

Falcon Ridge Limited Partnership

**Financial Statements and Supplemental Information
with Report of Independent Auditors**

December 31, 2019 and 2018

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Report of Independent Auditors

To the Partners of Falcon Ridge Limited Partnership, Las Cruces, New Mexico,
and Brian S. Colón, New Mexico State Auditor:

Report on the Financial Statements

We have audited the accompanying financial statements of Falcon Ridge Limited Partnership, a New Mexico limited partnership, which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations, changes in partners' capital, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and in accordance with 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 auditors' 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 auditors consider 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 Falcon Ridge Limited Partnership as of December 31, 2019 and 2018, 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 Falcon Ridge Limited Partnership as of December 31, 2018, were audited by other auditors whose report dated April 11, 2019 expressed an unmodified opinion on those statements.

Changes in Accounting Principles

As discussed in Note 2 to the financial statements, Falcon Ridge Limited Partnership adopted changes in accounting principles related to revenue recognition, presentation and disclosure of the statements of cash flows, and real estate sales. Our opinion is not modified with respect to those matters.

Other Matters

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, which includes HUD-required financial data templates, is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The schedule of the status of prior audit findings, questioned costs, and recommendations, mortgagor's (owners) certification and managing agent's certification have not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2020 on our consideration of Falcon Ridge Limited Partnership's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Falcon Ridge Limited Partnership's internal control over financial reporting and compliance.

Novogradec & Company LLP

Austin, Texas

March 31, 2020

FALCON RIDGE LIMITED PARTNERSHIP
BALANCE SHEETS
December 31, 2019 and 2018

ASSETS	2019	2018
Current assets		
Cash and cash equivalents	\$ 40,352	\$ 63,981
Tenant accounts receivable	645	237
Accounts receivable - HAP	24,838	25,044
Accounts receivable - interest subsidy	13,067	12,682
Prepaid expenses	11,316	10,115
Total current assets	90,218	112,059
Restricted deposits and funded reserves		
Tenant security deposits	38,560	40,690
Real estate tax & insurance	47,620	63,278
Other escrows	11,405	11,478
Replacement reserve	581,185	555,557
Developer fee escrow	111,694	111,477
Total restricted deposits and funded reserves	790,464	782,480
Property and equipment		
Land	106,160	106,160
Building	8,261,744	8,261,744
Land improvements	602,166	602,166
Furniture, fixtures, and equipment	322,939	322,939
Total property and equipment	9,293,009	9,293,009
Less: accumulated depreciation	(2,472,021)	(2,198,140)
Net property and equipment	6,820,988	7,094,869
Other assets		
Deferred tax credit fees	73,987	73,987
Accumulated amortization	(45,625)	(40,693)
Net other assets	28,362	33,294
Entity assets		
Lease up reserve	25,091	25,080
Operating and operating deficit reserve	201,863	201,863
Total entity assets	226,954	226,943
Total assets	\$ 7,956,986	\$ 8,249,645

see accompanying notes

FALCON RIDGE LIMITED PARTNERSHIP
BALANCE SHEETS (CONTINUED)
December 31, 2019 and 2018

LIABILITIES AND PARTNERS' CAPITAL	<u>2019</u>	<u>2018</u>
Current liabilities		
Current maturities of long-term debt	\$ 60,791	\$ 56,910
Accounts payable	5,111	6,426
Accrued interest	18,406	18,718
Accrued expenses	10,813	11,025
Accrued property taxes	<u>18,855</u>	<u>18,672</u>
Total current liabilities	113,976	111,751
Deposits and prepaid liabilities		
Tenant security deposits	37,920	39,288
Prepaid rent	<u>1,352</u>	<u>1,270</u>
Total deposits and prepaid liabilities	39,272	40,558
Long-term liabilities		
Long-term debt, net of current maturities	2,973,740	3,004,317
Deferred development fee	<u>110,700</u>	<u>110,700</u>
Total long-term liabilities	<u>3,084,440</u>	<u>3,115,017</u>
Total liabilities	3,237,688	3,267,326
Partners' capital	<u>4,719,298</u>	<u>4,982,319</u>
Total liabilities and partners' capital	<u>\$ 7,956,986</u>	<u>\$ 8,249,645</u>

see accompanying notes

FALCON RIDGE LIMITED PARTNERSHIP
STATEMENTS OF OPERATIONS
For the years ended December 31, 2019 and 2018

	2019	2018
REVENUE		
Rental income		
Rental income - rental assistance	\$ 384,000	\$ 390,854
Rental income - tenant portion	154,080	147,226
Less: vacancies	(56,336)	(49,029)
Less: concessions	(73)	(6)
Net rental income	481,671	489,045
Other income		
Interest income	849	1,912
Laundry and vending	108	962
Tenant charges	8,649	5,998
Interest subsidy income	152,184	152,184
Miscellaneous income	214	15,000
Total other income	162,004	176,056
Total revenue	643,675	665,101
OPERATING EXPENSES		
Administrative	112,155	105,041
Utilities	30,395	31,834
Maintenance	82,119	93,472
Taxes and insurance	79,247	83,025
Financial expenses	260,967	258,819
Total operating expenses	564,883	572,191
Total operating income	78,792	92,910
OTHER EXPENSES		
Depreciation expense	273,881	274,912
Amortization expense	4,932	4,932
Total other expenses	278,813	279,844
Net loss	\$ (200,021)	\$ (186,934)

see accompanying notes

FALCON RIDGE LIMITED PARTNERSHIP
STATEMENT OF CHANGES IN PARTNERS' CAPITAL
For the years ended December 31, 2019 and 2018

	General Partner	Limited Partner	Total Partners' Capital
BALANCE, JANUARY 1, 2018	\$ 1,564	\$ 5,188,948	\$ 5,190,512
Capital distributions	(15,000)	-	(15,000)
Net loss	-	(186,934)	(186,934)
BALANCE, DECEMBER 31, 2018	(13,436)	5,002,014	4,988,578
Capital distributions	(62,983)	(17)	(63,000)
Net loss	-	(200,021)	(200,021)
BALANCE, DECEMBER 31, 2019	<u>\$ (76,419)</u>	<u>\$ 4,801,976</u>	<u>\$ 4,725,557</u>

see accompanying notes

FALCON RIDGE LIMITED PARTNERSHIP
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Rental receipts	\$ 384,206	\$ 98,319
Rental receipts - rental assistance	97,345	395,755
Other operating receipts	161,619	207,382
Total receipts	643,170	701,456
 CASH PAID FOR:		
Administrative expenses	(115,050)	(123,071)
Utilities expenses	(30,395)	(31,834)
Operating and maintenance expenses	(82,119)	(94,116)
Taxes and insurance expenses	(80,265)	(65,856)
Financial expenses	-	(159,551)
Interest paid	(236,520)	(75,228)
Tenant security deposits	-	227
Total disbursements	(544,349)	(549,429)
 Net cash provided by operating activities	 98,821	 152,027
 CASH FLOWS FROM INVESTING ACTIVITIES		
Net deposits to operating and operating deficit reserve	-	(982)
Net deposits to lease up reserve	(11)	(10)
Net cash used in investing activities	(11)	(992)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage	(51,455)	(57,358)
Payments on deferred developer fee	-	(27,683)
Capital distributions	(63,000)	(15,000)
Net cash used in financing activities	(114,455)	(100,041)
 Net change in cash, cash equivalents and restricted cash	 (15,645)	 50,994
 Cash, cash equivalents and restricted cash at beginning of year	 846,461	 795,467
 Cash, cash equivalents and restricted cash at end of year	 \$ 830,816	 \$ 846,461
 Cash and cash equivalents	 \$ 40,352	 \$ 63,981
Restricted cash	790,464	782,480
Total cash, cash equivalents and restricted cash	\$ 830,816	\$ 846,461

see accompanying notes

FALCON RIDGE LIMITED PARTNERSHIP
STATEMENTS OF CASH FLOWS (CONTINUED)
For the years ended December 31, 2019 and 2018

	2019	2018
RECONCILIATION OF NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net loss	\$ (200,021)	\$ (186,934)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation expense	273,881	274,912
Amortization expense	4,932	4,932
Amortization of debt issuance costs	24,759	24,759
Restatement	-	(10,571)
Changes in asset and liability accounts		
Decrease (increase) in assets		
Tenant accounts receivable	(408)	-
Accounts receivable - HAP	206	4,901
accounts receivable - interest subsidy	(385)	31,325
Prepaid expenses	(1,201)	(4,595)
Increase (decrease) in liabilities		
Accounts payable	(1,315)	(1,227)
Accrued interest	(312)	(720)
Accrued expenses	(212)	(2,278)
Accrued property taxes	183	17,168
Deferred income	82	128
Tenant security deposits held in trust	(1,368)	227
Net cash provided by operating activities	\$ 98,821	\$ 152,027

see accompanying notes

FALCON RIDGE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

1. Organization

Falcon Ridge Limited Partnership (the “Entity”) was formed in 2007 to construct, develop and operate a 72-unit property located in Hatch, New Mexico known as Falcon Ridge Apartments (the “Property”). The Property is rented to low-income tenants and is operated in a manner necessary to qualify for federal low-income housing tax credits as provided for in Section 42 of the Internal Revenue Code (“Section 42”).

The limited partner is JLG Properties, LLC (the “Limited Partner”). The general partner is Falcon Ridge, LLC (the “General Partner”). Pursuant to the Amended and Restated Agreement of Limited Partnership and the subsequent amendments (“the Partnership Agreement”), profits are allocated 100% to the General Partner and losses are allocated 100% to the Limited Partner.

The Property assumed loans regulated under Sections 515(b) and 521 of the Housing Act of 1949, as amended, which provides doe interest subsidies and is regulated by the United States Department of Agriculture Rural Development (the “USDA Rural Development”). In addition, the Entity obtained a loan guarantee and interest credit subsidy under the Guaranteed Rural Housing Section 538 Program, also regulated by USDA Rural Development.

In August 2006, three properties previously known as Los Caballos I, Los Caballos II, and Los Caballos III (collectively, “Los Caballos”) were destroyed and rendered uninhabitable by a flood in Hatch, New Mexico. Los Caballos was originally funded by three different RD 515 loans. On December 22, 2009, the RD 515 loans were transferred to the Property. The Entity assumed the remaining balance of \$2,259,317. The remaining insurance proceeds of \$1,778,290 received from the insurance settlement of Los Caballos were transferred to the Entity. In addition, development costs of \$414,551 were transferred to the Entity.

Pursuant to the terms of the Partnership Agreement, the Limited Partner was required to provide capital contributions subject to adjustments based on the amount of low-income housing tax credits ultimately allocated to the Property in addition to other potential occurrences as more fully explained in the Partnership Agreement. As of December 31, 2019 and 2018, no capital contributions remained outstanding.

The Entity is reported as a component unit of Mesilla Valley Public Housing Authority (“MVPHA”), previously known as Housing Authority of the City of Las Cruces, because MVPHA has an ownership interest in the General Partner of the Entity. The Entity has no component units.

Related to GASB 77, the Entity does not negotiate property tax abatements and has no tax abatement agreements as of December 31, 2019.

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

FALCON RIDGE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

2. Summary of significant accounting policies and nature of operations

Basis of accounting

The Entity prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America, whereby income is recognized as earned and expenses are recognized as obligations are incurred. The Entity is a for profit organization and prepared their financials under the Financial Accounting Standards and not the Governmental Accounting Standards generally accepted in the United States of America.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

Restricted cash is not considered cash and cash equivalents and includes cash held with financial institutions for funding of operating deficits, repairs and replacements to fixed assets, and annual insurance and property tax payments.

Concentration of credit risk

The Entity maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Entity has not experienced any losses in such accounts. The Entity believes it is not exposed to any significant credit risk on cash and cash equivalents.

Collateralization of deposits

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

Receivables

Management considers receivables to be fully collectible. If amounts become uncollectible, they are charged to operations in the period in which that determination is made. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

FALCON RIDGE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

2. Summary of significant accounting policies and nature of operations (continued)

Fixed assets and depreciation

Fixed assets are recorded at cost. Buildings, which include building improvements, are depreciated over their estimated useful lives of 40 years using the straight-line method. Site improvements are depreciated over their estimated useful lives of 5-20 years using the straight-line method. Furniture and equipment are depreciated over their estimated useful lives of 3-10 years using the straight-line method. Depreciation expense for the years ended December 31, 2019 and 2018 was \$273,881 and \$274,912, respectively.

Impairment of long-lived assets

The Entity reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flows expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. There were no impairment losses recognized during 2019 or 2018.

Deferred charges and amortization

Tax credit fees are amortized on a straight-line basis over the 15-year tax credit compliance period. Amortization expense for the years ended December 31, 2019 and 2018 was \$4,932 each year.

Cash distributions

Pursuant to a loan agreement entered into with USDA Rural Development, the maximum allowable distributions in any given year is limited to \$15,000, and is allocated pursuant to the Partnership Agreement. The General Partner shall receive 99.99% of distributable cash. During 2019 and 2018, distributions of \$62,983 and \$15,000, respectively, were made to the General Partner. During 2019 and 2018, distributions of \$17 and \$0, respectively, were made to the Limited Partner. During 2019, distributions exceeded the maximum allowable amount.

Revenue recognition

Rental revenue attributable to residential leases is recorded when due from residents, generally upon the first day of each month. Leases are for periods of up to one year, with rental payments due monthly. Other revenue includes fees for late payments, cleaning, damages, laundry facilities and other charges and is recorded when earned. Advance receipts of revenue are deferred and classified as liabilities until earned.

Income taxes

Income taxes on Entity income are levied on the partners at the partner level. Accordingly, all profits and losses of the Entity are recognized by each partner on its respective tax return.

FALCON RIDGE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

2. Summary of significant accounting policies and nature of operations (continued)

Income taxes (continued)

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Entity to report information regarding its exposure to various tax positions taken by the Entity. The Entity has determined whether any tax positions have met the recognition threshold and has measured the Entity's exposure to those tax positions. Management believes that the Entity has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Entity are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Economic concentrations

The Entity operates one property in Hatch, New Mexico. Future operations could be affected by changes in the economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing. In addition, the Entity operates in a heavily regulated environment. The operations of the Entity are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, USDA Rural Development. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by USDA Rural Development. 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.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Subsequent events

Subsequent events have been evaluated through March 31, 2020, which is the date the financial statements were available to be issued. The spread of a novel strain of coronavirus (COVID-19) in the first quarter of 2020 has caused significant volatility in U.S. markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. economy. The extent of the impact of COVID-19 on the Entity's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on customers, employees and vendors, all of which are uncertain and cannot be determined at this time.

Changes in accounting principles

On January 1, 2019, the Entity adopted a new accounting standard that affects the accounting for revenue. The Entity's revenue is mainly derived from leases, which is not impacted by this standard. Adopting this standard did not have a significant impact on the financial statements.

FALCON RIDGE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

2. Summary of significant accounting policies and nature of operations (continued)

Changes in accounting principles (continued)

The new revenue standard also introduced new guidance for accounting for other income, including the accounting for sales of real estate. Adopting this standard did not have a significant impact on the financial statements.

On January 1, 2019, the Entity adopted new accounting standards that affect the statement of cash flows. These new standards address how certain cash receipts and payments are presented and classified in the statement of cash flows, including that debt prepayments and other debt extinguishment related payments are required to be classified as financing activities, when previously these payments were classified as an operating activity. The new standards also require the statement of cash flows to explain the change in cash, cash equivalents and restricted cash. Previously, changes in restricted cash were presented in the statement of cash flows as operating, investing or financing activities depending upon the intended purpose of the restricted funds.

The effect of the revisions to the statements of cash flows for the year ended December 31, 2018 is as follows:

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Revised</u>
Net cash flows from investing activities	(\$27,093)	\$ 26,101	(\$ 992)

Change in accounting principle – not yet adopted

The Entity will adopt a new accounting standard for leases on January 1, 2021. Accounting for leases by lessors is left largely unchanged by the new standard. It is expected that the adoption of the new standard will not have a material impact on the accounting for tenant lease revenue.

3. Restricted deposits and funded reserves

Tenant security deposits

Tenant security deposits held in trust are placed into an interest-bearing account and are generally held until the termination of the lease, at which time some or all deposits may be returned to the lessee. As of December 31, 2019 and 2018, the balance was \$38,560 and \$40,690, respectively.

Real estate tax and insurance escrows

The Entity established an insurance escrow in an amount adequate to fund insurance premiums. As of December 31, 2019 and 2018, the balance was \$11,791 and \$3,482, respectively.

The Entity established a property tax escrow in an amount adequate to fund annual property tax payments. As of December 31, 2019 and 2018, the balance was \$35,829 and \$59,796, respectively.

Other escrows

The Entity established a mortgage insurance premium escrow in an amount adequate to fund insurance premiums. As of December 31, 2019 and 2018, the balance was \$11,405 and \$11,478, respectively.

FALCON RIDGE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

3. Restricted deposits and funded reserves (continued)

Replacement reserve

Pursuant to the Partnership Agreement, annual deposits are made to the replacement reserve account. These deposits are held by the mortgagee until approval is obtained for use of the funds to repair or replace certain assets of the Property. As of December 31, 2019 and 2018, the balance was \$581,185 and \$555,557, respectively.

Developer fee escrow

Pursuant to the TCEP mortgage, the Entity is required to establish a developer fee holdback escrow for a percentage of the developer fee. The Entity elected to hold back 25% of the developer fee which will be released in ten equal installments beginning on the first anniversary of stabilization, as defined in the Partnership Agreement, and annually thereafter. As of December 31, 2019 and 2018, the balance was \$111,694 and \$111,477, respectively.

4. Entity assets

Lease up reserve

Pursuant to the TCEP mortgage, the Entity is required to establish a lease up reserve in the amount of \$25,000. The funds are held by the New Mexico Mortgage Finance Authority. Distributions of such funds requires approval of the New Mexico Mortgage Finance Authority. As of December 31, 2019 and 2018, the balance was \$25,091 and \$25,080, respectively.

Operating reserve

Pursuant to the Partnership Agreement, the Entity is required to fund an operating reserve in the amount of \$200,640. Funds from the operating reserve are to be used for operating and debt service deficits. As of December 31, 2019 and 2018, the balance of the operating reserve was \$201,863 each year.

5. Related party transactions

Property management fee

The Entity entered into a management agreement with JL Gray Company (the "Management Agent") for services rendered in connection with the leasing and operation of the Property. The Management Agent fee for its services is \$52 per occupied unit per month. During 2019 and 2018, property management fees of \$40,612 and \$40,086, respectively, were incurred and are included in "Administrative" on the accompanying statements of operations. As of December 31, 2019 and 2018, property management fees of \$169 and \$0, respectively, remained payable, and are included in "Accounts payable" on the accompanying balance sheets.

Employees of the Property are employed by the Management Agent and the Property reimburses the Management Agent for payroll costs, including salaries, payroll taxes, workers compensation, payroll administration fees and employee benefits.

FALCON RIDGE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

5. Related party transactions (continued)

Reimbursed expenses

The Management Agent is reimbursed for various expenditures incurred on behalf of the Entity. These reimbursed expenses are separately identifiable from the property management fee paid to the Management Agent. As of December 31, 2019 and 2018, no amounts remained outstanding.

Development fee

Pursuant to a development services agreement (the "Development Agreement"), the Entity agreed to pay MVPHA, a related party of the General Partner, and JL Gray Company, a total fee of \$1,107,346 for services relating to the development of the Property. The development fee is unsecured and is payable from available cash flow, as further defined in the Partnership Agreement. As of December 31, 2019 and 2018, the outstanding principal balance was \$110,700 and \$110,700, respectively.

Laundry lease

The Entity leased space for the installation and operation of coin-operated laundry and vending machine equipment to JL Gray Company for 50% of the laundry room receipts after Gross Receipts tax. The lease was terminated and sold to CSC Works during 2018. During 2018, the Entity received laundry income of \$962.

Operating deficit guaranty

Pursuant to the Partnership Agreement, the General Partner is required to fund any operating deficits during the period set forth in the Partnership Agreement. Any funds provided by the General Partner shall not exceed \$205,000, and the obligation to provide such funds terminates upon achievement of certain operating milestones.

FALCON RIDGE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

6. Long-term debt

The Entity has two notes payable to two entities. The notes include certain covenants and other performance requirements, for which management has reported compliance. The following are notes payable as of December 31, 2019 and 2018:

	2019	2018
<p>40 year mortgage from Lancaster Pollard Mortgage Company in the amount of \$1,332,000 (the "Mortgage"). The Mortgage has an interest rate of 4.58% per annum and matures on December 1, 2051. The Mortgage is regulated under the USDA Section 538 Guaranteed Rural Rental Housing Program and has been awarded an interest credit by USDA to reduce the effective interest rate on the loan to 2.08% per annum. Principal and interest payments of \$6,061 are due monthly through the maturity date. The mortgage is secured by the Property. During 2019 and 2018, interest expense of \$56,239 and \$56,976, respectively, was incurred. As of December 31, 2019 and 2018, interest of \$4,658 and \$4,720, respectively, was accrued.</p>	\$ 1,220,326	\$ 1,236,760
<p>The Entity assumed the USDA Rural Development Section 515 loans originally issued to Los Caballos (the "Second Mortgage"). The amount assumed and related interest and maturity dates were \$728,506 at 9.0% matures February 1, 2037; \$690,892 at 8.75% matures August 1, 2041; \$839,902 at 7.75% matures July 1, 2043. The Second Mortgage is payable in monthly installments of \$7,173, net of interest subsidy. The mortgage is secured by the Property. During 2019 and 2018, interest expense of \$171,509 and \$169,717, respectively, was incurred. As of December 31, 2019 and 2018, interest of \$13,748 and \$13,998, respectively, was accrued.</p>	1,956,324	1,991,345
<p>Long-term debt</p>	\$ 3,176,650	\$ 3,228,105

Interest subsidy from USDA Rural Development reduces the effective interest paid to 1.0% over the term of the Second Mortgage. The Entity also received interest credit subsidy from USDA Rural Development Section 538 under the Guaranteed Rural Rental Housing Program for the Mortgage. Total interest subsidy payments for 2019 and 2018 was \$152,184 and \$152,184, respectively.

Total interest expense for 2019 and 2018 was \$260,967 and \$258,819, respectively. As of December 31, 2019 and 2018, accrued interest was \$18,406 and \$18,718, respectively.

FALCON RIDGE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

6. Long-term debt (continued)

Long-term debt consists of the following as of December 31,

	<u>2019</u>	<u>2018</u>
Principal balance	\$ 3,176,650	\$ 3,228,105
Less: unamortized debt issuance costs	<u>(142,119)</u>	<u>(166,878)</u>
Long-term debt, net of unamortized debt issuance costs	3,034,531	3,061,227
Less: current portion	<u>(60,791)</u>	<u>(56,910)</u>
Long-term debt	<u>\$ 2,973,740</u>	<u>\$ 3,004,317</u>

Debt issuance costs of \$371,380 related to the Mortgage are being amortized to interest expense over the term of the Mortgage. For 2019 and 2018, the effective interest rate was 5.66% each year. During 2019 and 2018, amortization expense for debt issuance costs was \$24,759 each year, and is included in “Financial expenses” on the accompanying statements of operations.

Aggregate principal payments are due as follows:

2020	\$	55,335
2021		59,530
2022		64,066
2023		68,970
2024		74,275
2025 - 2029		467,545
2030 - 2034		683,930
2035 - 2039		712,634
2040 - 2044		555,471
2045 – 2049		296,139
Thereafter		<u>138,755</u>
Total		<u>\$ 3,176,650</u>

7. Service contract

On March 13, 2012, the Entity entered into a Service Agreement and a Compensation Agreement with Comcast of California XIV, LLC (“Comcast”). The Service Agreement is for a term of 15 years, with an automatic biannual renewal period. Per the Compensation Agreement, Comcast agreed to pay the Entity a one-time fee of \$10,500 as consideration for the agreement. The total fee was received by the Entity upon execution of the agreements.

FALCON RIDGE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

8. Tax credit exchange program

On December 18, 2009, the Entity executed a \$6,976,074 Tax Credit Exchange Program (“TCEP”) Mortgage Note with the New Mexico Mortgage Finance Authority (the “Loan”). The terms of the Loan begin upon its execution and end 180 months after commencement of the compliance period. No interest or principal payments are due with respect to the Loan. The amount subject to recapture shall be reduced by 6.67% of the original loan amount for each year the Entity is in compliance with the terms of the Loan. In the event there is no uncured recapture event of default at the time of termination, the Loan shall be forgiven. Due to the fact that the repayment of the loan is considered less than remote, the liability was reclassified as a capital contribution as of December 31, 2011.

Certain events, as fully detailed in the terms of the Loan and a TCEP Agreement, would cause the Entity to be in default. The entire principal of the Loan will become due and payable if the Entity is found to be in default under the Loan and TCEP Agreement, and the event causing default is failed to be cured.

The events that would cause default include, but are not limited to, the following:

1. Recapture event of default
2. Failure to comply with the requirements of Section 42 of the Code
3. Failure to observe or perform any term, condition or covenant in the TCEP Agreement
4. A default under and of the Loan documents
5. Any representation or warranty made by the Entity or on behalf of the Entity becomes materially incorrect or incomplete
6. Failure by the Entity to commence construction of the Property within the specified time period
7. The Property is damaged or destroyed and cannot be restored for completion by the Completion Date and within the other terms
8. Failure by the Entity to construct the Property according to the contract documents
9. For any cause (other than acts of God) that would suspend construction for a period of 20 consecutive days, construction is not carried on to permit completion by the Completion Date, or construction is not progressing in accordance with the contract documents
10. Failure by the Entity to pay the general contractor, mechanic, or supplier
11. Property or any part thereof are subject to a lien or security agreement except as provided in the TCEP Agreement
12. Failure by the Entity to discharge, bond over or obtain title insurance against any mechanics’ lien
13. The general contractor or Entity shall become insolvent or be adjudicated bankrupt

FALCON RIDGE LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

9. Commitments and contingencies

Low-income housing tax credits

As incentive for investment in equity, the Entity 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 Entity 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 the Internal Revenue Code Section 42. Management has certified that each tax credit unit has met these qualifications to allow the credits allocated to each unit to be claimed.

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

Rental Assistance Agreement

The Entity has entered into a Rental Assistance Agreement with USDA Rural Development which provides rental assistance for 67 of the 72 units at the Property. The agreement provides for a maximum rental assistance commitment that expires automatically upon total disbursement but is renewable under contract with USDA Rural Development pending congressional approval of budget authority.

**HUD
SUPPLEMENTARY
INFORMATION**

FALCON RIDGE LIMITED PARTNERSHIP
SCHEDULES OF EXPENSES
For the years ended December 31, 2019 and 2018

	2019	2018
ADMINISTRATIVE		
Professional management fees	\$ 40,612	\$ 40,086
Salaries and wages	26,569	24,194
Telephone, cable, internet	4,367	4,025
Professional services	7,611	8,295
Training	4,070	5,831
Compliance and monitoring fees	4,400	1,805
Bad debt and adjustments	1,573	-
Technical support	1,200	1,205
Dues, fees, and subscriptions	488	500
Supplies and office expenses	10,453	9,624
Credit/criminal reports	1,646	877
Advertising	6,832	7,280
Equipment and furniture	53	587
Service for residents	972	64
Travel, meals, and entertainment	1,309	668
	\$ 112,155	\$ 105,041
UTILITIES		
Utility allowance	\$ 488	\$ 568
Electricity	9,474	9,013
Water	692	3,399
Gas	1,856	894
Sewer	17,885	17,960
	\$ 30,395	\$ 31,834
TAXES & INSURANCE		
Insurance	\$ 23,850	\$ 21,414
Property taxes	37,710	37,344
Payroll taxes	4,600	6,406
Miscellaneous taxes and insurance	13,087	17,861
	\$ 79,247	\$ 83,025

see report of independent auditors

FALCON RIDGE LIMITED PARTNERSHIP
SCHEDULES OF EXPENSES - CONTINUED
For the years ended December 31, 2019 and 2018

	2019	2018
MAINTENANCE		
Maintenance payroll	\$ 7,592	\$ 23,199
Contracts	16,001	10,340
Appliance and equipment replacement	11,839	6,400
Supplies	5,614	7,395
Security	1,400	1,342
Trash removal	19,501	19,426
Painting and drywall	1,428	1,723
Landscape maintenance	16,292	20,910
Pest control	2,452	2,737
	\$ 82,119	\$ 93,472
FINANCIAL EXPENSES		
Interest expense	\$ 227,748	\$ 226,693
Mortgage insurance premium	7,227	6,262
Debt issuance costs	24,759	24,759
Service charges	1,233	1,105
	\$ 260,967	\$ 258,819
Total operating expenses	\$ 564,883	\$ 572,191
NON-OPERATING EXPENSES		
Depreciation expense	\$ 273,881	\$ 274,912
Amortization expense	4,932	4,932
	\$ 278,813	\$ 279,844
Total non-operating expenses	\$ 278,813	\$ 279,844
Total expenses	\$ 843,696	\$ 852,035

see report of independent auditors

FALCON RIDGE LIMITED PARTNERSHIP
SCHEDULE OF CHANGES IN RESTRICTED CASH
For the year ended December 31, 2019

Schedule of Reserve for Replacements

BALANCE, JANUARY 1, 2019	\$	555,557
Monthly deposits		25,067
Interest income		561
Approved withdrawals		-
		<hr/>
BALANCE, DECEMBER 31, 2019	\$	<u>581,185</u>

Schedule of Operating Reserve

BALANCE, JANUARY 1, 2019	\$	201,863
Monthly deposits		-
Interest income		-
Approved withdrawals		-
		<hr/>
BALANCE, DECEMBER 31, 2019	\$	<u>201,863</u>

see report of independent auditors

FALCON RIDGE LIMITED PARTNERSHIP
COMPUTATION OF SURPLUS CASH
For the year ended December 31, 2019

COMPUTATION OF SURPLUS CASH, DISTRIBUTIONS, AND RESIDUAL RECEIPTS

Cash	\$ 40,352
Accounts receivable - HUD	<u>24,838</u>
Total cash	65,190
Accounts payable (due within 30 days)	5,111
Accrued expenses (not escrowed)	29,668
Prepaid revenue	1,352
Tenant deposits held in trust	37,920
Less total current obligations	<u>74,051</u>
Surplus cash (deficiency)	<u>\$ (8,861)</u>
Amount available for distribution during next fiscal period	<u>\$ -</u>

see report of independent auditors

FALCON RIDGE LIMITED PARTNERSHIP
SCHEDULE OF CHANGES IN FIXED ASSETS
For the year ended December 31, 2019

	Beginning Balance	Additions	Deductions	Ending Balance
Land	\$ 106,160	\$ -	\$ -	\$ 106,160
Buildings	8,261,744	-	-	8,261,744
Site improvements	602,166	-	-	602,166
Furnishings	322,939	-	-	322,939
TOTAL	9,293,009	\$ -	\$ -	9,293,009
Accumulated depreciation	2,198,140	\$ 273,881	\$ -	2,472,021
Net book value	\$ 7,094,869			\$ 6,820,988

see report of independent auditors

REPORT OF INDEPENDENT AUDITORS 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 Partners of Falcon Ridge Limited Partnership, Las Cruces, New Mexico,
and Brian S. Colón, 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 Falcon Ridge Limited Partnership, which comprise the balance sheet as of December 31, 2019, and the related statements of operations, changes in partners' capital, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Falcon Ridge Limited Partnership'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 Falcon Ridge Limited Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of Falcon Ridge Limited Partnership'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 Falcon Ridge Limited Partnership'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs and Recommendations as items 19-1.

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.

Novogratel & Company LLP

Austin, Texas

March 31, 2020

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR THE MAJOR HUD PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS

To the Partners of Falcon Ridge Limited Partnership, Las Cruces, New Mexico,
and Brian S. Colón, New Mexico State Auditor:

Report on Compliance for The Major HUD Program

We have audited Falcon Ridge Limited Partnership's compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide") that could have a direct and material effect on Falcon Ridge Limited Partnership's major U.S. Department of Housing and Urban Development ("HUD") program for the year ended December 31, 2019. Falcon Ridge Limited Partnership's major HUD program and the related direct and material compliance requirements are as follows:

Name of Major HUD Program

Direct and Material Compliance Requirements

HUD Insured Mortgage

Mortgage status, replacement reserve, distributions to owners, equity skimming, cash receipts, cash disbursements, tenant security deposits, management functions, unauthorized change of ownership/acquisition of liabilities, and unauthorized loans of project funds

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Falcon Ridge Limited Partnership's major HUD program 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 Falcon Ridge Limited Partnership's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major HUD program. However, our audit does not provide a legal determination of Falcon Ridge Limited Partnership's compliance.

Opinion on The Major HUD Program

In our opinion, Falcon Ridge Limited Partnership complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major HUD program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of Falcon Ridge Limited Partnership 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 Falcon Ridge Limited Partnership's internal control over compliance with the requirements that could have a direct and material effect on the major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Falcon Ridge Limited Partnership'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.

Purpose of this Report

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.

Novogradac & Company LLP

Austin, Texas

March 31, 2020

FALCON RIDGE LIMITED PARTNERSHIP
SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND RECOMMENDATIONS
December 31, 2019

Findings – Financial Statements Audit

Corrective actions not started or in process

Finding 2019-001

Finding resolution status: Unresolved

Noncompliance information

N/A

Statement of condition

Distributions made during the year exceeded the amounts authorized by USDA Rural Development pursuant to the loan agreement.

Criteria

The Entity cannot make distributions to partners in excess of the amounts authorized by USDA Rural Development pursuant to the loan agreement.

Effect or potential effect

The Entity is in noncompliance with specific requirements of USDA Rural Development program obligations pursuant to the loan agreement.

Cause

Controls are not in place to ensure that distributions do not exceed authorized amounts.

Recommendation

We recommend that the proper controls be set that prevent distributions to partners in excess of authorized amounts.

Auditor noncompliance code: H – Unauthorized distribution of project assets

Amount of questioned costs: \$48,000

Reporting views of responsible officials

Auditee agrees with the auditor.

Concur or do not concur with this finding: Concur

Agree or disagree with auditor recommendations: Agree

Completion date or proposed completion date: 12/31/2020

Actions taken or planned on the finding

Proper controls will be put in place to prevent distributions to partners in excess of authorized amounts. Management will return the excess distributions back into the Entity's funds.

see report of independent auditors

FALCON RIDGE LIMITED PARTNERSHIP
SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS, QUESTIONED COSTS,
AND RECOMMENDATIONS (UNAUDITED)
December 31, 2019

Findings – Financial Statement Audit for the year ended December 31, 2018

Audit report, dated April 11, 2019, for the period ended December 31, 2018, issued by Hinkle + Landers, P.C.

Finding 2018-001

The Entity had not implemented effective financial close and reporting process controls.

Status

The Entity has instituted procedures to ensure there is a proper monthly/quarterly and year-end/financial close to its accounts.

Finding 2018-002

The Entity did not submit the December 31, 2018 audit report to the Office of the State Auditor by the May 31, 2019 due date.

Status

Management has implemented procedures to ensure timely delivery of the audit report for future reporting periods.

Findings from Other Audits or Studies

There were no reports issued by HUD OIG or other Federal agencies or contract administrators during the period covered by this audit.

Findings from Deficiencies Listed in Letters or Reports Issued by HUD Management

There were no letters or reports issued by HUD during the period covered by this audit.

FALCON RIDGE LIMITED PARTNERSHIP
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2019

Finding	Prior Year Findings	Status of Prior Year Findings	Type of Finding
2018-001	Financial Close and Reporting	Resolved	A
2018-002	Late Submission of Audit Report	Resolved	G

Finding	Current Year Findings	Status of Current Year Findings	Type of Finding
2019-001	Unauthorized Distribution of Project Assets	Current	E

*** Legend for Type of Findings**

-
- A Material weakness in internal control over financial reporting
 - B Significant deficiency in internal control over financial reporting
 - C Finding that does not rise to the level of significant deficiency (other matters) involving internal control over financial reporting
 - D Material weakness in internal control over compliance of federal awards
 - E Significant deficiency in internal control over compliance of federal awards
 - F Instance of noncompliance of federal awards
 - G Non-compliance with State Audit Rule, NM State Statutes, NMAC, or other entity compliance

see report of independent auditors

FALCON RIDGE LIMITED PARTNERSHIP
MORTGAGOR'S (OWNERS) CERTIFICATION
December 31, 2019

We hereby certify that we have examined the accompanying financial statements and supplemental data of Falcon Ridge Limited Partnership and, to the best of our knowledge and belief, the same is complete and accurate.

FALCON RIDGE LIMITED PARTNERSHIP



Signature

March 31, 2020
Date

Name of Signatory

Juan Olvera

Title of Certifying Official

Executive Director

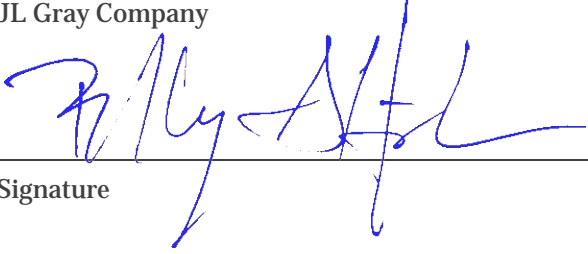
Auditee Telephone Number

575-528-2007

FALCON RIDGE LIMITED PARTNERSHIP
MANAGING AGENT CERTIFICATION
December 31, 2019

We hereby certify that we have examined the accompanying financial statements and supplemental data of Falcon Ridge Limited Partnership and, to the best of our knowledge and belief, the same is complete and accurate.

JL Gray Company



Signature

March 31, 2020

Date

Name of Signatory

Name of Property Manager

JL Gray Company

FALCON RIDGE LIMITED PARTNERSHIP
EXIT CONFERENCE
For the Year Ended December 31, 2019

Exit Conference

An exit conference was held on March 31, 2020, which was attended by the following:

Housing Authority Administration

Juan Olvera	Executive Director
Elizabeth Garcia	Comptroller

Novogradac and Company, LLP

Nick Hoehn, CPA	Audit Partner
Michael Derrickson, CPA	Audit Principal

Management Agent

Bobby Griffith	Chief Financial Officer
Lori Varnell	Accountant

Preparation of financial statements

The auditor, Novogradac and Company, LLP, compiled the financial statements presented in this report. However, the contents of the financial statements remain the responsibility of management.