

Robledo Ridge, LLLP

**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 Robledo Ridge, LLLP, 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 Robledo Ridge, LLLP, 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 Robledo Ridge, LLLP 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 Robledo Ridge, LLLP 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, Robledo Ridge, LLLP 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 Robledo Ridge, LLLP'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 Robledo Ridge, LLLP's internal control over financial reporting and compliance.

Novogradac & Company LLP

Austin, Texas

March 31, 2020

ROBLEDO RIDGE, LLLP
BALANCE SHEETS
December 31, 2019 and 2018

	ASSETS	
	2019	2018
Current assets		
Cash and cash equivalents	\$ 671,367	\$ 460,267
Tenant accounts receivable	75	3,184
Accounts receivable - HAP	(193)	1,002
Prepaid expenses	30,359	29,754
Total current assets	701,608	494,207
Restricted deposits and funded reserves		
Tenant security deposits	23,541	20,460
Other escrows	5,090	3,510
Replacement reserve	185,255	150,471
Total restricted deposits and funded reserves	213,886	174,441
Property and equipment		
Land	586,168	586,168
Building	8,774,518	8,774,518
Land improvements	671,495	671,495
Furniture, fixtures, and equipment	72,243	72,243
Total property and equipment	10,104,424	10,104,424
Less: accumulated depreciation	(1,680,859)	(1,417,342)
Net property and equipment	8,423,565	8,687,082
Other assets		
Deferred tax credit fees	56,866	56,866
Accumulated amortization	(24,326)	(20,535)
Deposits	46	46
Net other assets	32,586	36,377
Entity assets		
Operating reserve	208,839	208,839
Total entity assets	208,839	208,839
Total assets	\$ 9,580,484	\$ 9,600,946

see accompanying notes

ROBLEDO RIDGE, LLLP
BALANCE SHEETS (CONTINUED)
December 31, 2019 and 2018

LIABILITIES AND PARTNERS' CAPITAL	2019	2018
Current liabilities		
Current maturities of long-term debt	\$ 38,899	\$ 37,123
Accounts payable	5,557	5,446
Accrued interest	9,676	9,821
Accrued expenses	3,064	3,475
Deferred income	3,226	3,057
Accrued owner fees	120,521	99,613
Total current liabilities	180,943	158,535
Deposits and prepaid liabilities		
Tenant security deposits	20,343	19,206
Total deposits and prepaid liabilities	20,343	19,206
Long-term liabilities		
Long-term debt, net of current maturities	2,855,746	2,893,002
Long-term accrued interest	67,235	55,595
Deferred development fee	800,883	800,883
Total long-term liabilities	3,723,864	3,749,480
Total liabilities	3,925,150	3,927,221
Partners' capital	5,655,334	5,673,725
Total liabilities and partners' capital	\$ 9,580,484	\$ 9,600,946

see accompanying notes

ROBLEDO RIDGE, LLLP
STATEMENTS OF OPERATIONS
For the years ended December 31, 2019 and 2018

	2019	2018
REVENUE		
Rental income		
Potential rental income	\$ 716,228	\$ 699,284
Less: vacancies	(20,242)	(5,019)
Less: concessions	(408)	-
Net rental income	695,578	694,265
Other rental income		
Special claims and miscellaneous rent income	3,965	2,908
Total other rental income	3,965	2,908
Other income		
Interest income	166	201
Laundry and vending	352	187
Tenant charges	4,132	4,225
Miscellaneous income	1,143	898
Total other income	5,793	5,511
Total revenue	705,336	702,684
OPERATING EXPENSES		
Administrative	142,869	148,633
Utilities	15,050	18,074
Maintenance	81,986	86,824
Taxes and insurance	55,990	52,067
Financial expenses	139,616	141,129
Total operating expenses	435,511	446,727
Net operating income	269,825	255,957
OTHER EXPENSES		
Investor services fee	4,919	4,776
Partnership administration fee	15,989	15,523
Depreciation expense	263,517	263,518
Amortization expense	3,791	3,791
Total other expenses	288,216	287,608
Net loss	\$ (18,391)	\$ (31,651)

see accompanying notes

ROBLEDO RIDGE, LLLP
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	\$ 85,107	\$ 5,418,478	\$ 5,503,585
Capital contributions	-	201,791	201,791
Net loss	(3)	(31,648)	(31,651)
BALANCE, DECEMBER 31, 2018	85,104	5,588,621	5,673,725
Net loss	(2)	(18,389)	(18,391)
BALANCE, DECEMBER 31, 2019	\$ 85,102	\$ 5,570,232	\$ 5,655,334

see accompanying notes

ROBLEDO RIDGE, LLLP
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Rental receipts	\$ 700,051	\$ 706,730
Other operating receipts	9,758	4,613
Miscellaneous income	-	897
Total receipts	709,809	712,240
 CASH PAID FOR:		
Administrative expenses	(138,891)	(150,161)
Utilities expenses	(15,050)	(18,075)
Operating and maintenance expenses	(81,986)	(85,257)
Taxes and insurance expenses	(56,595)	(52,066)
Financial expenses	(14,781)	(20,875)
Interest paid	(126,478)	(118,610)
Tenant security deposits	-	(81)
Entity/construction disbursements	-	(4,776)
Total disbursements	(433,781)	(449,901)
 Net cash provided by operating activities	 276,028	 262,339
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage	(37,123)	(35,432)
Long-term accrued interest	11,640	11,332
Capital contributions	-	201,791
Net cash used in financing activities	(25,483)	177,691
 Net change in cash, cash equivalents and restricted cash	 250,545	 440,030
 Cash, cash equivalents and restricted cash at beginning of year	 634,708	 194,678
 Cash, cash equivalents and restricted cash at end of year	 \$ 885,253	 \$ 634,708
 Cash and cash equivalents	 \$ 671,367	 \$ 460,267
Restricted cash	213,886	174,441
Total cash, cash equivalents and restricted cash	\$ 885,253	\$ 634,708

see accompanying notes

ROBLEDO RIDGE, LLLP
STATEMENTS OF CASH FLOWS (CONTINUED)
For the years ended December 31, 2019 and 2018

	2019	2018
RECONCILIATION OF NET PROFIT (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net loss	\$ (18,391)	\$ (31,651)
ADJUSTMENTS TO RECONCILE NET PROFIT (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Depreciation expense	263,517	263,518
Amortization expense	3,791	3,791
Amortization of debt issuance costs	1,643	1,644
Changes in asset and liability accounts		
Decrease (increase) in assets		
Tenant accounts receivable	3,109	10,559
Accounts receivable - HAP	1,195	(1,002)
Prepaid expenses	(605)	(2,594)
Increase (decrease) in liabilities		
Accounts payable	111	1
Accrued interest	(145)	(137)
Accrued expenses	(411)	3,476
Deferred income	169	(708)
Tenant security deposits held in trust	1,137	(81)
Accrued owner fees	20,908	15,523
Net cash provided by operating activities	\$ 276,028	\$ 262,339

see accompanying notes

ROBLEDO RIDGE, LLLP
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

1. Organization

Robledo Ridge, LLLP (the “Entity”) was formed in 2011 to construct, develop and operate a 71-unit property located in Las Cruces, New Mexico known as Robledo 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 Enterprise Multi-State LIHTC Fund, LLLP (the “Limited Partner”). The general partner is Robledo Ridge, LLC (the “General Partner”). Pursuant to the Amended and Restated Agreement of Limited Partnership and the subsequent amendments (“the Partnership Agreement”), profits, losses and tax credits are allocated 0.01% to the General Partner and 99.99% to the Limited Partner.

The Property 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 Entity provides housing to low- and moderate-income tenants, subject to regulation by MFA and the United States Department of Housing and Urban Development, as to rental charges and operating methods. Lower rental charges to tenants are recovered by the Property through rent subsidies provided by the local Public Housing Authority.

On February 5, 2001, the Entity executed a 542 (c) Multifamily Insurance Program Regulatory Agreement (the “Regulatory Agreement”) with the MFA in order to obtain the “risk-sharing” mortgage loan. The Entity 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.

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, all capital contributions had been provided.

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.

ROBLEDO RIDGE, LLLP
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 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.

Fixed assets and depreciation

Fixed assets are recorded at cost. Buildings, which include building improvements, are depreciated over their estimated useful lives of 27.5-40 years using the straight-line method. Site improvements are depreciated over their estimated useful lives of 10-20 years using the straight-line method. Furniture and equipment are depreciated over their estimated useful lives of 10 years using the straight-line method. Depreciation expense for the years ended December 31, 2019 and 2018 was \$263,517 and \$263,518, respectively.

ROBLEDO RIDGE, LLLP
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

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

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 \$3,791 each year.

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.

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.

Property taxes

The General Partner is owned by a public housing authority which qualifies the Entity for full exemption from property taxes. The tax exemption is subject to change by an act of State Legislature. Such change may occur with little notice and could materially impact the rental operations of the Entity

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.

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.

ROBLEDO RIDGE, LLLP
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

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

Economic concentrations

The Entity operates one property in Las Cruces, 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, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

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 Partnership'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.

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.

ROBLEDO RIDGE, LLLP
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 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 operating activities	\$262,319	\$ 20	\$ 262,339
Net cash flows from investing activities	(\$238,532)	\$ 238,532	\$ 0

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 \$23,541 and \$20,460, respectively.

Other 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 \$3,524 and \$1,774, respectively.

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 \$1,566 and \$1,736, respectively.

Replacement reserve

Pursuant to the Partnership Agreement, annual deposits of \$31,630, increasing annually at 3%, 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 \$185,255 and \$150,471, respectively.

4. Entity assets

Operating reserve

Pursuant to the Partnership Agreement, the Entity is required to fund an operating reserve in the amount of \$208,910. 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 \$208,839 each year.

ROBLEDO RIDGE, LLLP
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

5. Related party transactions

Property management fee

The Entity entered into a management agreement with MVPHA (the “Management Agent”), a related party of the General Partner. The Management Agent entered into an agreement with Mayfair Management Group (the “Management Sub-Agent”), an unrelated party, for services rendered in connection with the leasing and operation of the Property.

The Management Agent fee for its services is 6% of the gross rental collections of the Property. During 2019 and 2018, property management fees of \$42,409 and \$42,449, 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 \$3,594 and \$3,802, respectively, remained payable, and are included in “Accounts payable” on the accompanying balance sheets.

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

Reimbursed expenses

The Management Sub-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.

Investor services fee

Pursuant to the Partnership Agreement, the Entity pays an investor services fee to the Limited Partner. The fee is cumulative and payable subject to available cash flow, as defined in the Partnership Agreement. The annual fee is \$4,000, increasing at a rate of 3% each year. During 2019 and 2018, investor services fees of \$4,919 and \$4,776, respectively, were incurred. As of December 31, 2019 and 2018, investor services fees of \$4,919 and \$0, respectively, were outstanding and are included in “Accrued owner fees” on the accompanying balance sheets.

Partnership administrative fee

Pursuant to the Partnership Agreement, the Entity pays a partnership administrative fee to the General Partner. The fee is cumulative and paid annually from available cash flow, as defined in the Partnership Agreement. The partnership administrative fee is \$13,000, increasing at a rate of 3% each year. During 2019 and 2018, partnership administrative fees of \$15,989 and \$15,523, respectively, were incurred. As of December 31, 2019 and 2018, partnership administrative fees of \$115,602 and \$99,613, respectively, were outstanding and are included in “Accrued owner fees” on the accompanying balance sheets.

ROBLEDO RIDGE, LLLP
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

5. Related party transactions (continued)

Development fee

The Entity agreed to pay MVPHA, a related party of the General Partner, a total fee of \$1,132,639 for services relating to the development of the Property. Per the original agreement, the deferred portion of the development fee was expected to be \$494,711; however, due to a downward adjusted, an additional amount was deferred. All deferred development fees will accrue interest of 1% of the original expected deferred development fee. 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 \$800,883 both years. As of December 31, 2019 and 2018, the long-term accrued interest was \$29,682 and \$24,735, respectively.

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 \$228,000, and the obligation to provide such funds terminates upon achievement of certain operating milestones.

6. Long-term debt

The Entity has four notes payable to three 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
Mortgage from New Mexico Mortgage Finance Authority in the amount of \$2,000,000 (the "Mortgage"). The Mortgage bears interest at a rate of 5.50% per annum and matures on May 1, 2049. Principal and interest payments of \$10,740 are due monthly through the maturity date. The mortgage is secured by the Property and is secured by HUD under Section 542(c) of the National Housing Act. During 2019 and 2018, interest expense of \$103,864 and \$105,200, respectively, was incurred. As of December 31, 2019 and 2018, interest of \$8,603 and \$8,717 , respectively, was accrued.	\$ 1,876,911	\$ 1,901,817

ROBLEDO RIDGE, LLLP
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

6. Long-term debt (continued)

	2019	2018
<p>Second Mortgage from the New Mexico Housing Trust Fund payable to New Mexico Mortgage Finance Authority in the amount of \$500,000 (the "Second Mortgage"). The Second Mortgage bears interest at a rate of 3.0% per annum. Principal and interest payments of \$2,108 are due monthly through the maturity date. Maturity occurs at the sale, refinance, or transfer of the Property, or on September 1, 2043, whichever occurs first. The mortgage is secured by the Property. During 2019 and 2018, interest expense of \$13,048 and \$13,410, respectively, was incurred. As of December 31, 2019 and 2018, interest of \$1,073 and \$1,104, respectively, was accrued.</p>	429,317	441,534
<p>On April 3, 2014, the Entity obtained a note from MVPHA, a related party of the General Partner, in the amount of \$543,476. The promissory note bears interest at a rate of 1.0% per annum, compounded monthly. Principal and interest payments are subject to available cash flow, as further defined in the Partnership Agreement. The entire outstanding principal and accrued and unpaid interest are payable in full by the maturity date, which is the earlier of the 35th anniversary date upon which the City of Las Cruces issues a final certificate of occupancy or equivalent for the Property, or December 31, 2048. The note is secured by the Mortgage, Assignment of Rents, Security Agreement and Fixture Filing. During 2019 and 2018, interest expense of \$5,709 and \$5,435, respectively, was incurred. As of December 31, 2019 and 2018, long-term interest of \$33,144 and \$27,435, respectively, was accrued.</p>	543,476	543,476
<p>On April 3, 2014, the Entity obtained a note from MVPHA, a related party of the General Partner, in the amount of \$95,000. The promissory note bears interest at a rate of 1.0% per annum. Principal and interest payments are subject to available cash flow, as further defined in the Partnership Agreement. The entire outstanding principal and accrued and unpaid interest are payable in full by the maturity date on April 3, 2049. The note is unsecured. During 2019 and 2018, interest expense of \$984 and \$950, respectively, was incurred. As of December 31, 2019 and 2018, interest of \$4,409 and \$3,425, respectively, was accrued.</p>	95,000	95,000
Notes payable	\$ 2,944,704	\$ 2,981,827

Total interest expense for 2019 and 2018 was \$123,605 and \$124,995, respectively. As of December 31, 2019 and 2018, accrued interest was \$47,229 and \$40,681, respectively.

ROBLEDO RIDGE, LLLP
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

6. Long-term debt (continued)

Notes payable consists of the following as of December 31,

	<u>2019</u>	<u>2018</u>
Principal balance	\$ 2,944,704	\$ 2,981,827
Less: unamortized debt issuance costs	<u>(50,059)</u>	<u>(51,702)</u>
Notes payable, net of unamortized debt issuance costs	2,894,645	2,930,125
Less: current portion	<u>(38,899)</u>	<u>(37,123)</u>
Long-term notes payable	<u>\$ 2,855,746</u>	<u>\$ 2,893,002</u>

Debt issuance costs of \$60,041 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 5.63% each year. During 2019 and 2018, amortization expense for debt issuance costs was \$1,643 and \$1,644, respectively, and is included in “Financial expenses” on the accompanying statements of operations.

Aggregate principal payments are due as follows:

2020	\$ 38,899
2021	40,766
2022	42,729
2023	44,792
2024	46,960
2025 - 2029	271,446
2030 - 2034	345,170
2035 - 2039	440,233
2040 - 2044	530,881
2045 - 2049	<u>1,142,829</u>
Total	<u>\$ 2,944,704</u>

7. 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.

ROBLEDO RIDGE, LLLP
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

7. Commitments and contingencies (continued)

Housing assistance agreement

The entity receives a significant portion of its rental income from the Department of Housing and Urban Development (“HUD”) pursuant to a Section 8 Housing Assistance Payment Contract (“HAP”) for the 71 units in the Project. Under the Section 8 Program, a tenant is required to pay 30% of their adjusted income toward housing with the Federal Government subsidizing the difference between what the tenant pays, and the fair market rent established by HUD.

8. Property purchase option

Pursuant to the Partnership Agreement, the General Partner has an option to purchase the Project at the end of the low-income housing tax credit compliance period at a price that would facilitate the purchase while protecting the Partnership’s tax benefits from the Project. Such option is based on the General Partner or sponsor maintaining the low-income occupancy of the Project and is in a form satisfactory to legal and accounting counsel.

**HUD
SUPPLEMENTARY
INFORMATION**

ROBLEDO RIDGE, LLLP
SCHEDULES OF EXPENSES
For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ADMINISTRATIVE		
Professional management fees	\$ 42,409	\$ 42,449
Salaries and wages	47,531	44,963
Telephone, cable, internet	3,496	4,174
Professional services	16,070	19,493
Training	554	600
Compliance and monitoring fees	5,700	6,300
Bad debt and adjustments	2,297	5,501
Dues, fees, and subscriptions	525	603
Supplies and office expenses	18,673	18,138
Credit/criminal reports	2,006	1,993
Advertising	863	697
Equipment and furniture	1,740	2,751
Travel, meals, and entertainment	1,005	971
	<u>142,869</u>	<u>148,633</u>
Total administrative expenses	<u>\$ 142,869</u>	<u>\$ 148,633</u>
UTILITIES		
Electricity	\$ 2,646	\$ 3,127
Water	11,878	13,879
Gas	526	1,068
	<u>15,050</u>	<u>18,074</u>
Total utility expenses	<u>\$ 15,050</u>	<u>\$ 18,074</u>
MAINTENANCE		
Maintenance payroll	\$ 48,100	\$ 33,868
Appliance and equipment replacement	7,320	5,156
Supplies	6,520	7,860
Repairs and maintenance	8,929	8,441
Security	850	-
Trash removal	1,740	2,419
Landscape maintenance	(443)	22,095
Unit preparation	4,763	3,100
Pest control	4,207	3,885
	<u>81,986</u>	<u>86,824</u>
Total maintenance expenses	<u>\$ 81,986</u>	<u>\$ 86,824</u>

see report of independent auditors

ROBLEDO RIDGE, LLLP
SCHEDULES OF EXPENSES - CONTINUED
For the years ended December 31, 2019 and 2018

	2019	2018
TAXES & INSURANCE		
Insurance	\$ 30,287	\$ 27,771
Payroll taxes	10,528	8,108
Other taxes	2,904	2,645
Miscellaneous taxes and insurance	12,271	13,543
 Total taxes and insurance	 \$ 55,990	 \$ 52,067
 FINANCIAL EXPENSES		
Interest expense	\$ 128,552	\$ 129,942
Mortgage insurance premium	9,421	9,543
Debt issuance costs	1,643	1,644
 Total financial expenses	 \$ 139,616	 \$ 141,129
 Total operating expenses	 \$ 435,511	 \$ 446,727
 NON-OPERATING EXPENSES		
Depreciation expense	\$ 263,517	\$ 263,518
Amortization expense	3,791	3,791
Partnership administration fee	15,989	15,523
Investor services fee	4,919	4,776
 Total non-operating expenses	 \$ 288,216	 \$ 287,608
 Total expenses	 \$ 723,727	 \$ 734,335

ROBLEDO RIDGE, LLLP
SCHEDULE OF CHANGES IN RESTRICTED CASH
For the year ended December 31, 2019

Schedule of Reserve for Replacements

BALANCE, JANUARY 1, 2019	\$	150,471
Monthly deposits		34,784
Interest income		-
Approved withdrawals		-
		<hr/>
BALANCE, DECEMBER 31, 2019	\$	<u>185,255</u>

Schedule of Operating Reserve

BALANCE, JANUARY 1, 2019	\$	208,839
Monthly deposits		-
Interest income		-
Approved withdrawals		-
		<hr/>
BALANCE, DECEMBER 31, 2019	\$	<u>208,839</u>

see report of independent auditors

ROBLEDO RIDGE, LLLP
COMPUTATION OF SURPLUS CASH
For the year ended December 31, 2019

COMPUTATION OF SURPLUS CASH, DISTRIBUTIONS, AND RESIDUAL RECEIPTS

Cash	\$ 671,367
Accounts receivable - HUD	<u>(193)</u>
 Total cash	 671,174
 Accrued mortgage (or bond) interest payable	 9,676
Accounts payable (due within 30 days)	5,557
Accrued expenses (not escrowed)	3,064
Prepaid revenue	3,226
Tenant deposits held in trust	<u>20,343</u>
Less total current obligations	<u>41,866</u>
 Surplus cash (deficiency)	 <u><u>\$ 629,308</u></u>
 Amount available for distribution during next fiscal period	 <u><u>\$ 629,308</u></u>

see report of independent auditors

ROBLEDO RIDGE, LLLP
SCHEDULE OF CHANGES IN FIXED ASSETS
For the year ended December 31, 2019

	Beginning Balance	Additions	Deductions	Ending Balance
Land	\$ 586,168	\$ -	\$ -	\$ 586,168
Buildings	8,774,518	-	-	8,774,518
Site improvements	671,495	-	-	671,495
Furnishings	72,243	-	-	72,243
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL	10,104,424	<u>\$ -</u>	<u>\$ -</u>	10,104,424
Accumulated depreciation	<u>1,417,342</u>	<u>\$ 263,517</u>	<u>\$ -</u>	<u>1,680,859</u>
Net book value	<u>\$ 8,687,082</u>			<u>\$ 8,423,565</u>

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 Robledo Ridge, LLLP, 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 Robledo Ridge, LLLP, 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 Robledo Ridge, LLLP'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 Robledo Ridge, LLLP's internal control. Accordingly, we do not express an opinion on the effectiveness of Robledo Ridge, LLLP'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 Robledo Ridge, LLLP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Novogradec & 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 Robledo Ridge, LLLP, Las Cruces, New Mexico,
and Brian S. Colón, New Mexico State Auditor:

Report on Compliance for The Major HUD Program

We have audited Robledo Ridge, LLLP'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 Robledo Ridge, LLLP's major U.S. Department of Housing and Urban Development ("HUD") program for the year ended December 31, 2019. Robledo Ridge, LLLP'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 Robledo Ridge, LLLP'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 Robledo Ridge, LLLP'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 Robledo Ridge, LLLP's compliance.

Opinion on The Major HUD Program

In our opinion, Robledo Ridge, LLLP 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 Robledo Ridge, LLLP 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 Robledo Ridge, LLLP'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 Robledo Ridge, LLLP'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.

Novogradec & Company LLP

Austin, Texas

March 31, 2020

ROBLEDO RIDGE, LLLP
SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND RECOMMENDATIONS
December 31, 2019

Summary of Auditors' Results

Financial statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes ___X___ No
- Significant deficiencies identified? _____ Yes ___X___ None reported

Noncompliance material to financial statements noted? _____ Yes ___X___ No

Federal awards

Internal control over major federal program:

- Material weakness(es) identified? _____ Yes ___X___ No
- Significant deficiencies identified? _____ Yes ___X___ None reported

Type of auditors' report issued on compliance for major program Unmodified

Findings – Financial Statements Audit

Our audit disclosed no findings that are required to be reported herein under the HUD Consolidated Audit Guide.

ROBLEDO RIDGE, LLLP
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 year ended December 31, 2018, issued by Hinkle + Landers, PC.

Finding 2018-001

Management had a lack of controls over the financial close, monitoring, and reporting process during the year ended 12/31/2018.

Status

Resolved

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.

ROBLEDO RIDGE, LLLP
MORTGAGOR'S (OWNERS) CERTIFICATION
December 31, 2019

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

ROBLEDO RIDGE, LLLP



Signature

March 31, 2020
Date

Name of Signatory 1

Juan Olvera

Title of Certifying Official 1

Executive Director


Auditee Telephone Number

575-528-2007

ROBLEDO RIDGE, LLLP
MANAGING AGENT CERTIFICATION
December 31, 2019

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

Mayfair Management Group



Signature

March 31, 2020

Date

Name of Signatory Carlos Cepeda

Managing Agent Tax Identification Number 26-0052388

Name of Property Manager Mayfair Management Group

ROBLEDO RIDGE, LLLP
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

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.