 74,856

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

Montana Senior Village, LLC
Notes to Financial Statements
December 31, 2017 and 2016

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 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.

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.

Montana Senior Village, LLC
Notes to Financial Statements
December 31, 2017 and 2016

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)

Collateralization of Deposits

The Project is a component unit of the Mesilla Valley Public Housing Authority (MVPHA) 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, 2017 and 2016.

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. 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.

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

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

Montana Senior Village, LLC
Notes to Financial Statements
December 31, 2017 and 2016

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment

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 amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2017 or 2016.

Income Taxes

No tax provisions have been recorded in the financial statements since income or loss of the Company is disregarded from an income tax basis because the Company is a single-member LLC.

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.

Reclassifications

Certain items in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

Advertising Costs

Advertising costs are expensed as incurred.

Montana Senior Village, LLC
Notes to Financial Statements
December 31, 2017 and 2016

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, 2017 and 2016:

Managing Member:		
<i>Mesilla Valley Public Housing Authority</i>	0.01 %	
Investor Member:		
<i>The Banc of America Housing Fund II LP thru 12/05/16</i>	99.99 %	
<i>MV Housing Development, LLC after 12/05/16</i>		
Total		<u>100.00 %</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, 2017 and 2016

NOTE D - LONG-TERM DEBT

	<u>12/31/2017</u>	<u>12/31/2016</u>
<p>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 \$6,096 and \$6,190 as of December 31, 2017 and 2016, respectively. Interest expensed on this loan was \$73,681 and \$74,769 as of December 31, 2017 and 2016, respectively.</p>	\$ 897,612	\$ 911,471
<p>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 terms were amended again during 2016 to change the maturity date from December 1, 2015 to December 1, 2027. The new terms were retroactively effective as of December 1, 2015 and state 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. Interest will accrue on the outstanding principal balance of the loan at the annual rate of 2% per annum.</p>	31,127	51,232
<p>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. During 2017, the loan was extended and the maturity date changed to December 2022. The loan is subordinate to the First Mortgage Loan and payment is subject to available cash flow. The long-term accrued interest was \$329,706 and \$311,840 as of December 31, 2017 and 2016, respectively. Interest expensed on this loan was \$17,866 and \$19,490 as of December 31, 2017 and 2016, respectively.</p>	<u>487,250</u>	<u>487,250</u>

Montana Senior Village, LLC
Notes to Financial Statements
December 31, 2017 and 2016

NOTE D - LONG-TERM DEBT (continued)

	12/31/2017	12/31/2016
Less: Unamortized Debt Issuance Costs	(32,364)	(33,830)
Total	1,383,625	1,416,123
Less: Current Portion	(21,264)	(20,091)
Long-Term Notes Payable	\$ 1,362,361	\$ 1,396,032

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

	Principal	Interest
December 31, 2018	\$ 21,264	\$ 73,125
2019	21,304	71,753
2020	22,684	70,273
2021	24,180	68,677
2022	513,053	398,284
2023-2027	139,719	304,602
2028-2032	200,519	237,652
2033-2037	300,976	137,195
2038-2042	172,290	16,352
Less: Unamortized Debt Issuance Costs	(32,364)	
Total	\$ 1,383,625	\$ 1,377,913

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 \$65,452 and \$66,025 as of December 31, 2017 and 2016, 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 \$32,437 and \$32,427 as of December 31, 2017 and 2016, respectively. The additional accumulation of funds required are held in the Operating Deficit Reserve account.

Montana Senior Village, LLC
Notes to Financial Statements
December 31, 2017 and 2016

NOTE E - RESERVE FUNDS *(continued)*

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 \$35,438 and \$35,385 as of December 31, 2017 and 2016, respectively.

The combined balance for the Operating Reserve and the Operating Deficit Reserve was \$67,875 and \$67,812 as of December 31, 2017 and 2016, respectively.

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.

Montana Senior Village, LLC

Notes to Financial Statements

December 31, 2017 and 2016

NOTE F - COMMITMENTS AND CONTINGENCIES *(continued)*

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.

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 \$15,296 and \$15,262 during 2017 and 2016, respectively. The amounts due to the Management Agent related to Management Fees were \$221 and \$262 as of December 31, 2017 and 2016, 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, 2017 and 2016, respectively.

Montana Senior Village, LLC
Notes to Financial Statements
December 31, 2017 and 2016

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

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, 2017 and 2016, respectively.

Reimbursed Expenses

The Management Agent is reimbursed for a few expenses that are directly related to this property. Due to the nature and function of the Management Agent, some expenses are incurred for the property by the Management Agent. 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, 2017 and 2016, 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 - INSURANCE CLAIM/DEFERRED CONSTRUCTION IN PROGRESS

Deferred Construction In Progress on the Balance Sheet is related to an insurance claim filed due to hail damage. The project received insurance funds in the amount of \$107,876 in 2016 and \$200,642 in 2017 related to the claim. Construction for these repairs were completed in 2017 and all funds expended. The liability related to deferred construction in progress was \$107,876 as of December 31, 2016 and was paid in full as of December 31, 2017.

NOTE J - ACCRUED EXPENSES

The accrued expenses on the balance sheet contain the following:

	12/31/2017	12/31/2016
Accrued Payroll Expenses	\$ 1,585	\$ 1,789
Accrued Audit Fees	5,640	6,760
Unclaimed Rental Property	0	219
Total Accrued Expenses	\$ 7,225	\$ 8,768

Montana Senior Village, LLC
Notes to Financial Statements
December 31, 2017 and 2016

NOTE K - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 18, 2018 which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

Montana Senior Village, LLC
Supplemental Information
Year Ended December 31, 2017

Montana Senior Village, LLC
Supplementary Information Required by HUD
Year Ending December 31, 2017

1. SCHEDULE OF RESERVE FOR REPLACEMENTS

Balance as of January 1, 2017	\$ 66,025
Total Monthly Deposit	11,000
Interest Earned on Reserve for Replacement Account (Net of Service Fees)	95
Approved Withdrawals	<u>11,668</u>
Balance as of December 31, 2017	<u><u>\$ 65,452</u></u>

2. SCHEDULE OF OPERATING & OPERATING DEFICIT RESERVE

Balance as of January 1, 2017	\$ 67,812
Total Monthly Deposit	0
Interest Earned on Operating Reserve Account (Net of Service Fees)	63
Approved Withdrawals	<u>0</u>
Balance as of December 31, 2017	<u><u>\$ 67,875</u></u>

3. SCHEDULE OF CHANGES IN FIXED ASSETS

	Balance 12/31/2016	Additions	Deductions	Balance 12/31/2017
Land	\$ 249,000	\$ 0	\$ 0	\$ 249,000
Buildings	622,639	0	0	622,639
Site Improvements/Building Equipment	2,273,208	11,668	0	2,284,876
Furnishings	48,603	0	0	48,603
Totals	<u>3,193,450</u>	<u>11,668</u>	<u>0</u>	<u>3,205,118</u>
Accumulated Depreciation	1,784,322	\$ 107,822	\$ 0	1,892,144
Net Book Value	<u><u>\$ 1,409,128</u></u>			<u><u>\$ 1,312,974</u></u>

Schedule of Additions to Fixed Assets:

	<u>12/31/2017</u>
Stairs - Improvements	<u>11,668</u>
Totals:	<u><u>\$ 11,668</u></u>

Montana Senior Village, LLC
Computation of Surplus Cash and Distributions
Year Ending December 31, 2017

		<u>12/31/2017</u>
Cash:		
	Cash	\$ 52,297
	Total Cash	<u>52,297</u>
Current Obligations:		
	Accrued Mortgage Interest Payable	6,718
	Accounts Payable - 30 Days	2,751
	Accrued Expenses (not escrowed)	7,225
	Prepaid Revenue	5,587
	Tenant Security Deposits Liability	18,325
	Total Current Obligations	<u>40,606</u>
	Surplus Cash (Deficiency)	<u>11,691</u>
Amount Available for Distribution During Next Fiscal Period:		
	Surplus Cash	<u>\$ 11,691</u>

Montana Senior Village, LLC
Schedule of Vendors
Year Ending December 31, 2017

<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



FOX, GARCIA & Co. LLC
CERTIFIED PUBLIC ACCOUNTANTS

Diane R. Fox, CPA
Shelleyn D. Garcia, CPA
Ph: 214-842-8464

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
Wayne Johnson, 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, 2017, 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 18, 2018.

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.

A handwritten signature in cursive script that reads "Fox, Garcia & Company".

Fox, Garcia & Company, LLC

May 18, 2018
Big Spring, Texas



FOX, GARCIA & Co. LLC
CERTIFIED PUBLIC ACCOUNTANTS

Diane R. Fox, CPA
Shelley D. Garcia, CPA
Ph: 214-842-8464

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
Wayne Johnson, 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, 2017. 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, 2017.

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.



Fox, Garcia & Company, LLC

May 18, 2018
Big Spring, Texas

Montana Senior Village, LLC
Schedule of Findings and Responses
December 31, 2017

Current Year Audit Findings: December 31, 2017

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, 2017

Prior Year Audit Findings: December 31, 2016

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

Montana Senior Village, LLC

Mortgagor's Certification

December 31, 2017

We hereby certify that we have examined the accompanying financial statements and supplemental data of Montana Senior Village, LLC as of December 31, 2017, and to the best of our knowledge and belief, the same are complete and accurate.

Signatories:

Signed:  Date: 5/23/18

Name: Juan Olvera

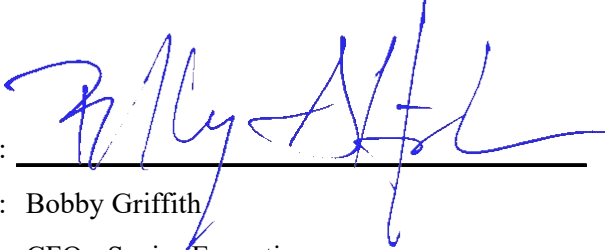
Title: Executive Director
Mesilla Valley Public Housing Authority

Auditee Information:

505-325-6515
May 18, 2018
Montana Senior Village, LLC
305 & 370 E. Montana
Las Cruces, New Mexico 88005

Montana Senior Village, LLC
Management Agent's Certification
December 31, 2017

We hereby certify that we have examined the accompanying financial statements and supplemental data of Montana Senior Village, LLC as of December 31, 2017, 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, 2017

Auditor's Transmittal Letter

Audit Firm: Fox, Garcia & Company, LLC
State of New Mexico License No. 00557

Lead Auditor: Diane Fox
Certified Public Accountant

Audit Firm Address: P.O. Box 3538
Big Spring, Texas 79721
214-842-8464

Auditor's Report Date: May 18, 2018

Contacts: diane@foxgarcia.com
fgco@foxgarcia.com

