

Stone Mountain Place Limited Partnership

Financial Statements

Years Ended December 31, 2012 and 2011

And Supplementary Information

Year Ended December 31, 2012

Stone Mountain Place Limited Partnership

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INDEPENDENT AUDITOR'S REPORT

To the Partners of

Stone Mountain Place Limited Partnership
Las Cruces, New Mexico
and
Hector H. Balderas, New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of Stone Mountain Place Limited Partnership, which comprise the balance sheets, as of December 31, 2012 and 2011, and the related statements of operations, changes in partners' 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 Stone Mountain Place Limited Partnership'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 Stone Mountain Place Limited Partnership'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 Stone Mountain Place Limited Partnership as of December 31, 2012 and 2011, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information shown on Pages 19 - 20 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated May 20, 2013, on our consideration of Stone Mountain Place Limited Partnership'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 those reports is to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stone Mountain Place Limited Partnership's internal control over financial reporting and compliance.



Boothe, Vassar & Company

May 20, 2013
Big Spring, Texas

Stone Mountain Place Limited Partnership

Balance Sheets

December 31, 2012 and 2011

ASSETS

	<u>12/31/2012</u>	<u>12/31/2011</u>
Current Assets:		
Cash and Cash Equivalents	\$ 37,261	\$ 16,567
Accounts Receivable - Tenants	2,984	2,488
Accounts Receivable - PHA	6,863	4,290
Prepaid Expenses	17,463	16,525
Total Current Assets	<u>64,571</u>	<u>39,870</u>
 Restricted Deposits & Funded Reserves:		
Tenant Security Deposits	40,398	36,422
Real Estate Tax & Insurance	31,713	13,720
Other Escrows	2,847	2,908
Replacement Reserve	74,270	58,201
Operating Reserve	209,512	209,113
Total Restricted Deposits & Funded Reserves	<u>358,740</u>	<u>320,364</u>
 Property & Equipment:		
Land	699,742	699,742
Buildings	7,978,914	7,978,914
Site Improvements	676,900	673,140
Furnishings	285,345	269,499
Accumulated Depreciation	(1,627,192)	(1,341,301)
Total Property & Equipment	<u>8,013,709</u>	<u>8,279,994</u>
 Other Assets:		
Deferred Finance Cost, net of amortization	100,997	103,882
Total Other Assets	<u>100,997</u>	<u>103,882</u>
 Total Assets	<u>\$ 8,538,017</u>	<u>\$ 8,744,110</u>

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

Stone Mountain Place Limited Partnership

Balance Sheets

December 31, 2012 and 2011

LIABILITIES & PARTNERS' EQUITY

	<u>12/31/2012</u>	<u>12/31/2011</u>
Liabilities:		
Current Liabilities:		
Current Maturities of Long-Term Debt	\$ 18,187	\$ 17,113
Accounts Payable	3,388	7,672
Accrued Interest	11,719	11,806
Accrued Expenses	12,070	11,886
Accrued - Property Taxes	14,325	7,947
Total Current Liabilities	<u>59,689</u>	<u>56,424</u>
Deposits & Prepaid Liabilities:		
Tenant Security Deposits	37,564	35,769
Prepaid Tenant Fees	3,049	2,897
Total Deposits & Prepaid Liabilities	<u>40,613</u>	<u>38,666</u>
Long-Term Liabilities:		
Long-Term Debt (net of current maturities)	2,637,613	2,655,799
Deferred Development Fees	421,780	421,780
Asset Management Fee / Return to Owner	4,057	7,764
Total Long-Term Liabilities	<u>3,063,450</u>	<u>3,085,343</u>
Total Liabilities	<u>3,163,752</u>	<u>3,180,433</u>
Partners' Equity (Deficit)	<u>5,374,265</u>	<u>5,563,677</u>
Total Liabilities & Partners' Equity	<u>\$ 8,538,017</u>	<u>\$ 8,744,110</u>

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

Stone Mountain Place Limited Partnership
Statements of Operations
For the Years Ended December 31, 2012 and 2011

	12/31/2012	12/31/2011
Rental Income:		
Rental Income - Tenant Portion	\$ 369,163	\$ 385,855
Rental Income - PHA	151,603	120,399
Potential Rental Income	520,766	506,254
Lease Excess	37,154	28,863
Less: Vacancies	(10,222)	(12,440)
Less: Concessions	(10,405)	(12,805)
Total Rental Income	537,293	509,872
 Other Rental Income:		
Miscellaneous Rental Income	1,215	201
Total Other Rental Income	1,215	201
 Other Income:		
Interest Income	512	811
Laundry & Vending	0	153
Tenant Charges	16,569	17,196
Miscellaneous Income	10,500	0
Total Other Income	27,581	18,160
 Total Income	566,089	528,233
 Operating Expenses:		
Administrative	109,247	108,668
Utilities	38,415	38,758
Maintenance	80,404	84,293
Taxes & Insurance	81,304	78,162
Financial Expense	153,297	154,601
Total Cost of Operations	462,667	464,482
 Net Income/(Loss) from Operations	103,422	63,751
 Non-Operating Income & (Expenses):		
Administrative Fees	(4,057)	(3,939)
Depreciation Expense	(285,891)	(284,190)
Amortization Expense	(2,886)	(2,886)
Total Non-Operating Income & (Expenses)	(292,834)	(291,015)
 Net Income/(Loss)	\$ (189,412)	\$ (227,264)

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

Stone Mountain Place Limited Partnership
Statements of Changes in Partners' Equity (Deficit)
For the Years Ended December 31, 2012 and 2011

	Total	General Partner Equity	Limited Partner Equity
Partners' Equity (Deficit), December 31, 2010	\$ 5,790,941	\$ (83)	\$ 5,791,024
Net Income/(Loss): 12/31/2011	(227,264)	(23)	(227,241)
Partners' Capital Contributions	0	0	0
Partners' Distributions	0	0	0
Partners' Equity (Deficit), December 31, 2011	\$ 5,563,677	\$ (106)	\$ 5,563,783
Net Income/(Loss): 12/31/2012	(189,412)	(19)	(189,393)
Partners' Capital Contributions	0	0	0
Partners' Distributions	0	0	0
Partners' Equity (Deficit), December 31, 2012	\$ 5,374,265	\$ (125)	\$ 5,374,390

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

Stone Mountain Place Limited Partnership
Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011
Increase (Decrease) in Cash and Cash Equivalents

	12/31/2012	12/31/2011
Cash Flows From Operating Activities:		
Revenue:		
Rental Receipts	\$ 386,561	\$ 388,902
Rental Income - PHA	149,030	118,452
Other Income	17,081	18,159
Miscellaneous Income	10,500	0
Total Receipts	563,172	525,513
Expenses:		
Administrative	(110,995)	(108,596)
Utilities	(41,242)	(36,010)
Maintenance	(80,867)	(83,075)
Taxes & Insurance	(74,926)	(89,551)
Financial Expense	(153,384)	(154,683)
Asset Management Expense	(7,764)	0
Tenant Security Deposits	(2,181)	147
Total Disbursements	(471,359)	(471,768)
Net Cash from Operating Activities:	91,813	53,745
Cash Flows From Investing Activities:		
Property & Equipment	(19,606)	(7,841)
Real Estate Tax & Insurance	(17,994)	1,026
Other Escrows	61	22
Replacement Reserve	(16,069)	(17,753)
Operating Reserve	(399)	(558)
Net Cash from Investing Activities:	(54,007)	(25,104)
Cash Flows From Financing Activities:		
Principal Payments on Mortgage	(17,112)	(16,104)
Deferred Development Fees	0	(30,000)
Net Cash from Financing Activities:	(17,112)	(46,104)
Increase (Decrease) In Cash	20,694	(17,463)
Cash at Beginning of Period	16,567	34,030
Cash at End of Period	\$ 37,261	16,567

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

Stone Mountain Place Limited Partnership
Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011
Increase (Decrease) in Cash and Cash Equivalents

	12/31/2012	12/31/2011
Reconciliation of Net Profit (Loss) to Net Cash Provided by Operating Activities:		
Net Income (Loss)	\$ (189,412)	\$ (227,264)
Adjustments to Reconcile Net Profit (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation Expense	285,891	284,190
Amortization Expense	2,886	2,886
(Increase) Decrease In Assets		
Accounts Receivable - Tenants	(496)	(2,144)
Accounts Receivable - PHA	(2,573)	(1,947)
Prepaid Expenses	(938)	(601)
Tenant Security Deposits	(3,976)	2,200
Increase (Decrease) In Liabilities		
Accounts Payable	(4,284)	4,402
Accrued Interest	(87)	(82)
Accrued Expenses	184	237
Accrued - Property Taxes	6,378	(11,389)
Tenant Security Deposits	1,795	(2,053)
Prepaid Tenant Fees	152	1,371
Asset Management Fee / Return to Owner	(3,707)	3,939
Net Cash from Operating Activities:	\$ 91,813	\$ 53,745
<u>Supplemental Disclosures:</u>		
Interest Paid	\$ 141,200	\$ 142,210

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

Stone Mountain Place Limited Partnership

Notes to Financial Statements

December 31, 2012 and 2011

NOTE A - ORGANIZATION

Stone Mountain Place Limited Partnership was organized in August 4, 2005 as a Limited Partnership to develop, construct, own, maintain, and operate an 84-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 Stone Mountain Place Apartments. The major activities of the Partnership are governed by the Partnership Agreement and the Internal Revenue Code Section 42.

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

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

The Partnership is reported as a component unit of Mesilla Valley Public Housing Authority (MVPHA), previously Housing Authority of the City of Las Cruces, because MVPHA is a member of the General Partner of the Partnership. The Partnership has no component units.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

The Partnership 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. Cash and cash equivalents in excess of FDIC limits were \$40,616 as of December 31, 2012. Cash and cash equivalents did not exceed the FDIC limit as of December 31, 2011. 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.

Stone Mountain Place Limited Partnership

Notes to Financial Statements

December 31, 2012 and 2011

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, 2012 and 2011.

Tenant Receivable and Bad Debt Policy

Tenant rent charges for the current month are due on the first of the month. The Partnership does not accrue interest on the tenant receivable balances. The Partnership has not established an allowance for doubtful accounts and does not use the 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. 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.

	Estimated Life
Buildings	40
Site Improvements	10-15
Furnishings	3-10

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the Low Income Housing Tax Credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the moment by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2012 or 2011.

Income Taxes

No provision or benefit for income taxes has been included in these financial statements since taxable income passes through to, and is reportable by, the Partners individually. As of December 31, 2012, the Partnership's tax years for 2009, 2010, and 2011 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2012, the Partnership is no longer subject to examinations by tax authorities for years before 2009.

Stone Mountain Place Limited Partnership

Notes to Financial Statements

December 31, 2012 and 2011

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Partnership and the tenants of the property are operating leases.

Amortization

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

Reclassifications

Certain items in the 2011 financial statements have been reclassified to conform to the 2012 presentation.

NOTE C - PARTNERS' PROFIT AND LOSS ALLOCATION AND DISTRIBUTIONS

The Partners of Stone Mountain Place Limited Partnership and their respective profit and loss percentages are as follows as of December 31, 2012 and 2011:

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

Partner Contribution

The General Partner is to contribute \$10 for a .01% interest in the Partnership. The Limited Partner is to contribute, subject to certain Tax-Credit adjustment terms, \$6,689,469 for a 99.99% interest in the Partnership. As of December 31, 2012 and 2011, the Limited Partner had contributed a cumulative total of \$6,637,708. Future Limited Partner capital contributions are contingent upon the achievement of certain financing, operating, and reporting milestones, as defined in the Partnership Agreement.

Stone Mountain Place Limited Partnership

Notes to Financial Statements

December 31, 2012 and 2011

NOTE D - LONG-TERM DEBT

The Project is financed with a 40-year mortgage payable to New Mexico Mortgage Finance Authority in the original amount of \$2,305,000, with an interest rate of 6.10%. The mortgage is payable in monthly installments of \$12,843 including interest through the maturity date. The loan will be secured by a first lien position on the Project. The unpaid principal of the loan is due May 2048. The accrued interest was \$11,370 and \$11,457 as of December 31, 2012 and 2011, respectively. Interest expensed on this loan was \$136,921 and \$137,937 as of December 31, 2012 and 2011, respectively.

	<u>12/31/2012</u>	<u>12/31/2011</u>
	\$ 2,236,684	\$ 2,253,796

The Project also has a 45-year mortgage payable to City of Las Cruces in the original amount of \$419,116. Interest will accrue on the outstanding principal balance of the loan at the annual rate of 1.00% per annum. Interest only payments shall be made monthly in the amount of \$349 for the first 15 years; in year sixteen the note will be payable in 360 monthly installments of \$1,348. Maturity of the loan occurs at the sale, refinance, or transfer of the property or on August 2051. The short-term accrued interest was \$349 and \$349 as of December 31, 2012 and 2011, respectively. Interest expensed on this loan was \$4,191 and \$4,191 as of December 31, 2012 and 2011, respectively.

	<u>419,116</u>	<u>419,116</u>
Total	2,655,800	2,672,912
Less: Current Portion	18,187	17,113
Long-Term Notes Payable	<u>\$ 2,637,613</u>	<u>\$ 2,655,799</u>

Aggregate maturities of the loans are approximated as follows:

	<u>Principal</u>	<u>Interest</u>
December 31, 2013	\$ 18,187	\$ 140,126
2014	19,328	138,985
2015	20,540	137,772
2016	21,829	136,484
2017	23,198	135,114
2018-2022	142,734	651,826
2023-2027	251,000	600,491
2028-2032	321,510	529,981
2033-2037	416,131	435,359
2038-2042	543,389	308,102
2043-2047	714,834	136,657
2048-2052	<u>163,120</u>	<u>3,623</u>
Total	<u>\$ 2,655,800</u>	<u>\$ 3,354,520</u>

Stone Mountain Place Limited Partnership

Notes to Financial Statements

December 31, 2012 and 2011

NOTE D - LONG-TERM DEBT (continued)

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

In accordance with the Partnership Agreement, the Partnership shall establish and maintain a Replacement Reserve. The Partnership shall make monthly deposits into the Replacement Reserve fund of \$16,800 annually. The Replacement Reserve balance was \$74,270 and \$58,201 as of December 31, 2012 and 2011, respectively.

Operating Reserve

In accordance with the Partnership Agreement, the Partnership shall establish and maintain an Operating Reserve fund in an amount not less than \$205,000. The Operating Reserve balance was \$209,512 and \$209,113 as of December 31, 2012 and 2011, respectively.

NOTE F - COMMITMENTS AND CONTINGENCIES

Housing Tax Credits

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

Housing Finance Agency Risk-Sharing Program - Section 542(c)

The Project is financed and operated under Section 542(c) of the Housing and Community Development Act, as amended, administered by the New Mexico Mortgage Finance Authority (MFA). Under this program the Partnership 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.

HOME Investment Partnerships Program

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

Stone Mountain Place Limited Partnership

Notes to Financial Statements

December 31, 2012 and 2011

NOTE F - COMMITMENTS AND CONTINGENCIES *(continued)*

Long-term Contract

The Partnership 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 Partnership a one-time fee of \$10,500 as consideration for entering into a long-term service agreement. The total fee was received by the Partnership upon execution of the agreements and is included in miscellaneous income for the year ended December 31, 2012.

NOTE G - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Property Management Fee

In accordance with the Management Agreement, the Partnership has incurred Management Fee expenses for services rendered in connection with the leasing and operation of the Project. The current year management fee is equal to 6% of gross rental income. Property Management Fees expensed were \$32,734 and \$31,182 during 2012 and 2011, respectively. The amounts due to the Management Agent related to Management Fees were \$596 and \$562 as of December 31, 2012 and 2011, respectively.

Asset Management Fee

In accordance with the Partnership Agreement, the Partnership shall pay to the Limited Partner an Asset Management Fee in the annual, cumulative amount of \$3,500. The fee will increase by three percent (3%) each year. The fee is payable out of available cash flow as further detailed in the Partnership Agreement. Asset Management Fees of \$4,057 and \$3,939 were recognized during 2012 and 2011, respectively. The amounts due to the Limited Partner related to Asset Management Fees were \$4,057 and \$7,764 as of December 31, 2012 and 2011, respectively.

Incentive Management Fee

In accordance with the Partnership Agreement, the Partnership shall pay to the General Partner a noncumulative Incentive Management Fee. The fee shall equal 90% of cash flow remaining after the priorities set forth in the Partnership Agreement. In no event, shall the Incentive Management Fee and the Property Management Fee exceed, in the aggregate, 12% of the gross revenues of the Project in any fiscal year. There were no Incentive Management Fees accrued during 2012 and 2011, respectively. There were no amounts due to the General Partner related to Incentive Management Fees as of December 31, 2012 and 2011, respectively.

Stone Mountain Place Limited Partnership

Notes to Financial Statements

December 31, 2012 and 2011

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

Development Fee

The Partnership entered into a Development Services Agreement with the Housing Authority of the City of Las Cruces currently known as Mesilla Public Housing Authority (MVPHA), an affiliate of the General Partner and JL Gray Company. The Development Fee is payable 30% to the Owner and 70% to the Developer. The fee is payable out of available cash flow as further detailed in the Partnership Agreement. This Development Fee has been capitalized into the basis of the building. The amounts due related to Development Fees were \$421,780 and \$421,780 as of December 31, 2012 and 2011, respectively.

Laundry Lease

The Partnership leased space for the installation and operation of coin-operated laundry and vending machine equipment to JL Gray Company for fifty-one percent (51%) of the laundry room receipts after Gross Receipts Tax. This lease continues in effect until terminated by either party. The Partnership received rental income of \$0 and \$153 for the years ended December 31, 2012 and 2011, respectively.

Reimbursed Expenses

The Management Agent, an affiliate of one of the Partners, is reimbursed for a few expenses that are directly related to this property. Due to the nature and function of the Management Agent, some expenses are incurred for the property by the Management Agent. For example, the properties do not have access to credit cards in order to directly pay necessary items such as seminars and motels. These reimbursements qualify as eligible project expenses and do not duplicate expenses that are included in the management fee. The amounts due to the Management Agent related to reimbursed expenses are considered negligible as of December 31, 2012 and 2011, respectively.

Guaranty of Tax Credits

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

Stone Mountain Place Limited Partnership

Notes to Financial Statements

December 31, 2012 and 2011

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

Operating Deficit and Completion Guarantees

The General Partner is obligated to make contributions to the Partnership as necessary to fund operating expenses, debt service payments, reserve and escrow accounts, capital improvements and maintenance expenses that occur during certain specified periods, as defined. The General Partner's obligation to make operating deficits is unlimited prior to the later of (1) permanent loan closing and (2) the achievement of debt service coverage ratio of 1.15:1 for ninety consecutive days. Subsequently, the General Partner's obligation to make operating deficit contributions is limited to \$205,000 and terminates upon the achievement of certain operating milestones. Operating deficit loans bear interest at 10% per annum and are repayable subject to distributable cash flow, as defined. There are no outstanding liabilities reported as operating deficit loans as of December 31, 2012 and 2011, respectively.

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

Regulatory Agreement Provisions

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

NOTE H - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

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

NOTE I - ACCRUED LIABILITIES

The accrued liabilities on the balance sheet contain the following:

Accrued Payroll Expenses	\$ 1,297
Accrued Audit Fees	10,773
Total Accrued Liabilities	<u>\$ 12,070</u>

Stone Mountain Place Limited Partnership

Notes to Financial Statements

December 31, 2012 and 2011

NOTE J - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 20, 2013 which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

**Stone Mountain Place Limited Partnership
Supplemental Information Required by HUD
Year Ended December 31, 2012**

Stone Mountain Place Limited Partnership
Supplementary Information Required by HUD
Year Ending December 31, 2012

1. SCHEDULE OF RESERVE FOR REPLACEMENTS

Balance as of January 1, 2012	\$ 58,201
Total Monthly Deposit	16,800
Other Deposits -	8,400
Interest Earned on Reserve for Replacement Account (Net of Service Fees)	95
Approved Withdrawals	<u>9,226</u>
Balance as of December 31, 2012	<u><u>\$ 74,270</u></u>
 Deposits Suspended or Waived Indicator	 No
 Other Deposits Excess reserve funding	

2. SCHEDULE OF OPERATING RESERVE

Balance as of January 1, 2012	\$ 209,113
Total Monthly Deposit	0
Interest Earned on Operating Reserve Account (Net of Service Fees)	399
Approved Withdrawals	<u>0</u>
Balance as of December 31, 2012	<u><u>\$ 209,512</u></u>

3. SCHEDULE OF CHANGES IN FIXED ASSETS

	Balance <u>12/31/2011</u>	Additions	Deductions	Balance <u>12/31/2012</u>
Land	\$ 699,742	\$ 0	\$ 0	\$ 699,742
Buildings	7,978,914	0	0	7,978,914
Site Improvements/Building Equipment	673,140	3,760	0	676,900
Furnishings	269,499	15,846	0	285,345
Totals	<u>\$ 9,621,295</u>	<u>\$ 19,606</u>	<u>\$ 0</u>	<u>\$ 9,640,901</u>
Accumulated Depreciation	<u>\$ 1,341,301</u>	<u>\$ 285,891</u>	<u>\$ 0</u>	<u>\$ 1,627,192</u>
Net Book Value	<u><u>\$ 8,279,994</u></u>			<u><u>\$ 8,013,709</u></u>

Schedule of Additions to Fixed Assets:

	<u>12/31/2012</u>
Playground	3,760
Appliances	6,078
Carpet	<u>9,768</u>
Totals:	<u><u>\$ 19,606</u></u>

Stone Mountain Place Limited Partnership
Computation of Surplus Cash, Distributions and Residual Receipts
Year Ending December 31, 2012

		<u>12/31/2012</u>
Cash:		
	Cash	77,659
	Total Cash	<u>\$ 77,659</u>
Current Obligations:		
	Accrued Mortgage Interest Payable	11,719
	Accounts Payable - 30 Days	3,388
	Accrued Expenses (not escrowed)	12,070
	Prepaid Revenue	3,049
	Tenant Security Deposits Liability	<u>37,564</u>
	Total Current Obligations	<u>67,790</u>
	Surplus Cash (Deficiency)	<u>\$ 9,869</u>
Amount Available for Distribution During Next Fiscal Period:		
	Surplus Cash	<u>\$ 9,869</u>

Boothe, Vassar & Company

Certified Public Accountants

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

To the Partners of
Stone Mountain Place Limited Partnership
Las Cruces, New Mexico
and
Hector H. Balderas, 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 Stone Mountain Place Limited Partnership which comprise the balance sheet as of December 31, 2012, and related statements of income (loss), changes in partners' 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 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stone Mountain Place 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 Stone Mountain Place Limited Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of Stone Mountain Place 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 Partnership'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.

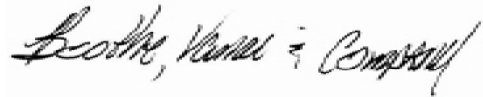
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance

As part of obtaining reasonable assurance about whether Stone Mountain Place 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 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 Partnership'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 Partnership's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Boothe, Vassar & Company

May 20, 2013
Big Spring, Texas

Boothe, Vassar & Company

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH 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
Stone Mountain Place Limited Partnership
Las Cruces, New Mexico
and
Hector H. Balderas, New Mexico State Auditor

Compliance

We have audited Stone Mountain Place Limited Partnership's compliance with the specific program compliance requirements governing tenant application, eligibility, and recertification; units leased to extremely low-income families; tenant security deposits; management functions, fair housing and non-discrimination; unauthorized change of ownership/acquisition of liabilities; unauthorized transfer of beneficial interest; unauthorized loans of project funds; federal financial reports; cash receipts and disbursements; mortgage status; the replacement reserve; distribution to owners; equity skimming; and excess income described in the *Consolidated Audit Guide for Audits of HUD Programs* (the Guide) that could have direct and material effect on each of Stone Mountain Place Limited Partnership's major HUD-assisted programs for the year ended December 31, 2012. Stone Mountain Place Limited Partnership's major HUD-assisted program(s) is 542(c) Multifamily Insurance Program.

Management's Responsibility for Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to Stone Mountain Place Limited Partnership's HUD-assisted program(s).

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Stone Mountain Place Limited Partnership's major HUD-assisted programs based on our audit of the specific 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 Stone Mountain Place Limited Partnership's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major HUD Program

In our opinion, Stone Mountain Place Limited Partnership 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, 2012.

Internal Control Over Compliance

Management of Stone Mountain Place 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 Stone Mountain Place Limited Partnership'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 Stone Mountain Place 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.



Boothe, Vassar & Company

May 20, 2013
Big Spring, Texas

Stone Mountain Place Limited Partnership
Schedule of Findings and Responses
December 31, 2012

Current Year Audit Findings: December 31, 2012

None Noted

**Stone Mountain Place Limited Partnership
Auditor's Comments on Audit Resolution
Matters Relating to HUD Programs
December 31, 2012**

Prior Year Audit Findings: December 31, 2011

None Noted

Stone Mountain Place Limited Partnership

Mortgagor's Certification

December 31, 2012

We hereby certify that we have examined the accompanying financial statements and supplemental information of Stone Mountain Place Limited Partnership as of December 31, 2012, and to the best of our knowledge and belief, the same are complete and accurate.

Signatories:

Signed: Robbie R. Levey Date: 5/23/13

Name Robbie Levey

Title Executive Director
Mesilla Valley Public Housing Authority

Auditee Information:

505-325-6515
May 20, 2013
Stone Mountain Place Limited Partnership
930 East Boutz Road
Las Cruces, New Mexico 88001

Stone Mountain Place Limited Partnership

Management Agent's Certification

December 31, 2012

We hereby certify that we have examined the accompanying financial statements and supplemental information of Stone Mountain Place Limited Partnership as of December 31, 2012, and to the best of our knowledge and belief, the same are complete and accurate.

Signed: _____

Date: _____

5/28/13

Name: Bobby Griffith

Title: CFO - Senior Executive

Management Company: JL Gray Company

Address: 1816 East Mojave St.
Farmington, NM 87401

Federal I.D. Number: 85-0327246

Stone Mountain Place Limited Partnership

Information on Auditor

December 31, 2012

Auditor's Transmittal Letter

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

Lead Auditor: Kenneth C. Boothe
Certified Public Accountant

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

Federal I.D. Number: 75-2335286

Auditor's Report Date: May 20, 2013

Contacts: kenneth@boothevassar.com

Stone Mountain Place Limited Partnership

Exit Conference

December 31, 2012

EXIT CONFERENCE

An exit conference was held on May 23, 2013, which was attended by the following:

Housing Authority Administration

Robbie Levey	Executive Director
Christine Gonzalez	Executive Assistant
Sharon Hansen	Accountant

Boothe, Vassar & Company

Kenneth Boothe	Lead Auditor, CPA
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Management Agent

Bobby Griffith	Chief Financial Officer
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Preparation of Financial Statements

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