

**GREATER ALBUQUERQUE
HOUSING PARTNERSHIP, INC.**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS THEREON

FOR THE YEAR ENDED DECEMBER 31, 2016

RICHARD D. NEEL CPA PA
CERTIFIED PUBLIC ACCOUNTANT

**GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.
FOR THE YEAR ENDED DECEMBER 31, 2016**

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RICHARD D. NEEL CPA PA

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Greater Albuquerque Housing Partnership, Inc.

We have audited the accompanying financial statements of the Greater Albuquerque Housing Partnership Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant

to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Greater Albuquerque Housing Partnership, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

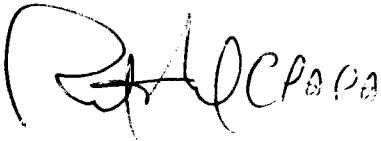
Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 report dated December 21, 2017 on our consideration of the Greater Albuquerque Housing Partnership Inc.'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 the Greater Albuquerque Housing Partnership Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "R. H. C. P. S. P. S.", is written over the text.

December 21, 2017

GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2016

ASSETS

Current Assets:

Cash and cash equivalents	\$	3,855,677
Accounts and pledges receivable (Note 6)		510,433
Prepaid expenses		6,800
Total current assets		<u>4,372,910</u>

Property and Equipment:

Property and equipment, net of accumulated depreciation of \$18,892		<u>863</u>
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Other Assets:

Housing project land, improvements held for resale (Note 11)	906,997
Land held for lease (Note 8)	1,971,017
Notes receivable (Note 7)	9,289,931
Endowment fund (Note 14)	27,296
Total other assets	<u>12,195,241</u>

Total assets	<u><u>16,569,014</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	2,509
Notes payable, current portion (Note 5)	1,039,583
Deferred land lease payments (Note 15)	4,000
Accrued payroll expenses payable	4,964
Total current liabilities	<u>1,051,056</u>

Long Term Liabilities:

Notes payable, long term portion (Note 5)	11,424,466
Deferred land lease payments (Note 15)	72,000
Deferred revenue (Note 15)	117,600
Total long term liabilities	<u>11,614,066</u>

Commitments, Contingencies (see note 21)

Total liabilities	<u>-</u> <u>12,665,122</u>
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Net Assets:

Unrestricted net assets	3,875,536
Temporarily restricted net assets (Note 10)	2,636
Permanently restricted net assets (Note 14)	25,720
Total net assets	<u>3,903,892</u>

Total liabilities and net assets	<u><u>16,569,014</u></u>
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The accompanying notes are an integral part of these financial statements.
See accompanying independent auditor's report.

GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:					
Government contracts (Note 9)	\$	-	7,224	-	7,224
Other grants		-	1,000	-	1,000
Developer fees		683,113	-	-	683,113
Other fees		154	-	-	154
Partnership management, service fees		133,080	-	-	133,080
Land lease		4,000	-	-	4,000
State tax credits		11,416	-	-	11,416
Interest income		3,901	-	-	3,901
Investment gains		1,335	578	-	1,913
Loss on sale of homes (Note 16)		(117,735)	-	-	(117,735)
Loss on transfer of project assets (Note 16)		(161,309)	-	-	(161,309)
Other income		200	-	-	200
Net assets released from restrictions:					
Satisfaction of use restrictions		8,224	(8,224)	-	-
Total Support and Revenue		566,379	578	-	566,957
Expenses:					
Program services:					
Affordable housing		394,598	-	-	394,598
Supporting services:					
Management and general:		86,364	-	-	86,364
Total expenses		480,962	-	-	480,962
Change in Net Assets		85,417	578	-	85,995
Net Assets, beginning of year as originally stated		3,631,441	2,058	25,720	3,659,219
Prior Period Adjustment See Note 24		158,678	-	-	158,678
Net Assets, beginning of year as restated		3,790,119	2,058	25,720	3,817,897
Net Assets, end of year		3,875,536	2,636	25,720	3,903,892

The accompanying notes are an integral part of these financial statements.
See accompanying independent auditor's report.

GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016

		Affordable Housing	Total Program	Management, General	Total Expense
Salaries	\$	232,786	232,786	58,197	290,983
Payroll taxes		18,149	18,149	4,538	22,687
Employee benefits		26,348	26,348	6,587	32,935
Total personnel expenses		277,283	277,283	69,322	346,605
Contractual services		14,055	14,055	3,514	17,569
Conferences, seminars		940	940	235	1,175
Donations		685	685	-	685
Dues, subscriptions		2,018	2,018	504	2,522
Insurance		13,854	13,854	3,463	17,317
Meals, entertainment		3,759	3,759	940	4,699
Miscellaneous		6,825	6,825	1,706	8,531
Postage, shipping		190	190	48	238
Printing		967	967	242	1,209
Project expenses		48,461	48,461	-	48,461
Occupancy		9,979	9,979	2,495	12,474
Supplies		4,345	4,345	1,086	5,431
Telecommunications		7,304	7,304	1,826	9,130
Travel		3,587	3,587	897	4,484
Totals before depreciation		394,252	394,252	86,278	480,530
Depreciation		346	346	86	432
Total expenses		394,598	394,598	86,364	480,962

The accompanying notes are an integral part of these financial statements.
See accompanying independent auditor's report.

GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

Cash Flows Provided (Used) By Operating Activities:		
Change in Net Assets	\$	<u>85,995</u>
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation		432
Endowment fund gains		(578)
Loss on sale of homes		117,735
Loss on transfer of project assets		161,308
Decrease in accounts, pledges receivable		299,660
Decrease in project land, improvements held for resale, net		874,882
Decrease in prepaid expenses		6,015
Increase in deferred revenues		76,000
Decrease in accounts payable, accrued expenses		(10,459)
Total adjustments		<u>1,524,995</u>
Net cash provided (used) by operating activities		1,610,990
Cash Flows Provided (Used) By Investing Activities:		
Note receivable advances		(3,733,455)
Note receivable repayments		831,893
Increase in land held for lease		(355,800)
Net cash provided (used) by investing activities		<u>(3,257,362)</u>
Cash Flows Provided (Used) By Financing Activities:		
Proceeds from issuance of debt obligations		3,305,419
Repayment of debt obligations		-
Net cash provided (used) by financing activities		<u>3,305,419</u>
Net increase (decrease) in cash and cash equivalents		<u>1,659,047</u>
Cash and cash equivalents, beginning of year		<u>2,196,630</u>
Cash and cash equivalents, end of year		<u><u>3,855,677</u></u>

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. Fair value approximates carrying amounts.

Cash was used for:	Payment of interest expensed	<u>-</u>
	Payment of interest capitalized	<u>-</u>
	Payment of income taxes	<u>-</u>

**The accompanying notes are an integral part of these financial statements.
See accompanying independent auditor's report.**

GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1: Summary of Significant Accounting Policies:

Organization: The Greater Albuquerque Housing Partnership (the Organization) is a nonprofit organization incorporated in New Mexico in 1993. It is dedicated to raising the economic, and social levels of the residents of Albuquerque, New Mexico by providing affordable housing opportunities. It is primarily funded through federal, state, and local government grants, loans, and other assistance.

Basis of Accounting: The financial statements of the Organization have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation: The Organization reports information regarding its financial position and activities in three classes of net assets, in accordance with FASB ASC 958: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Estimates and Expense Allocations: The financial statements include estimates and assumptions made by management that affect the carrying amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results may differ from those estimates. Certain expense items, such as personnel expenses, occupancy, and other costs have been allocated between various program and supporting services based upon time spent, space used, and other factors. Expenses incurred for a specific purpose are not allocated.

The preparation of financial statements in conformity with Accounting Principles Generally Accepted in the United States of America requires the use of management's estimates and allocations.

Promises to Give: Unconditional promises to give are recognized as revenues or gains in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Restricted and Unrestricted Revenue and Support: Unconditional promises to give are recorded as restricted depending on the existence and nature of any donor imposed restrictions. Support that is restricted by the donor is reported as

GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1: Summary of Significant Accounting Policies, continued:

an increase to restricted net assets. When the restriction expires (time restriction ends or purpose restriction accomplished) the restricted net assets are reclassified to unrestricted net assets and reported as released from restrictions.

Contributed Goods and Services: Contributed goods and services are recorded at the estimated values at date of contribution. No amounts have been included in the financial statements for donated services as there is no objective basis for valuation of such services. However, certain services such as board and other services have been contributed to the Organization during the year.

Accounts, Pledges, and Notes Receivable: Receivables are recorded when the related amount is earned, when pledges are received, or when loans are made. All notes receivable are from related partnerships for advances to develop affordable housing, and are secured by real estate, and have no interest provision. All are considered collectible by management and therefore no allowance for bad debts is recorded. See Note 6 and Note 7.

Property and Equipment: Property and equipment is carried at cost or fair market value at date of donation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives of 5 years for office equipment. The Organization capitalizes all items with a life greater than one year and a value greater than \$500. Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred.

Compensated Absences, Pension Plan: The Organization has a policy to provide certain vacation and sick pay compensation for designated employees. The amount of accrued vacation and sick pay compensation at year-end was approximately \$4,250. The Organization provides a defined contribution pension plan (Savings Incentive Match Plan for Employees). Employer contributions are limited to 3% of eligible employee compensation. Approximately \$8,300 in employer contributions were made during the year.

Program Services: Program services include raising the economic and social levels of residents through various activities such as obtaining, developing, and rehabilitating various properties and constructing affordable housing, and providing community education services in Albuquerque, New Mexico.

GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1: Summary of Significant Accounting Policies, continued:

Income Taxes: The Organization is a not-for-profit organization dedicated to providing affordable housing. It has been granted an exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code. There were no unrelated business income taxes incurred during the year. The Organization has been classified by the Internal Revenue Service as other than a private foundation.

The Organization evaluates uncertain tax positions in accordance with ASC 450 *Accounting for Contingencies* and ASC 740-10 *Accounting For Uncertain Tax Positions* whereby the effect of the uncertainties in tax positions would be recorded if the outcome was considered probable and reasonably estimable. As of the current year-end, the Association had no uncertain tax positions. The Organization's open audit periods are the years ended December 31, 2012 through 2016.

Subsequent Events: Subsequent events that occurred through the date of the auditor's report, which is the date the financial statements were available to be issued, are discussed at Note 23.

Note 2: Economic Dependency:

The Organization received approximately 81% of its support and revenue from developer fees for affordable housing projects, and 16% from project management and other service fees during the year.

Note 3: Operating Leases:

The Organization renewed an operating lease for the rental of office facility. Current year rental expense in the amount of \$12,085 for this facility is included in the financial statements. Future minimum rental obligations under this lease are \$13,673 for 2017, and \$1,141 for 2018.

Note 4: Risk Concentration:

The Organization had deposits in high quality financial institutions in excess of the limits insured by the Federal Deposit Insurance Corporation (FDIC). The amount in excess of the insured limits was approximately \$3,351,000 at year-end. The balances in these accounts fluctuated during the year.

GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 5: Notes Payable:

No interest \$3,155,800 construction credit line payable to a municipality to be discharged at the end of the "affordability period" which is 90 years after the completion of the project, secured by The Casa Feliz project real estate.	\$ 3,057,772
No interest \$2,416,000 construction credit line payable to a municipality to be discharged at the end of the "affordability period" which is 20 years after the completion of the project, secured by the Cuatro Apartments project real estate	2,416,000
No interest mortgage note payable to a municipality, balance due if project does not remain in compliance, secured by Plaza Feliz project real estate.	1,000,000
No interest mortgage note payable to a municipality, balance due if project does not remain in compliance, secured by Plaza Feliz project real estate.	620,000
No interest mortgage note payable to a municipality, balance due if project does not remain in compliance, secured by Plaza Feliz project real estate.	1,850,000
No interest \$1,300,000 credit line note payable to a municipality to be discharged at the end of the "affordability period" which is October 10, 2102 (90 year term), secured by the Plaza Ciudadana project real estate.	1,300,000
No interest mortgage note payable to a municipality, to be discharged at the end of the "affordability period" which is October 10, 2102 (90 year term), secured by Plaza Ciudadana project real estate.	240,694
No interest mortgage note payable to a municipality, to be discharged at the end of the "affordability period" which is October 10, 2102 (90 year term), secured by Plaza Ciudadana project real estate.	940,000
No interest mortgage note payable to a municipality due as affordable housing is sold, secured by TVID project real estate.	321,870
No interest mortgage note payable to a municipality, due as affordable housing is sold, secured by Barelás project real estate.	599,996
No interest mortgage note credit line in the total amount of \$229,000 payable to a municipality, due as affordable housing is sold, secured by Barelás project real estate	104,091
No interest note payable to a municipal water authority, due as certain housing is sold, unsecured.	<u>13,626</u>
Current portion	12,464,049
Long term portion	<u>1,039,583</u>
	<u>11,424,466</u>

All project real estate and notes receivable are classified as "Other Assets" on statement of financial position. See discussion of loan classification at Note 19. See discussion of below-market interest rates at Note 20.

Note payable principal maturities are classified as follows:

Year ended December 31, 2017	\$ 1,039,583
After December 31, 2021	<u>11,424,466</u>
	<u>12,464,049</u>

**GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 6: Accounts, Pledges, Receivable:

Accounts and pledges receivable are as follows:

Due from Plaza Feliz Limited Partnership LLLP for management fee	\$	72,993
Due from Cuatro Apartments Ltd. Partnership LLLP for developer fee		230,669
Due from Cuatro Apartments Ltd. Partnership LLLP for various expenses		36,422
Due from City of Albuquerque for refund of Cuatro Apts financial guarantee		158,113
Due from City of Albuquerque for grant billing		7,224
Service coordinator fees receivable		5,012
Total		<u>510,433</u>

All of the above accounts receivable are considered collectible by management and therefore no allowance for doubtful accounts has been recorded.

Note 7: Notes Receivable:

Notes receivable are as follows:

Note receivable from Plaza Feliz Limited Partnership LLLP Due if project does not remain in compliance for 20 years, Secured by Plaza Feliz project real estate. See Note 17.	\$	2,824,900
Note receivable from Plaza Ciudadana Limited Partnership LLLP Due if project does not remain in compliance for 90 years, Secured by Plaza Ciudadana project real estate. See Note 17.		1,045,493
Note receivable from Cuatro Apartments Limited Partnership LLLP Due if project does not remain in compliance for 20 years, Secured by Plaza Ciudadana project real estate. See Note 18.		2,416,000
Note receivable from Casa Feliz Limited Partnership LLLP Due if the project does not remain in compliance for 90 years, Secured by Casa Feliz project real estate. See Note 18.		2,701,972
Notes receivable from 22 homebuyers Due if homes are resold, secured by real estate. See Note 12.		301,566
Total		<u>9,289,931</u>

All of the above notes receivable carry no interest provision. See Note 20 for below market interest loans.

All of the above notes receivable are classified as non-current assets, as management considers it unlikely that any projects will cease to be in compliance as low income housing.

Note 8: Land Held for Lease:

Land held for lease is as follows:

Land held for lease to Plaza Feliz Limited Partnership LLLP	\$	628,776
Land held for lease to Plaza Ciudadana Limited Partnership LLLP		940,000
Land held for lease to Casa Feliz Limited Partnership LLLP		402,241
Total		<u>1,971,017</u>

**GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 9: Governmental Contracts:

Proceeds from governmental contracts are as follows:

	Classification:	
	Revenue	Loan
City of Albuquerque, contract #709068, total \$36,697, Federal funding-HOME, CFDA #14.239	\$ 7,224	-
City of Albuquerque, contract #705536, total \$2,416,000, Federal funding-HOME, CFDA#14.239	-	2,416,000
City of Albuquerque, contract # 689258, 668425 (Trumbull Village Infill Housing Project)	-	321,870
City of Albuquerque, contract #687790, total \$600,000, (UDAG Construction Loan)	-	599,996
City of Albuquerque, contract #685238, total \$229,000 (Barelas Housing Project)	-	104,091
City of Albuquerque, contract #704237, total \$1,300,000 (Workforce Housing Trust Fund-Plaza Ciudadana construction loan)	-	1,300,000
City of Albuquerque, contract #702063 (I School/Broadway Project)	-	1,180,694
City of Albuquerque, contract #701926, total \$620,000 (Plaza Feliz Land)	-	620,000
City of Albuquerque, contract #701926, total \$1,000,000 (Plaza Feliz Construction Loan)	-	1,000,000
City of Albuquerque- contract #702293, total \$1,905,000 Federal funding-HOME, CFDA #14.239	-	1,843,953
City of Albuquerque-contract #706802, total \$3,155,800 (Casa Feliz land and construction loan)	-	3,057,772
	<u>7,224</u>	<u>12,444,376</u>

Note 10: Restrictions on Net Assets:

Certain temporarily restricted support was recognized in the current and prior years. Some of these items were released from donor restrictions by incurring expenses or satisfying the purpose of the specified restrictions. Temporarily restricted support recognized, released from restrictions, and remaining at year-end are as follows:

	Beginning	Recognized	Released	Remaining
City of Albuquerque contracts restricted to homebuyer counseling US Bank grant	\$ -	7,224	7,224	-
restricted to program activities GAHP Endowment Fund	-	1,000	1,000	-
Income restricted to scholarships Wells Fargo Foundation grant	999	578	-	1,577
restricted to down payment assistance	1,059	-	-	1,059
	<u>2,058</u>	<u>8,802</u>	<u>8,224</u>	<u>2,636</u>

GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 11: Housing Project Land, Improvements, Held for Resale:

Housing project land, improvements, and work in progress held for resale include fair value of the Trumbull Village Infill project in the amount of \$210,000, which includes seven vacant lots, and infrastructure. It also includes fair value of the Barelas project in the amount of \$254,900, which includes one home, four vacant lots, and infrastructure. It also includes the fair value of the Sterling Apartments project in the amount of \$401,722, which includes capitalized development in progress. It also includes the Thaxton Homes project in the amount of \$40,375 in capitalized planning, development, and constructions costs.

Work has been curtailed in the Trumbull Village Infill, Barelas Homes, and Thaxton Homes projects as the resale market remains uncertain. All are considered non-current assets in the accompanying financial statements. Homes and lots in the Barelas Homes project and the Trumbull Village Infill project continue to be for sale to qualified buyers. See Note 23.

Note 12: Mortgage Notes Receivable From Homebuyers:

Mortgage notes receivable include \$301,566 due from 19 purchasers of homes sold in prior years and three homes sold in 2016. These notes have no interest provision and are due only upon sale of the homes by the original qualified purchasers. They are secured by mortgages on the related properties. They are intended as incentives for the original purchasers to continue to occupy the homes, especially where the market value at purchase date exceeds the purchase price. Because the notes are secured by the homes, management considers the possibility of any future material losses to be unlikely, and therefore no allowance for bad debts has been recorded.

Note 13: Endowment Fund:

Permanently restricted net assets at year-end consist of an endowment fund established in a prior year to honor certain board members of the Organization for exemplary service, and to provide funds restricted to charitable, scientific, or

GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 13: Endowment Fund, continued:

educational grants to support activities of the Organization. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Organization indefinitely and income from the fund that is distributed by the fund is to be expended for charitable, scientific, or educational activities of the Organization. As a result of the Organization's interpretation of applicable laws, and in accordance with donor restrictions, contributions to the endowment fund are classified as permanently restricted net assets, and income of the fund is classified as temporarily restricted net assets restricted to scholarships and other program expenses as determined by the board of directors.

The fund is held and administered under an agreement with the Albuquerque Community Foundation (ACF). This agreement stipulates that the fund shall be the property of ACF in its corporate capacity, and not deemed a trust fund held by ACF in a trustee capacity. All gifts to the fund are irrevocable. ACF has ultimate authority and control over all endowment property held and the income derived therefrom. ACF may commingle property of the endowment fund with other funds of the foundation for investment purposes.

Distributions from the fund shall be as stated in ACF's distribution policy. The Organization will be notified annually of the endowment funds available for distribution. The Organization directs whether the distribution is then made. The Organization may request distributions in excess of ACF's normal distribution policy under extraordinary circumstances, but such requests are subject to ACF's approval, and are not binding on ACF. No such distributions were made during the current year. If distributions are made, the distributed funds will be classified as temporarily restricted net assets until expended for the restricted purposes, when they will be reclassified as unrestricted net assets.

If the foundation ceases to be a charitable organization, or dissolves, the endowment assets remaining after making provisions for fees properly chargeable to the endowment fund assets would be distributed to charitable organizations in accordance with contract provisions.

The beginning fair value of the endowment fund was \$26,719. During the year there were no contributions and \$578 in net investment gains, resulting in an ending fair value of \$27,296. \$25,720 of this balance is permanently restricted.

GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 14: Fair Value Measurements:

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of inputs that are other than quoted prices included within Level 1 that are observable either directly or indirectly, and Level 3 inputs that are unobservable inputs for the assets, which are those inputs that reflect the Organizations own assumptions about the assumptions that market participants would use in pricing the asset developed using the best information available. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Fair value measurements for long-lived assets are established as follows:

Endowment Fund: Investments of endowment funds are determined and made by ACF. As these investments are made under contract with ACF, and are not necessarily actively traded investments, and no other significant observable inputs are available, the endowment fund asset is stated at contract value. The contract value is derived from contract provisions. The contract value is based on ACF's ability to meet it's financial obligations from the general assets of ACF.

The endowment fund assets are reported at fair value. Based on the above, the fair value of the endowment fund is reported at contract value, using Level 3 inputs.

Affordable home projects: Investments in affordable home projects are determined using actual resale prices of completed affordable housing, and appraisal values for vacant lots yet to be developed, using Level 2 inputs.

Investments in affordable housing partnerships: These investments are 0.01% of the partnerships' capital, and this results in insignificant values that approximate zero, and are therefore not carried on the Organization's statement of financial position.

GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 15: Deferred Revenue:

In prior years the Organization encumbered four homebuyers with a third mortgage requiring each of these buyers to pay the Organization \$29,400 upon subsequent sale of the homes. This action was taken to prevent buyers of certain homes sold at below market prices from reselling the homes at a quick profit, which is contrary to the Organizational goal of providing affordable housing to qualified individuals. The total amount of this deferred revenue is \$117,600.

During the year the organization received a full prepayment of a 20 year ground lease from the Casa Feliz Limited Partnership LLLP, pursuant to the developer agreement in the amount of \$80,000. Of this total amount, \$4,000 is recognized as revenue in the current year, \$4,000 is deferred as a current liability, and \$72,000 is deferred as a long-term liability. \$4,000 will be recognized as lease income in each subsequent year.

Note 16: Asset Disposal Losses:

During the year the Organization sold three homes in the Trumbull Village Infill Project and three homes in the Barelvas project. Total sales price for these homes was \$848,800, and total closing and capitalized costs of these homes was \$966,535, resulting in a loss of \$117,735. The home inventory was significantly depleted, and no additional asset impairment loss was recorded for remaining inventory due to this current year loss incurred on the sale of homes.

During the year the Organization transferred it's work in progress on the Casa Feliz Project to the Casa Feliz Limited Partnership LLLP, resulting in a book loss of \$161,309.

Note 17: Partnership Projects Completed in Prior Years:

In prior years, the Organization developed the following affordable housing projects. All projects received approval and funding from the City of Albuquerque (The City). Some received HUD HOME funded loans passed through The City. For each project a limited liability partnership was created. 99.99% of each partnership is owned by various national financial institutions as limited partners. The Organization created a single-member limited liability company to act as the general partner and own 0.01% of the limited partnership. All projects qualified for federal and state low income housing tax credits or sustainable housing credits, and these credits were sold to finance the projects.

GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 17: Partnership Projects Completed in Prior Years, continued:

All loans from the City, or to the various partnerships, have no interest provision. See Note 20 regarding below market interest rate loans.

Plaza Feliz Project:

Project description: Multi-family apartment complex including 55 low-income units, 11 market rate units, and daycare facility and rental office.

Land: Received from the City in exchange for a \$620,000 mortgage note payable. The land is leased to the partnership for 99 years, starting in 2010 for \$100 per annum. The lease can be renewed four times. Each renewal is for ten years.

Construction loans: Received \$2,850,000 from the City (including pass-through HUD HOME funds in the amount of \$1,850,000) in exchange for a mortgage note payable with no interest provision. All proceeds were loaned to the partnership to fund project construction with no interest provision. All loans will be forgiven after 20 years if the project remains qualified low-income housing property. The proceeds loaned to the partnership have some repayment provisions based on a cash flow formula. No loan repayments were received in the current year.

Current fees: The Organization accrued management fees and partnership income fees in the amount of \$86,251 for the current year.

Contingent liabilities, guarantees: The Organization has guaranteed liabilities of the partnership up to \$219,190 for operating losses and the cost of providing social services in excess of \$20,000 per year.

This project was completed and occupied in 2011.

Plaza Ciudadana Project:

Project description: Multi-family apartment complex including 56 low-income units and 12 market rate units.

Land: Received from the City in exchange for a \$940,000 mortgage note payable. The land is leased to the partnership for 99 years, starting in 2014 for \$100 per annum. The lease can be renewed four times. Each renewal is for ten years.

**GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 17: Partnership Projects Completed in Prior Years, continued:

Construction loans: Received \$1,586,000 from the City in exchange for a mortgage note payable with no interest provision. Proceeds in the amount of \$1,762,696 were loaned to the partnership to fund project construction with no interest provision. All loans will be forgiven after 90 years if the project remains qualified low-income housing property.

Current fees: The Organization will receive no further fees from this project.

Contingent liabilities, guarantees: The Organization has guaranteed liabilities of the partnership up to \$211,476 for operating losses.

This project was completed and occupied in 2013.

Note 18: Partnership Projects in progress:

Cuatro Apartments Project:

Project description: Multi-family apartment complex including 55 low-income units, and one non-revenue manager unit.

Land: Land and initial planning and design work purchased by the Organization prior to 2014 as a project known as "1319 Fourth St. Project" for the total amount of approximately \$886,000 was transferred to this project. Additional costs for planning, design, permits, and ownership costs were incurred in 2014 in the amount of approximately \$897,000. All were transferred to the partnership in 2014 in exchange for \$663,875 in cash and a no interest promissory note in the amount of \$562,000. A loss in the amount of approximately \$557,000 was recorded on the transfer.

Construction loans: Received \$2,416,000 from the City (HUD HOME funds passed through the City) in exchange for a mortgage note payable with no interest provision. All proceeds were loaned to the partnership to fund project construction with no interest provision. All loans will be forgiven after 20 years if the project remains qualified low-income housing property.

GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 18: Partnership Projects in Progress, continued:

Current fees: The Organization accrued no developer fees in the current year. Another \$230,669 in developer fees that were accrued in 2015 are scheduled to be received in 2017. Another \$379,244 in developer fees will be accrued and received in 2017 when the project is deemed 100% complete. The Organization had also accrued a \$158,113 guarantee refund during the year that is classified as a developer fee.

Contingent liabilities, guarantees: The Organization has guaranteed liabilities of the partnership up to \$145,513 for operating losses.

This project is expected to be completed and occupied in 2017.

Casa Feliz Project:

Project Description: Multi-family housing on scattered sites, including 88 low-income housing units and one non-revenue manager unit.

Land: Land previously owned with a fair value of \$46,441, plus land to be purchased from the City in exchange for \$355,800 included in the construction mortgage note payable shown below. Leased to the partnership for 20 years, in exchange for a prepaid lease payment of \$80,000 that was prepaid in 2016. The lease commenced in 2016.

Construction loans: Will receive a total of \$2,800,000 from the City, in exchange for a mortgage note payable with no interest provision. All loans will be forgiven after 90 years if the project remains qualified low-income housing property. The total amount of loans for construction and purchase of land is \$3,155,000.

The work in progress on this project was transferred to the partnership in 2016, resulting in a loss of \$161,309. See subsequent event Note 23.

Current fees: The Organization received \$525,000 in developer fees in the current year. Developer fees in the total amount of \$975,000 will be received in subsequent years in accordance with the developer agreements. Developer fees were received subsequent to year-end. See subsequent event Note 23.

Contingent liabilities, guarantees: The Organization has guaranteed liabilities of the partnership up to \$268,347 for operating losses.

This project is expected to be completed and occupied in 2017.

GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 18: Partnership Projects in Progress, continued:

Sterling Downtown Project:

Project Description: Multifamily housing project including 107 low-income housing units, and one non-revenue manager unit.

Land: The land will be leased from Bernalillo County.

Construction loans: The Organization will receive a total of \$4,000,000 from the City, in exchange for a mortgage note payable with no interest provision. In addition, an overpayment of funds borrowed from the City for a project in prior years in the amount of \$636,540 will be loaned to the Sterling Downtown LLLP. All loans will be forgiven after 90 years if the project remains qualified low-income housing property. The total amount of loans for construction borrowed from the City will be \$4,000,000. The total amount of loans receivable from the Partnership will be \$4,636,540.

Current fees: The Organization received no developer fees in the current year. Developer fees in the total amount of \$1,590,000 will be received in subsequent years in accordance with the developer agreements. Developer fees were received subsequent to year-end. See subsequent event Note 23.

Contingent liabilities, guarantees: The Organization has guaranteed liabilities of the partnership up to \$338,182 for operating losses.

This project is expected to be completed and occupied in 2018.

Note 19: Note Payable Classification:

Certain notes payable to a municipality do not have stated due dates, but are payable upon sale of related affordable housing projects. It is management's intent to develop and sell affordable housing as soon as possible, even though current real estate market conditions are expected to delay such sales past the original selling time projections. Because of management's intent to sell the housing as soon as possible, and it can be reasonably expected that at least some housing will be sold within one year, all such debt is classified as a current liability.

GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 20: Below Market Interest Loans:

Certain notes payable and notes receivable include zero interest provisions that are below interest rates that were normally prevailing for similar notes at the inception date. Because the Organization, as a community development organization, is unable to ascertain what the fair interest rate would be under the circumstances of each individual loan, no provision for the amount of the foregone interest expense, or interest income, and the related lender contribution revenue, or recipient donation expense, has been recorded or presented in these financial statements. See Note 5 for a description of each note payable and Note 7 for a description of each note receivable..

Note 21: Commitments and Contingencies:

The Organization received various federal and other grants and contracts for specific purposes that are subject to review and audit by the cognizant agencies at both the program and financial levels. Such audits could result in a request for reimbursement to the grantor agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the Organization's management such disallowances, if any, would not be significant.

The Organization has provided financial guarantees as follows:

- A) For Plaza Feliz Limited Partnership LLLP: A maximum of \$219,190 to cover operating losses if necessary, and any excess costs over \$20,000 per year to cover costs of certain required social services.
- B) For Plaza Ciudadana Limited Partnership LLLP: A maximum of \$211,476 to cover operating losses, if necessary.
- C) For Cuatro Apartments Limited Partnership LLLP: A maximum of \$145,513 to cover operating losses, if necessary.
- D) For Casa Feliz Limited Partnership LLLP: A maximum of \$268,347 to cover operating losses, if necessary.
- E) For Sterling Downtown Limited Partnership LLLP: A maximum of \$338,192 to cover operating losses, if necessary.

The Organization has certain notes payable that would become due if the related projects are not in compliance with developer agreements (see Note(s) 17 and 18). The possibility of noncompliance is considered remote, in the opinion of management.

GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 21: Commitments and Contingencies, continued:

The likelihood of any commitments or contingences resulting in a material liability is considered remote in the opinion of management.

Note 22: Related Party Transactions:

Plaza Feliz LLLP:

The Organization was a party to related party transactions with Plaza Feliz LLLP, a limited partnership that the Organization was the general partner of through its wholly owned limited liability company Plaza Feliz LLC, as follows:

The Organization accrued or received management and other fees in the approximate amount of \$88,300 from the partnership during the year, and approximately \$73,000 remained receivable at year-end.

The Organization held a note receivable from the partnership in the total amount of \$2,824,900 at year-end.

See Note 17 for further disclosures related to the Plaza Feliz project.

Plaza Ciudadana LLLP:

The Organization was a party to related party transactions with Plaza Ciudadana LLLP, a limited partnership that the Organization was the general partner of through its wholly owned limited liability company Plaza Ciudadana LLC, as follows:

The Organization accrued or received fees in the approximate amount of \$18,400 during the year.

The Organization held notes receivable from the partnership in the total amount of \$1,045,493 at year-end.

See Note 17 for further disclosures related to the Plaza Ciudadana project.

GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 22: Related Party Transactions, continued:

Cuatro Apartments Limited Partnership LLLP:

The Organization was a party to related party transactions with Cuatro Apartments Limited Partnership LLLP, a limited partnership that the Organization was the general partner of through its wholly owned limited liability company Cuatro Apartments LLC, as follows:

The Organization received developer fees accrued in the prior year in the approximate amount of \$503,700 from the partnership during the year. Developer fees accrued in prior years in the approximate amount of \$230,600 remained receivable at year-end. The Organization also accrued a financial guarantee fee in the approximate amount of \$158,100 which was receivable at year-end.

The Organization held notes receivable from the partnership in the total amount of \$2,416,000 at year-end.

See Note 18 for further disclosures related to the Cuatro Apartments project.

Casa Feliz LLLP:

The Organization was a party to related party transactions with Casa Feliz LLLP, a limited partnership that the Organization was the general partner of through its wholly owned limited liability company Casa Feliz LLC, as follows:

The Organization accrued and received developer fees in the approximate amount of \$525,000 during the year.

The Organization received a prepayment of land lease revenue in the amount of \$80,000 during the year. Of this prepayment, \$4,000 was recognized as income in the current year.

The Organization incurred a loss of approximately \$161,300 on the transfer of construction in progress, and other items to the partnership during the year.

The Organization held notes receivable from the partnership in the total amount of \$2,701,972 at year-end.

See Note 18 for further disclosures related to the Casa Feliz project.

GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 23: Subsequent Events:

Significant subsequent events occurring through the report date are as follows:

Trumbull Village Infill Project: A home was sold for approximately \$130,000

Barelas Homes Project: A home was sold for approximately \$154,900.

Casa Feliz LLLP: An additional \$98,028 was borrowed from the City, and loaned to the partnership under the construction loan agreement. Additional unsecured short-term loans were made to this related partnership in the total net amount of approximately \$122,500.

Sterling Downtown Project: A developer agreement was executed with the City of Albuquerque for this project where the City will provide initial construction loan funding of \$4,000,000 for the construction of a 107 low-income multi-family housing project. The total budget for this project is estimated at approximately \$15,611,200 with the remaining financing expected to be provided by a financial institution in exchange for federal low-income housing credits. This project has been tentatively awarded \$6,522,029 in federal low-income tax credits which will be sold with the proceeds retained by the partnership.

The Organization transferred assets with an approximate cost of \$555,598 to the partnership. The partnership reimbursed the full amount resulting no gain or loss. Organization accrued and received \$50,000 in developer fees.

Bridge Street Project: Preliminary planning work was commenced for a proposed low income housing project that would be submitted for tax credit approval in 2018, if the project is deemed viable.

GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 24: Prior Period Adjustment:

In 2014 certain work in progress was transferred to the Cuatro Apartments Limited Partnership LLLP in exchange for cash and promissory notes. A loss in the amount of approximately \$557,000 was recognized by the Organization on the transfer. Subsequently, but prior to the current year, the partnership accepted additional assets with a cost of \$158,678 and these were included in the final promissory note received in exchange for the assets. The prior period adjustment corrects the overstated loss recognized in prior years, increasing the note receivable from the partnership and presented as an asset on the Organization's financial statements by this amount.

Note 25: Management Review:

The Organization has evaluated subsequent events through December 21, 2017, the date that the financial statements were available to be issued.

**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 Board of Directors
Greater Albuquerque Housing Partnership, Inc.

We have audited, 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, the financial statements of the Greater Albuquerque Housing Partnership, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2017.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Greater Albuquerque Housing Partnership, Inc.'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or other employees, in the normal course or performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control that we consider to be significant deficiencies that are described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002.

Compliance and Other Matters

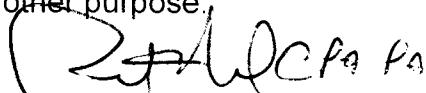
As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2016-003 and 2016-004.

Organization's Response to Findings:

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 21, 2017

RICHARD D. NEEL CPA PA

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Greater Albuquerque Housing Partnership, Inc.

Report on Compliance for Each Major Federal Program

We have audited the Greater Albuquerque Housing Partnership, Inc.'s compliance of the types of compliance requirements described in OMB *Compliance Supplement* that could have a direct and material effect on the Organization's major federal programs for the year ended December 31, 2016. The Greater Albuquerque Housing Partnership, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Greater Albuquerque Housing Partnership Inc.'s major federal programs based on our audit of the types of 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 audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Greater Albuquerque Housing Partnership, Inc.'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 requirements for each major federal program. However, our audit does not provide a legal determination of the Greater Albuquerque Housing Partnership, Inc.'s compliance.

Basis for Qualified Opinion on HUD Home Investment Partnership Program

As described in the accompanying schedule of findings and questioned costs, the Greater Albuquerque Housing Partnership did not comply with requirements regarding CDFA 14.239 HUD Home Investment Partnership Program as described in finding numbers 2016-003 for Cash Management and 2016-004 for Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the Greater Albuquerque Housing Partnership to comply with the requirements applicable to that program.

Report on Internal Control Over Compliance

Management of the Greater Albuquerque Housing Partnership, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Greater Albuquerque Housing Partnership, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Organization's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

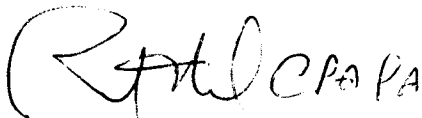
A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program 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 type of compliance requirement of a federal 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 type of compliance requirement of a federal 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-003 and 2016-004 to be significant deficiencies.

The Greater Albuquerque Housing Partnership's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Greater Albuquerque Housing Partnership's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



December 21, 2017

**GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	FEDERAL CATALOG OF DOMESTIC ASSISTANCE NUMBER	PASS THROUGH ENTITY ID NUMBER	EXPENDITURE:
U.S. Department of Housing and Urban Development programs:			
Major Programs:			
Home Investment Partnership Program:	14.239		
Pass-through programs from the City of Albuquerque:			
Cuatro Apartments Project Advance		705536	\$ 2,416,000
Plaza Feliz Project Advance		702293	1,843,953
Trumbull Village Infill Project Advance		688425	184,727
Trumbull Village Infill Project Advance		689258	137,143
Homebuyer Counseling Grant		709068	7,224
Subtotal City of Albuquerque pass-through programs			<u>4,589,047</u>
Total Home Investment Partnership Program			<u>4,589,047</u>
Non-Major Programs:			
None			
Total expenditure of federal awards			<u><u>4,589,047</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

The accompanying notes are an integral part of these financial statements.
See accompanying independent auditors' reports.

GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note A: Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200 Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*. (Uniform Guidance).

Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization.

Note B: Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-122. *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

Loans Outstanding: Amounts included in the Schedule that are indicated as "project advances" represent funds provided as advances loaned to the Organization until various projects are completed. Therefore, amounts presented in this Schedule may differ from amounts presented in the general-purpose financial statements. The total amount of these advances at the beginning of the year was \$4,340,223. New loan advances during the current year were \$241,600, resulting in a total balance at the end of the year of \$4,581,823. These loan advances are subject to continuing compliance requirements. All loans require no payment of interest, as long as the continuing compliance requirements are met.

**GREATER ALBUQUERQUE HOUSING PARTNERSHIP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

SUMMARY OF AUDIT RESULTS:

1. The auditors' report expresses an unmodified opinion on whether the financial statements of the Greater Albuquerque Housing Partnership, Inc. were prepared in accordance with GAAP.
2. Two significant deficiencies were disclosed during the audit of the financial statements. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of the Greater Albuquerque Housing Partnership, Inc. were disclosed during the audit.
4. Two significant deficiencies in internal control over major federal award programs were disclosed during the audit. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for the Greater Albuquerque Housing Partnership, Inc. expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs included: HUD Home Investment Partnership Program, CFDA # 14.239.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Greater Albuquerque Housing Partnership, Inc. was determined to be a low-risk auditee.

FINDINGS-FINANCIAL STATEMENT AUDIT:

SIGNIFICANT DEFICIENCIES

2016-001 Cash:

Condition: General ledger cash balance did not agree with bank reconciliation cash balance

Criteria: Internal controls should be in place to provide reasonable assurance that the general ledger cash balances are agreed to the related bank reconciliations, and that such balances cannot be changed later only after proper management approval.

Cause: A journal entry was made to incorrectly change a cash account balance in the general ledger. There are no procedures in place to require management approval prior to making journal entries to the general ledger accounts.

Effect: Because of the failure to require proper management approval, the bookkeeper changed the general ledger balance after the bank account was reconciled, causing an error in the general ledger balance. Errors in cash accounts are especially sensitive and can cause pervasive general ledger errors. Recommendation: Procedures should be implemented to prevent the bookkeeper or other personnel from changing the general ledger balances after such balances have been reconciled and approved. Views of Responsible Officials and Planned Corrective Actions: The Organization agrees with the finding and the recommended procedures will be implemented.

2016-02 Notes Payable

Condition: A note payable (federal funds advance) balance was incorrect, due improper payments being posted to the note balance.

Criteria: Internal controls should be in place to provide reasonable assurance that note payments or additions to the note balance are correctly recorded and are properly approved by management.

Cause: There are no procedures in place to require proper management review and approval for journal entries made by the bookkeeper to note payable balances.

Effect: Because of the failure to require proper management approval, the bookkeeper posted payments to the note payable, and related note receivable accounts that were never made, causing errors in the general ledger note balances only discovered during the independent audit.

Recommendation: Procedures should be implemented to prevent the bookkeeper from changing the general ledger balances without proper management review and approval.

Views of Responsible Officials and Planned Corrective Actions: The Organization agrees with the finding and the recommended procedures will be implemented.

FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARDS PROGRAM AUDIT:

SIGNIFICANT DEFICIENCIES:

HUD HOME INVESTMENT PARTNERSHIP PROGRAM, CFDA #14-239

2016-03 Cash Management

Condition: Federal funds were drawn for project construction costs, but were not paid to a vendor for approximately three months.

Criteria: Federal cash management rules require that federal funds not be drawn down until they will be expended within a reasonable period.

Cause: There are no procedures in place to require that federal funds cannot be drawn down until they will be remitted to vendors within a reasonable period.

Effect: Because of the failure to require proper federal funds cash management procedures, federal penalties or interest provisions, or even disallowance of the cost of the assistance, could be assessed by the federal cognizant agency.

Recommendation: Procedures should be implemented to prevent the drawdown of federal funds until the funds can be properly expended within a reasonable period of time.

Views of Responsible Officials and Planned Corrective Actions: The error happened because a dispute occurred between the Organization and a vendor contractor before the federal funds were paid to the vendor. Management was taking steps to safeguard the federal funds until the dispute was resolved, and this delayed the payment without proper approval. However, the Organization agrees with the finding and the recommended procedures will be implemented.

QUESTIONED COSTS-None

2016-04 Subrecipient Monitoring

Condition: A proper documented plan for monitoring subrecipients was not available.

Criteria: Federal rules for passing federal funds through subrecipients require that the internal control systems of subrecipients for administering federal funds are monitored, and the results of such monitoring activities are documented.

Cause: There are no procedures in place to monitor the subrecipient's system for administering federal funds, and follow through procedures to ensure the funds are properly used and any recommendations for improvements are implemented.

Effect: Because of the failure to implement a proper monitoring system for subrecipients, it increased the risk that the funds were administered improperly. The funds were found to be administered properly by the subrecipient during the independent audit, but the monitoring system and follow up was not adequate.

Recommendation: Procedures should be implemented to prevent federal funds from being passed through a subrecipient unless a proper monitoring system is in place.

Views of Responsible Officials and Planned Corrective Actions: Management notes that Organization personnel had access to the subrecipient's cash account and thereby was able to monitor the use of the funds in question. However, they did not have a written subrecipient monitoring program containing the required federal program elements, and therefore, the Organization agrees with the finding and the recommended procedures will be implemented.

QUESTIONED COSTS-None

Total Questioned Costs-HUD HOME INVESTMENT PARTNERSHIP-None

Corrective Action Plan

January 24, 2018

The Greater Albuquerque Housing Partnership respectfully submits the following corrective action plan for the audit period ending December 31, 2016.

Name and address of accounting firm: Richard D Neel CPA, 3200 Carlisle Blvd NE # 213, Albuquerque, NM 87110

Audit period: Year ending December 31, 2016

The findings from the December 31, 2016 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS-FINANCIAL STATEMENT AUDIT:

SIGNIFICANT DEFICIENCIES

2016-001 Cash:

Recommendation: Procedures should be implemented to prevent the bookkeeper or other personnel from changing the general ledger balances after such balances have been reconciled and approved.

Action taken: We concur with the recommendation, and it was implemented January 31, 2018.

2016-02 Notes Payable

Recommendation: Procedures should be implemented to prevent the bookkeeper from changing the general ledger balances without proper management review and approval.

Action taken: We concur with the recommendation, and it was implemented January 31, 2018.

FINDINGS-FEDERAL AWARD PROGRAM AUDIT

HUD HOME INVESTMENT PARTNERSHIP PROGRAM, CFDA #14-239

SIGNIFICANT DEFICIENCIES:

2016-03 Cash Management

Recommendation: Procedures should be implemented to prevent the drawdown of federal funds until the funds can be properly expended within a reasonable period of time.

Corrective action planned: If funds are drawn down and not disbursed within 72 hours, the funds will be returned to the City of Albuquerque, or other applicable payor of pass-through federal funds. This action was implemented effective January 31, 2018.

2016-04 Subrecipient Monitoring

Recommendation: Procedures should be implemented to prevent federal funds from being passed through a subrecipient unless a proper monitoring system is in place.

Action taken: A monitoring checklist has been developed which addresses all subrecipient monitoring requirements as set forth in the Uniform Guidance and Compliance Supplement. *This will be utilized in the future to monitor all subrecipients receiving pass through federal awards.* This change was implemented January 31, 2018.

If the City of Albuquerque, or the Department of Housing and Urban Development has questions regarding this plan, please contact Felipe Rael at (505) 244-1614.

Sincerely yours,



Felipe Rael

Executive Director