HINKLE + LANDERS

Certified Public Accountants + Business Consultants

SUPPORTIVE HOUSING COALITION OF NEW MEXICO AND AFFILIATES

FINANCIAL STATEMENTS

For The Year Ended December 31, 2019, With Comparative Totals For 2018

2500 9th St. NW, Albuquerque, NM 87102 · 505.883.8788 · www.hl-cpas.com

SUPPORTIVE HOUSING COALITION OF NEW MEXICO AND AFFILIATES

TABLE OF CONTENTS

SUPPORTIVE HOUSING COALITION OF NEW MEXICO AND AFFILIATES

OFFICIAL ROSTER

Board of Directors

Suzanne Bush	President
Ryan Knight	Treasurer
Jeffrey Harrison	Director
Charles Joslin	Director
Jim Morgan	Director
John Myers	Director
Becky Teague	Director

Supportive Housing Coalition—Administrative Staff

Steve Ross	Executive Director
Cheri Lopez	Controller

INDEPENDENT AUDITOR'S REPORT

Board of Directors of
Supportive Housing Coalition
of New Mexico and Affiliates
Albuquerque, New Mexico

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Supportive Housing Coalition of New Mexico and Affiliates (collectively referred to as "the Corporation"), all of which are under common control and common management, and consist of a nonprofit organization, two nonprofit affiliates, and two limited partnerships which comprise the consolidated statements of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Corporation as of December 31, 2019, 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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary schedules, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. One of those schedules, the schedule of expenditures of federal awards, is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 March 31, 2021 on our consideration of the Corporation'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 Corporation's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Corporation's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hinkle & Landers, P.C.

Hinkle + Landers, P.C.
Albuquerque, NM
March 31, 2021

SUPPORTIVE HOUSING COALITION OF NEW MEXICO AND AFFILIATES
Consolidated Statement of Financial Position
As of December 31, 2019, With Comparative Totals For 2018

ASSETS	Notes		2019	2018
Current Assets				
Cash, restricted cash, and cash equivalents	3	$	57,750	74,171
Grant and contract receivables	5		320,586	419,858
Rent receivables	5		5,893	26,114
Other receivables	5		-	1,426
Prepaid expenses	7		25,912	39,587
Total Current Assets			410,141	561,156
Property and Equipment, net of accumulated depreciation	Sched 5		19,143,328	19,898,851
Other Assets				
Cash restricted for replacement/operating reserve	3		659,661	648,412
Cash restricted to meet tenant deposit liabilities	3		51,303	44,501
Cash restricted for outside reserves	3,4		150,568	150,448
Cash restricted for residual receipts	3, 23		39,325	26,523
Tax credit fees, net	8		37,344	45,807
Total Other Assets			938,201	915,691
Long-Term Assets				
Due from non-controlled affiliates			1,355	-
Long-Term Development Controlled Affiliate Assets				
Deferred developer's fee	16		5,023	5,023
Investment in controlled affiliates	1-H		511,779	512,014
Total Long-Term Development Controlled Affiliate Assets			516,802	517,037
Long-Term Development Assets				
Silver Gardens affiliate loan receivables	1-H, 5		5,128,477	5,128,477
Silver Gardens affiliate loan interest receivables	1-H, 5		1,087,810	948,128
Total Long-Term Development Assets			6,216,287	6,076,605
Total Assets		$	27,226,114	27,969,340
LIABILITIES				
Current Liabilities				
Bank overdraft	3	$	27,240	-
Accounts payable	9		163,499	129,545
Payroll related and other accrued liabilities	10		182,389	165,568
Deferred revenue	11		12,039	16,063
Lines of credit	14		110,403	114,347
Current portion of notes payable	Sched 6		63,018	60,304
Total Current Liabilities			558,588	485,827
Long Term Liabilities				
Accrued interest	13		151,069	133,526
Notes payable-net of current portion	Sched 6		2,250,746	2,314,070
Deposits held for tenant	12		39,866	35,624
Other deposits			3,000	3,000
Total Long Term Liabilities			2,444,681	2,486,220
Total Liabilities			3,003,269	2,972,047
Net Assets Without Donor Restrictions				
Unrestricted, undesignated			12,531,813	12,384,098
Capital, General Partner-Controlled Affiliates	Sched 4		1,099,573	1,099,649
Capital, Limited Partner, net	Sched 4		6,449,745	7,211,859
Investment in controlled affiliates	1-H		511,779	512,014
Investment in property and equipment, net of related debt (does not include limited partnerships)	Sched 5, 6		1,030,071	1,126,340
Total Net Assets Without Donor Restrictions			21,622,981	22,333,960
Net Assets With Donor Restrictions	2-C		2,599,864	2,663,333
Total Net Assets			24,222,845	24,997,293
Total Liabilities and Net Assets		$	27,226,114	27,969,340

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

SUPPORTIVE HOUSING COALITION OF NEW MEXICO AND AFFILIATES
Consolidated Statement of Activities
For The Year Ended December 31, 2019, With Comparative Totals For 2018

REVENUE AND SUPPORT	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenue				
Rental and management income	$ 1,192,697	93,645	1,286,342	1,301,642
Program income	394,851	-	394,851	515,391
Investment income	602	15	617	636
Fundraising/event income	39,634	-	39,634	38,029
Less: fundraising/event expense	(3,645)	-	(3,645)	(3,850)
Net fundraising revenue	35,989	-	35,989	34,179
Other income	2,858	470	3,328	16,147
Total Revenue	1,626,997	94,130	1,721,127	1,867,995
Support				
Operational grants and programs	2,951,339	247,487	3,198,826	3,213,332
Contributions	55,222	-	55,222	19,938
Contributions in-kind	198,454	-	198,454	57,528
Total Support	3,205,015	247,487	3,452,502	3,290,798
Net Assets Released From Restrictions				
Restrictions satisfied by program payments	321,479	(321,479)	-	-
Total Revenue and Support Before Development Pass-Through Affiliates Revenue	5,153,491	20,138	5,173,629	5,158,793
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION				
Program	4,790,500	-	4,790,500	4,756,673
Resource development	179,281	-	179,281	115,736
General and administrative	353,991	-	353,991	203,111
Total Expenses Before Depreciation and Amortization	5,323,772	-	5,323,772	5,075,520
Change in Net Assets Before Development Affiliates Pass-Through Revenue and Depreciation and Amortization	(170,281)	20,138	(150,143)	83,273
Program depreciation and amortization	676,470	83,607	760,077	766,296
General and administrative depreciation and amortization	3,910	-	3,910	9,319
Total Depreciation and Amortization	680,380	83,607	763,987	775,615
DEVELOPMENT AFFILIATES PASS-THROUGH REVENUE (EXPENSES)				
Development controlled affiliates interest loan income	139,682	-	139,682	135,619
Change in net assets	(710,979)	(63,469)	(774,448)	(556,723)
Net assets, beginning of year	22,333,960	2,663,333	24,997,293	25,554,016
Net assets, end of year	$ 21,622,981	2,599,864	24,222,845	24,997,293

The independent auditor’s report and the accompanying notes are an integral part of these financial statements.

SUPPORTIVE HOUSING COALITION OF NEW MEXICO AND AFFILIATES
Consolidated Statement of Functional Expenses
For The Year Ended December 31, 2019, With Comparative Totals For 2018

	Program Services					
	Property Management					
	SHC	Project I	Vista Gallinas	Chuska	Downtown	Total Prop Mgt
Salaries/wages and contract salaries/wages	$ 152,202	14,662	18,659	67,927	162,908	416,358
Payroll taxes	23,005	1,023	1,216	5,116	11,848	42,208
Benefits	42,092	3,457	999	2,761	29,474	78,783
Total payroll and related expenses	217,299	19,142	20,874	75,804	204,230	537,349
Rental assistance	-	-	-	-	964	964
Occupancy	128,457	35,235	41,266	34,335	88,258	327,551
Professional services	145,861	24,343	13,125	46,200	91,966	321,495
Interest	54,401	-	-	14,866	147,617	216,884
Insurance	31,655	6,474	5,756	10,072	47,353	101,310
Supplies and office expense	22,344	5,105	2,137	9,543	29,061	68,190
Property taxes	27,642	12,109	14,478	10,854	30,296	95,379
Rent and leases	15,893	-	-	-	3,882	19,775
Resource development	-	-	-	-	-	-
Telephone and communications	21,257	1,362	859	1,296	4,207	28,981
Bad debt and adjustments	5,245	713	-	11,089	21,373	38,420
Miscellaneous	26,328	-	40	-	65	26,433
Dues and subscriptions	3,313	1,697	1,715	2,741	3,924	13,390
Service fees	4	-	180	8,237	6,524	14,945
Equipment and software	-	-	-	-	-	-
Travel and transportation	4,667	-	218	2,282	666	7,833
Advertising	3,558	-	-	-	3,506	7,064
Professional development	1,523	-	-	50	-	1,573
Printing and duplication	459	-	-	25	178	662
Meetings	90	-	-	-	-	90
Postage and delivery	8	-	11	26	-	45
Loss on affiliate	311	-	-	-	-	311
Repairs and maintenance	-	-	-	-	-	-
Professional management fees	-	8,510	7,380	15,000	22,851	53,741
Expenses before depreciation	710,315	114,690	108,039	242,420	706,921	1,882,385
Depreciation expense and amortization	152,968	28,175	55,432	249,822	273,680	760,077
Less expenses included with revenue on the consolidated statement of activities:						
Direct expenses of fundraisers/events	-	-	-	-	-	-
Total Expenses	$ 863,283	142,865	163,471	492,242	980,601	2,642,462

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

SUPPORTIVE HOUSING COALITION OF NEW MEXICO AND AFFILIATES
Consolidated Statement of Functional Expenses, Continued
For The Year Ended December 31, 2019, With Comparative Totals For 2018

	Program Services						
	Housing Program	Total	Mgt & General	Fund-raising	Elimin-ations	2019 Expenses	2018 Expenses
Salaries/wages and contract salaries/wages	$ 313,786	730,144	179,797	64,499	-	974,440	875,431
Payroll taxes	10,623	52,831	12,810	4,778	-	70,419	64,973
Benefits	20,960	99,743	12,671	4,051	-	116,465	132,270
Total payroll and related expenses	345,369	882,718	205,278	73,328	-	1,161,324	1,072,674
Rental assistance	2,614,977	2,615,941	94	-	-	2,616,035	2,749,549
Occupancy	64,455	392,006	1,661	1,665	-	395,332	405,318
Professional services	7,119	328,614	36,873	7,741	-	373,228	145,226
Interest	-	216,884	894	-	(148,937)	68,841	70,928
Insurance	-	101,310	17,778	-	-	119,088	96,401
Supplies and office expense	5,641	73,831	20,742	5,833	-	100,406	62,332
Property taxes	-	95,379	2,453	-	-	97,832	157,233
Rent and leases	32,685	52,460	16,611	7,588	-	76,659	73,836
Resource development	-	-	-	68,063	-	68,063	61,378
Telephone and communications	19,604	48,585	7,600	2,894	-	59,079	50,177
Bad debt and adjustments	-	38,420	-	-	-	38,420	51,940
Miscellaneous	4,191	30,624	2,080	3,815	-	36,519	2,896
Dues and subscriptions	-	13,390	9,143	2,625	-	25,158	23,867
Service fees	-	14,945	6,064	242	-	21,251	22,441
Equipment and software	-	-	20,065	31	-	20,096	1,444
Travel and transportation	9,769	17,602	210	1,573	-	19,385	8,889
Advertising	-	7,064	1,793	-	-	8,857	6,311
Professional development	3,345	4,918	397	929	-	6,244	2,226
Printing and duplication	1,463	2,125	460	3,010	-	5,595	4,691
Meetings	271	361	1,800	3,327	-	5,488	782
Postage and delivery	1,980	2,025	1,995	262	-	4,282	4,494
Loss on affiliate	-	311	-	-	(76)	235	35
Repairs and maintenance	-	-	-	-	-	-	4,302
Professional management fees	-	53,741	-	-	(53,741)	-	-
Expenses before depreciation	3,110,869	4,993,254	353,991	182,926	(202,754)	5,327,417	5,079,370
Depreciation expense and amortization	-	760,077	3,910	-	-	763,987	775,615
Less expenses included with revenue on the consolidated statement of activities:							
Direct expenses of fundraisers/events	-	-	-	(3,645)	-	(3,645)	(3,850)
Total Expenses	$ 3,110,869	5,753,331	357,901	179,281	(202,754)	6,087,759	5,851,135

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

SUPPORTIVE HOUSING COALITION OF NEW MEXICO AND AFFILIATES
Consolidated Statement of Cash Flows
For The Year Ended December 31, 2019, With Comparative Totals For 2018

		2019	2018
Cash Flows From Operating Activities			
Cash received from support and revenue funding sources	$	5,244,685	5,026,471
Cash received from interest income		617	636
Cash paid to employees and suppliers		(5,114,898)	(4,945,346)
Cash paid for interest		(51,298)	(53,599)
Net cash provided (used) by operating activities		79,106	28,162
Cash Flows From Investing Activities			
Cash paid for investment in property and equipment		-	(66,207)
Net cash provided (used) by investing activities		-	(66,207)
Cash Flows From Financing Activities			
Payments on line of credit		(3,944)	(6,653)
Payments on debt principal		(60,610)	(57,440)
Net cash provided (used) by financing activities		(64,554)	(64,093)
Net increase (decrease) in cash and cash equivalents		14,552	(102,138)
Cash and cash equivalents, beginning of year		944,055	1,046,193
Cash and cash equivalents at end of year		958,607	944,055
Restricted cash		900,857	869,884
Unrestricted cash		57,750	74,171
Cash and cash equivalents at end of year	$	958,607	944,055

Reconciliation of Change in Net Assets to Net Cash Provided (Used) by Operating Activities

		2019	2018
Change in Net Assets	$	(774,448)	(556,723)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:			
Depreciation expense and amortization		763,987	775,615
Bad debt expense		38,420	51,940
Development controlled affiliates interest loan income		(139,682)	(135,619)
(Increase) decrease in receivables		82,499	221,904
(Increase) decrease in cash restricted for tenant security deposits		(6,802)	(2,446)
Increase (decrease) in deferred revenue		(4,024)	(296,062)
Increase (decrease) in bank overdraft		27,240	-
(Increase) decrease in due from non-controlled affiliates		(1,355)	-
(Increase) decrease in prepaid expenses		13,675	2,294
Increase (decrease) in accrued wages & benefits		16,821	2,890
Increase (decrease) in tenant security deposits		4,242	(8,431)
Increase (decrease) in accounts payable		40,990	(44,529)
Increase decrease in accrued interest expense		17,543	17,329
Net cash provided (used) by operating activities	$	79,106	28,162
Supplementary Information			
Increase in interest on note receivable - Silver Gardens	$	139,682	135,619
In-kind contributions		198,454	57,528
	$	338,136	193,147

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

NOTE 1—NATURE OF OPERATIONS

A. Parent Organization

Supportive Housing Coalition of New Mexico (SHC), a nonprofit organization, was incorporated under the laws of the State of New Mexico on January 11, 1996. The stated mission of SHC is to prevent and reduce the incidence of homelessness and to increase the quality of life for people with behavioral health issues in New Mexico by creating affordable, supportive housing in partnership with local communities and member agencies.

The SHC is a designated affordable housing development organization (AHDO). Primary organizational activities include the management of multifamily rental properties and the administration of tenant based rental assistance vouchers. Housing development activities performed require a complex layering of public and private funding sources for capital.

These sources of financing are restricted and governed by a variety of statutory and regulatory requirements. As such, some of SHC's multifamily rental properties have legal structures separate and distinct from SHC, including Limited Partnerships, Limited Liability Corporations and Single Asset Not-For-Profit Corporations.

B. Principles of Consolidation (Affiliates)

The consolidated financial statements include the accounts of SHC, Project I, Vista Gallinas Community Partnership, Chuska and Downtown Limited Partnerships. Intercompany accounts and transactions for these entities have been eliminated in the preparation of the consolidated financial statements. Collectively, the consolidated entity is referred to as the "Corporation".

C. Basis For Consolidation—Control Combined With An Economic Interest

Supportive Housing Coalition of New Mexico, Inc. has:

- a majority voting interest on the Board of Project I and Vista Gallinas.
- the direct ability to appoint individuals that together constitute a majority of the votes of the fully constituted boards.
- responsibility for the operating results of Project I and Vista Gallinas.

For the year ended December 31, 2019, the Corporation was required to consolidate Project I and Vista Gallinas Community Partnership into its financials based on the criteria noted above.

D. Consolidation of Limited Partnerships

FASB 810-20-25 (FASB 810) includes a presumption that a general partner controls the partnership no matter what the ownership interest is and requires the sole general partner in a limited partnership to consolidate the partnership unless the presumption of control is overcome.

The Corporation evaluated its relationship with the limited partnerships in which it is currently the general partner and determined the presumption of control, as defined by FASB 810 could not be overcome. Therefore, the Corporation has consolidated the assets, liabilities, and results of operations and recorded their general partner percentage of ownership in these limited partnerships.

E. Board of Directors

SHC, Vista Gallinas Community Partnership, and AMHHC Project I (Project I) are governed by the same Board of Directors. The Board Members have the responsibility for determining policy and for the execution and evaluation of programs and activities conducted by the Corporation. SHC's Board is limited to a minimum of five members and a maximum of fifteen members. Board members are selected based upon the geographic, cultural, economic, and business interest of SHC. The term served by a Board member is one year, with no term limits.

F. Limited Partnerships

SHC is the General Partner in four (4) for-profit housing development affiliates. Two of the partnerships are controlled affiliates based on the guidance of FASB 810, and their accounts are consolidated in these financial statements. There are also partnerships (Silver Gardens and Silver Gardens II) that have been determined not to be controlled affiliates and their accounts are not consolidated in these financial statements. The Partnerships were organized to construct and manage housing projects in New Mexico. Under the terms of the agreements, the General Partner is entitled to approximately .01% or less of distributable cash, profits and losses plus the reimbursement of expenses. The Limited Partners retain ownership of the remaining approximate 99.99% of the projects. Under the terms of the agreements, the Limited Partners are entitled to tax credits over 15 years. At the expiration of the tax credit period, SHC has the option to purchase the housing projects at a substantially discounted rate. All four projects are funded primarily with tax credits and to a lesser extent from grants. SHC was involved in the development of these projects and receives development fees.

G. Affiliates

SCH's affiliates consist of two single asset nonprofit corporations and two limited partnerships. The determinations of why and when affiliates should be and should not be consolidated are disclosed below. The following affiliates of SHC and have been consolidated in these financial statements.

1. AMHHC Project I

   AMHHC Project I, Inc., (Project I) a nonprofit organization 501(c)(3), was incorporated under the laws of the State of New Mexico on January 20, 2000. The stated mission of the Project is to provide low income disabled persons with housing facilities and services specially designed to meet their physical, social, and psychological needs, and to promote their health, security, happiness, and usefulness in longer living. Project I consists of 18 units of low-income housing. Although the Project was created as a separate organization apart from SHC, it meets the requirements of being an affiliate of SHC under (FASB 958) and therefore, its accounts have been consolidated and presented as a whole with SHC.

2. Vista Gallinas Community Partnership

   Vista Gallinas Community Partnership (Vista Gallinas) a nonprofit organization 501(c)(3), was incorporated under the laws of the State of New Mexico on January 30, 2007. The stated mission of Vista Gallinas is to provide low income disabled persons with housing facilities and services specially designed to meet their physical, social, and psychological needs, and to promote their health, security, happiness, and usefulness in longer living. Vista Gallinas consists of 15 units of low-income housing. Although Vista Gallinas was created as a separate organization apart from SHC, it meets the requirements of being an affiliate of SHC under (FASB 958) and therefore, its accounts have been consolidated and presented as a whole with SHC.

3. Chuska Apartments, LP

Chuska Apartments, LP (Chuska) is a New Mexico limited partnership, which was formed on August 29, 2006 to develop and operate an apartment complex in Gallup, New Mexico known as Chuska Apartments. There are 30 units based on restrictive covenants.

The general partner of Chuska is SHC, which owns .01% of the organization and the investor limited partner is Enterprise Housing Alliance Fund II, LP, which owns the remaining 99.99%.

Chuska meets the requirements of being a controlled affiliate of SHC under (FASB 810), and therefore, its accounts have been consolidated and presented as a whole with SHC. Chuska Apartments were fully completed and operational as of June 30, 2009.

a. Investment in Development Affiliate

SHC has made capital contributions to Chuska Apartments, LP in the cumulative amount of $806,424 as of December 31, 2019.

b. Chuska Lease Agreement

SHC has entered into a lease commitment agreement with Chuska Apartments, LP to rent 10 permanent housing units of the apartment complex. The lease ran from July 1, 2008 to June 30, 2011 and is now on a year to year basis. The monthly rent for the lease shall be 30% of the tenants' income. SHC acknowledges that all 30 units in the complex being leased are low-income units as defined in the Internal Revenue Code IRC 42(g)(2).

In connection with the lease agreement, SHC has received funding from HUD and MFA to assist with operating expenses associated with the 10 units, which are to be used for permanent housing. This funding has passed through to Chuska by SHC.

c. Chuska Development Fee Agreement

Chuska has entered into a development services agreement with SHC. The agreement provides for a development fee of $841,623 for services in connection with the development of the project and the supervision of the construction. The development fee has been earned and capitalized into the basis of the building. At December 31, 2019, the unpaid balance of $389,306 is considered non-current and is deemed collectible to SHC. The term of the agreement begins April 3rd, 2007 and ends December 31, 2021.

4. Downtown @700-2nd LP

Downtown @700-2nd, LP (Downtown) is a New Mexico limited partnership, which was formed on May 19, 2008 to develop and operate an apartment complex in Albuquerque, New Mexico known as Downtown @700-2nd. The Apartments consist of 72 micro-efficiency units of housing based on restricted covenants.

The general partner of Downtown is SHC-NM Downtown, LLC, which owns .01% of the organization. SHC-NM Downtown, LLC is a wholly owned subsidiary of SHC. The investor limited partner is Enterprise RB Fund I, LP, which owns the remaining 99.99%.

Downtown meets the requirements of being a controlled affiliate of SHC and therefore, its accounts have been consolidated and presented as a whole with SHC. Downtown Apartments were completed March 31, 2010.

a. Investment in Development Affiliate

SHC has made capital contributions to Downtown @700-2nd, LP in the cumulative amount of $293,149 as of December 31, 2019.

b. Downtown @700-2nd Development Agreement

Downtown has entered into a development services agreement with SHC. The agreement provides for a development fee of $1,118,811 for services in connection with the development of the project and the supervision of the construction. The term of the agreement begins May 19th, 2008 and ends December 31, 2099.

c. Downtown @700-2nd Lease Agreement

SHC has entered into a lease commitment agreement with Downtown @700-2nd for 3,022 square feet, which has been designated for an office and public café. The lease term for this space is for seventeen (17) years, which began in February of 2010.

H. Non-Controlled Affiliates

1. Silver Gardens I, LLC

Silver Gardens I, LLC (Silver Gardens), a New Mexico limited liability company, was formed on January 8, 2007 to develop and operate a multi-family community located in the downtown area of Albuquerque, NM, known as the Silver Gardens Apartments. The apartments consist of 66 mixed income, low income housing tax credit units. As of December 31, 2019, per the Silver Gardens audit report, total assets were $5,823,469, liabilities were $5,506,531 and equity was $316,938. SHC's investment in the project as of December 31, 2019, was $302,192. The entity will operate in accordance with applicable HUD or other federal and state regulations. The entity is eligible for the low-income housing credit under Section 42(a) of the Code.

The ownership of Silver Gardens I, LLC is as follows:

Co-Managing Members	Percentage Interest
Housing Coalition Alvarado Project, LLC	0.0051%
Silver Gardens I Manager, LLC	0.0049%
Investor Manager	
Enterprise RB Fund I, L.P.	99.99%
Total	100.00%

Housing Coalition Alvarado Project, LLC is owned in its entirety by SHC, which is the sponsor of the project, and its capital contributions to Silver Gardens as of December 31, 2019 were $302,192.

It has been determined that SHC does not have effective control over the operations of Silver Gardens I. Therefore, Silver Gardens I does not meet the requirements of being a consolidated affiliate of SHC and its accounts have not been consolidated and presented as a whole with SHC.

Silver Gardens Apartments were completed as of May 2010.

a. Loan Receivable From Non-Controlled Affiliate

SHC has loaned Silver Gardens I, LLC $2,313,515. Out of that total, $1,898,412 in loan proceeds originated from the City of Albuquerque. The City has assigned a lien on the loan or what the loan proceeds will be expended on. If the loan proceeds are not used for their intended purpose, these funds and/or property would be due back to the City. All funds appeared to be used for their proper purpose as of December 31, 2019. The following schedule presents what is available and what has been drawn-down as of December 31, 2019.

		Outstanding As of 2019	Outstanding As of 2018
Workforce Housing Trust Funds Grant	$	1,898,412	1,898,412
SHC made available its Workforce Housing Trust Funds Grant for construction purposes for Silver Gardens in exchange for a note payable. The note accrues interest at 3.5% beginning November 1, 2010. Payment of interest and principal will be made out of net operating cash flow after obligations of higher priority have been paid. All principal and interest are considered long-term assets.			
UDAG Loan		75,000	75,000
SHC loaned $75,000 to Silver Gardens I on November 13, 2008. These funds were loaned for pre-development costs and will bear interest beginning November 1, 2010 at 3.5%. Payment of interest and principal will be made out of operating cash flow after obligations of higher priority have been paid. This note is due November 1, 2060.			
Home Depot Foundation Loan		100,000	100,000
SHC received a grant from the Home Depot Foundation and used the proceeds to fund a loan to Silver Gardens of $100,000. In consideration for this loan, Silver Gardens agreed to comply with applicable obligations and use restrictions set forth in the Grant Agreement from the Home Depot Foundation. The loan is interest free until November 1, 2010, when it will begin to accrue interest at 3.5% per annum compounded monthly. Payment of interest and principal will be made out of net operating cash flow after obligations of higher priority have been paid. This note is due November 1, 2060.			

	Outstanding As of 2019	Outstanding As of 2018
Green Communities Loan	40,103	40,103
In 2009, Enterprise Community Partners, Inc., an affiliate of the investor member, and SHC entered into a Green Communities Initiative Grant Agreement in the amount of $41,102. These funds were the source of a loan commitment from SHC to Silver Gardens. This loan will bear interest beginning on November 1, 2010 at 3.5%. Payment of interest and principal will be made out of net operating cash flow after obligations of higher priority have been paid. This note is due November 1, 2060.		
MFA Capital Outlay Sponsor Loan	200,000	200,000
SHC loaned $200,000 to Silver Garden I on February 22, 2010. These funds were loaned for the construction and development of an affordable housing community known as the Silver Gardens Phase I Project in the City of Albuquerque, NM. Interest will accrue at an interest rate of 3.5% compounded annually. Payment of interest and principal will be made out of net operating cash flow after obligations of higher priority have been paid. This note is due March 1, 2050.		
	$ 2,313,515	2,313,515

2. Silver Gardens II, LLC

Silver Gardens II, LLC, (Silver Gardens II) was formed on November 10, 2010 to develop and operate a multi-family community located in the downtown area of Albuquerque, NM, known as Silver Gardens II Apartments. The apartments consist of 55 mixed income, low income housing tax credit units. As of December 31, 2019, per the Silver Gardens II audit report, total assets were $6,954,369, liabilities were $3,632,244 and equity was $3,322,125. SHC's investment in the project as of December 31, 2019, was $209,587. The entity will operate in accordance with applicable HUD or other federal and state regulations. The entity is eligible for the low-income housing credit under Section 42(a) of the Code.

The ownership of Silver Gardens II, LLC is as follows:

Co-Managing Members	Percentage Interest
Housing Coalition Alvarado Project II, LLC	0.0051%
Silver Gardens II Manager, LLC	0.0049%
Investor Manager	
Wincopin Circle LLLP and Enterprise Green Communities West II, LP	99.99%
Total	100.00%

Housing Coalition Alvarado Project II, LLC is owned in its entirety by SHC, which is the sponsor of the project and its capital contributions to Silver Gardens II as of December 31, 2019 is $209,587.

It has been determined that SHC does not have effective control over the operations of Silver Gardens II. Therefore, Silver Gardens II does not meet the requirements of being a consolidated affiliate of SHC and its accounts have not been consolidated and presented as a whole with SHC.

Silver Gardens II Apartments were completed as of December 5, 2011.

a. Loan Receivable From Non-Controlled Affiliate

SHC has loaned Silver Gardens II, LLC $2,814,962. Out of that total, $2,499,962 in loan proceeds originated from the City of Albuquerque. The City has assigned a lien on the loan or what the loan proceeds will be expended on. If the loan proceeds are not used for their intended purpose, these funds and/or property would be due back to the City. All funds appeared to be used for their proper purpose as of December 31, 2019. The following schedule presents what is available and what has been drawn-down as of December 31, 2019.

		Outstanding As of 2019	Outstanding As of 2018
Workforce Housing Trust Funds Grant	$	2,499,962	2,499,962
SHC made available its Workforce Housing Trust Funds Grant for construction purposes for Silver Gardens II in exchange for a note payable. The note accrues interest at 1% beginning December 1, 2012. Payment of interest and principal will be made out of net operating cash flow after obligations of higher priority have been paid. All principal and interest are considered long-term assets and are due November 1, 2062.			
FHLB Loan		315,000	315,000
SHC received a grant from the Federal Home Loan Bank of Dallas and used the proceeds to fund a loan to Silver Gardens II of $315,000. In consideration for this loan, Silver Gardens II agreed to comply with applicable obligations and use restrictions set forth in the Grant Agreement from the Federal Home Loan Bank of Dallas. The loan will accrue interest at 1% per annum. Payment of interest and principal will be made out of net operating cash flow after obligations of higher priority have been paid. This note is due December 31, 2062.			
	$	2,814,962	2,814,962

I. Operational Funding

SHC's major operational funding is provided by the U.S. Department of Housing and Urban Development, the City of Albuquerque, the New Mexico Mortgage Finance Authority, Optum Health New Mexico, CYFD, and with additional support from other entities and foundations.

Rental revenue is a major funding source. Activities supported by these funding sources are as follows:

1. Community Housing Program

   The Community Housing Program provides tenant based rental assistance, on a scattered site basis, to over 400 households in the Albuquerque metropolitan area. This department, funded from four main sources, utilizes over 150 different private landlords and properties. As with all SHC housing, the agency partners with homeless and behavioral health service organizations to provide on-going supportive services to the residents.

2. Property Management

   SHC currently owns and manages two properties in the Albuquerque metropolitan area. Additionally, SHC manages four of its affiliate properties. Expenses recorded in this category represent the cost of providing maintenance, facility improvements, unit leasing and tenant/neighborhood relations.

   Property names and number of units are as follows:

Apartments	# of Units
West Central	13
Sunport	80
Project I	18
Vista Gallinas	15
Chuska	30
Downtown	72
Total	228

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

   The accompanying financial statements have been prepared using the accrual method of accounting. Under the accrual method of accounting, revenues are recognized when earned rather than received, and expenses are recognized when the related liability is incurred rather than when paid.

B. Basis of Presentation

   The Corporation prepares financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205 and 958-605, and subsections. Under the guidance expressed in these statements, an organization's net assets and its revenues, expenses, gains and losses are classified based on whether they are restricted by donors. Amounts for each of these two classes of net assets; net assets with donor restrictions and net assets without donor restrictions, are required to be displayed in a consolidated statement of financial position and amounts of change in each of these classes of net assets are required to be displayed in a consolidated statement of activities. Recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expire is required. Expirations of restrictions that

simultaneously increase one class of net assets and decrease another (reclassifications) are reported separately from other transactions in the consolidated statement of activities.
Amounts for the Corporation's total assets, liabilities and net assets are to be reported in a consolidated statement of financial position; the change in the Corporation's net assets is reported in a consolidated statement of activities; and the change in its cash and cash equivalents is reported in a consolidated statement of cash flows.

1. Net Assets without Donor Restrictions

   Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. The organization's Board of Directors may designate assets without restrictions for specific operational purposes from time to time.

   Undesignated net assets represent the investment in undesignated assets and amounts invested in property and equipment, less accumulated depreciation and amortization.

2. Net Assets with Donor Restrictions

   Net assets with donor restrictions are the result of contributions and other inflows of assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions can be fulfilled and removed by actions of the organization pursuant to those stipulations or by the passage of time. Other donor restrictions are perpetual in nature. Net assets perpetual in nature result from contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that cannot be removed by actions of the Corporation. Net assets with donor restrictions are related to the Project I and Vista Gallinas buildings. The two nonprofit affiliates are single asset nonprofit corporations and their net assets are considered to be with donor restrictions. The amount of net assets with donor restrictions as of December 31, 2019 was $2,599,864 which includes capital advances as well as other net assets with donor restricted amounts. For more information, please refer to the "Capital Advance" note on page 29 as well as the "Net Assets with Donor Restrictions" note on page 30 in this report.

C. Estimates in Preparing Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Statement of Cash Flows

For purposes of the statement of cash flows, the Corporation includes cash, restricted cash and all highly liquid investments with an original maturity of three months or less as cash equivalents.

E. Impairment of Long-Lived Assets

The Corporation accounts for long-lived assets in accordance with the provisions of FASB ASC 360-10 and subsections. ASC 360-10 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell. Management does not believe impairment indicators are present as of December 31, 2019.

F. Income Tax Status

SHC, Project I and Vista Gallinas are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and are not considered private foundations within the meaning of Section 509(A) of the Code. They do, however, file their Federal Form 990 tax returns in the U.S. federal jurisdiction and the online charitable registration in the Office of the Attorney General for the State of New Mexico. The SHC, Project I, and Vista Gallinas are generally no longer subject to examination by the Internal Revenue Service and the New Mexico Taxation and Revenue Department for fiscal years before 2016. The organizations are not currently under audit nor have the organizations been contacted by any of these jurisdictions. Management believes that they are operating within their tax-exempt purpose.

The Partnerships (Downtown and Chuska) have elected to be treated as pass-through entities for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its limited partners on their respective income tax returns. Limited partners, in turn, issue K-1s to pass income and loss to the investors. The Partnerships federal tax status as pass-through entities are based on their legal status as Partnerships. Accordingly, the Partnerships are not required to take any tax positions in order to qualify as pass-through entities. The Partnerships are required to file and do file tax returns (Form 1065) with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Partnerships have no other tax positions, which must be considered for disclosure.

G. Fair Value Measurements

FASB ASC 820-10 and subsections establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). (The inputs and methodology used for valuing the Corporation's financial assets and liabilities are not indicators of the risks associated with those instruments.) The three levels of the fair value hierarchy under FASB ASC 820-10 are as follows:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers of brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities. There were no assets and liabilities to be disclosed for this category.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The fair value of investments securities is the market value based on the quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs to the limited market activity of the instrument. The Corporation's significant financial instruments are cash and investments. For these financial instruments, carrying values approximate fair value.

The following methods and assumptions were used by the Corporation in estimating the fair value of its financial instruments:

Investment in controlled affiliates – The carrying amount reported in the statement of financial position derives directly from the audit reports of those controlled affiliates.

The following table summarizes the valuation of the Corporation's financial instruments by the above FASB ASC 820-10 categories as of December 31, 2019:

Description		Unadjusted Quoted Market Prices (Level 1)	Significant Other Observables Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investment in controlled affiliates	$	-	-	511,779	511,779

The table below reconciles the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Investment in Controlled Affiliate		2019	2018
Beginning balance	$	512,014	512,049
Loss on affiliate		(235)	(35)
End balance	$	511,779	512,014

H. Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables, payables, accrued expenses and other liabilities approximate fair value due to the short maturity periods of these instruments. The fair value of long-term debt is the carrying value due to the adjustable market rate of interest.

I. Grant Receivables

Grant receivables represent the amount expended during the grant period that will be reimbursed by the grantor after year-end. When the reimbursed receipts are received in the next year, the receivable will then be reduced.

J. Property, Equipment, and Depreciation

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method. The Corporation capitalizes all expenditures for property and equipment with a cost of $5,000 or more. Items with a cost of less than $5,000 are expensed in the year of acquisition. Repairs and maintenance expenses are charged to operations when incurred and major betterments and replacements are capitalized. One exception to this rule was the initial purchase of property of furniture and equipment for new housing developments. In this case, the aggregate amount is capitalized even though the individual items may be under the $5,000 amount.

The major classifications of property and equipment and the related depreciable lives are as follows:

Classification	Estimated Useful Lives
Land	Perpetual
Land Improvements	15 years
Buildings	39 to 40 years
Building Improvements	7 to 27.5 years
Computer/Software	3 years
Furniture and Equipment	5 years

K. Contribution of Services

Contributions of services are recognized in the financial statements of the Corporation only if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

L. Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specified purpose. Assets donated with explicit restrictions regarding their use and contributions of cash must be used to acquire property and equipment and are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Corporation reclassifies net assets with donor restriction to net assets without donor restrictions at that time.

M. Promises to Give/Pledges

Promises to give receivable for contributions are recognized upon notification of a donor's unconditional promise to give to the Corporation. An allowance for uncollectible promises to give is recorded based on an analysis of collection histories and management's prior experience with major donors. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as assets released from restrictions. As of December 31, 2019, the Corporation had $0 in pledges receivable.

N. Restricted and Unrestricted Support and Revenue

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities as net assets released from restrictions.

O. Allowance for Doubtful Accounts

The Corporation uses the allowance method to account for uncollectible client rent receivables. The Corporation provides an allowance for uncollectible accounts equal to the estimated uncollectible portion of a client rent receivable. Management's estimate is based on historical experience and its evaluation of the current status of the client rent receivable. It is the policy of the Corporation to allowance any rent receivable amounts that have not been collected over sixty (60) days. No other allowance has been established for the other types of receivables as all are deemed collectible.

P. Expense Allocations

The costs of providing the various programs and other activities of the Corporation have been summarized on a functional basis in the consolidated statements of functional expenses. Salary and other personnel costs that are not directly coded to a programmatic activity are allocated based on the best estimate of employees. Building maintenance, and depreciation expenses are allocated among the programs and supporting services benefited. Other operating costs are allocated using various allocation methodologies including allocations based on personnel, square footage, or revenue generated.

Q. Liquidity and Availability of Financial Resources

The Corporation regularly monitors liquidity to meet its cash flow requirements and operating needs. The availability of financial assets is primarily affected by management designations, the nature of the underlying assets, external limitations imposed by donors or contracts with others. The Corporation is substantially supported by restricted grants. Because a donor’s restriction required resources to be used in a particular manner or in a future period, The Corporation must maintain sufficient resources to meet those responsibilities to its donors. These financial assets may not be available for general expenditure within one year. As part of The Corporation’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, The Corporation can invest cash in excess of daily requirements in short-term investments. Occasionally, the board designates a portion of any operating surplus to its liquidity reserve.

Liquidity is as follows:

	2019	2018
Cash and cash equivalents	$ 57,750	74,171
Receivables	326,479	447,398
Less those unavailable for general expenditures within a year due to:		
Restricted by donor with purpose restrictions	(15,000)	(15,000)
Restricted by donor with time restrictions	(38,500)	(5,750)
Current assets available to meet cash needs for general expenditures within one year.	$ 330,729	500,819

R. Accrued Wages and Benefits

Employees of the Corporation earn wages and annual leave based on stated policies. Earned but unpaid wages and "paid time off" (PTO) annual leave are payable to the employee upon termination not to exceed a total of one year's worth of earned leave for that specific employee. These accrued amounts are shown as a liability on the statement of financial position and the related change in liability is reflected as an expense in the year of change.

S. Advertising

The Corporation expenses advertising costs as incurred. Advertising costs are incurred primarily for the dissemination of program information.

T. Affiliates Inter-Corporation Receivables and Payables

During the course of operations, numerous transactions occur between SHC and its affiliates. The result is there are amounts owed to and from the individual entities. Inter-corporation receivables and payables are eliminated in the Consolidated Financial Statements. Inter-corporation receivables and payables are presented at net amounts for each corporation in certain financial schedules presented in the supplementary schedules of this audit report. Please see Note 16.

U. Rental Income

1. AMHHC Project I

   Project I charges tenants for apartment rentals ranging from $0 to $571 per month based on a sliding scale. The difference between the amounts the tenant pays and the HUD approved rental amount is covered under the Project Rental Assistance Contract. From January 01, 2019 through December 31, 2019, HUD approved rental charge per apartment was $571 per month. The Redland Apartment complex maintained an average occupancy rate of 93% for the year ended December 31, 2019.

2. Vista Gallinas Community Partnership

   Vista Gallinas charges tenants for apartment rentals ranging from $0 to $578 per month based on a sliding scale. The difference between the amounts the tenant pays and the HUD approved rental amount is covered under the Project Rental Assistance Contract. From January 01, 2019 through December 31, 2019, HUD approved rental charge per apartment was $578 per month. The Vista Gallinas Apartment complex maintained an average occupancy rate of 100% for the year ended December 31, 2019.

SHC also owns and manages several other apartment units with rental amounts ranging from $0 to $711 per month.

V. <u>Tax Credits</u>

The Limited Partnership's low-income housing tax credits are contingent on their ability to maintain compliance with applicable sections of Section 42 of the Internal Revenue Code. Failure to maintain compliance with occupant eligibility, unit gross rents, or to correct noncompliance within a specified time period with respect to the "low-income" units, could result in recapture of previously taken tax credits plus interest. As of December 31, 2019, the Corporation appeared to be in compliance with IRC 42.

W. <u>Operating and Replacement Reserves</u>

The Limited Partnerships, Project I, and Vista Gallinas have or are in the process of establishing reserves in accordance with agreements and loan documents. The funds in the accounts are intended to be used to fund operation and debt service deficits. The purposes of the replacement reserves are to fund major repairs, capital expenditures and replacement of capital items in the apartment buildings. Interest earned on the replacement reserve shall be added to the replacement reserve.

X. <u>Outside Operating Reserve</u>

Outside operating reserves of $150,568 are additional funds available to the Downtown @700-2nd Limited Partnership given to SHC as a developer fee (income). However, these are restricted funds designated by the agreement between SHC and Enterprise to be used according to the guidelines outlined in the partnership agreement.

Y. <u>Contingency and Risks</u>

SHC is required to comply with Internal Revenue Code (IRC) 42 regulations related to its low-income housing limited partnership developments. Failure to meet certain tests related to these regulations could result in the revocation of SHC's 501(c)(3) exempt status.

Certain grants require fulfillment of certain conditions as set forth in the grant agreements and may be subject to audit. Failure to fulfill the conditions could result in the return of funds to grantors. Management does not expect to return any significant grant funds due to not fulfilling grant conditions.

Z. <u>Comparative Financial Statements</u>

The consolidated financial statements include certain prior-year summarized comparative information in total but not in each net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SHC's consolidated financial statements for the year ended December 31, 2018.

AA. <u>Reclassifications</u>

Certain reclassifications may have been made to the 2018 summarized financial statement information to conform to the current year presentation.

NOTE 3—CASH, RESTRICTED CASH, AND CASH EQUIVALENTS

Cash consisted of the following as of December 31:

	2019					
	SHC	Project I	Vista Gallinas	Chuska	Downtown	Total
Operating accounts	$ (23,637)	1,973	(1,802)	15,998	35,759	28,291
Money market	1,220	-	-	-	-	1,220
Petty cash	600	100	-	300	-	1,000
Replacement/operating reserves	5,625	40,643	19,339	19,795	574,258	659,660
Security deposit escrow	20,044	3,007	3,571	5,153	19,528	51,303
Outside reserve	150,568	-	-	-	-	150,568
Residual receipts	-	31,809	7,516	-	-	39,325
Total	$ 154,420	77,532	28,624	41,246	629,545	931,367

	2018					
	SHC	Project I	Vista Gallinas	Chuska	Downtown	Total
Operating accounts	$ 37,089	15,594	1,337	14,332	3,277	71,629
Money market	1,220	-	-	-	-	1,220
Petty cash	600	100	-	300	322	1,322
Replacement/operating reserves	5,801	32,960	8,612	22,406	578,633	648,412
Security deposit escrow	20,028	2,316	2,558	4,877	14,722	44,501
Outside reserve	150,448	-	-	-	-	150,448
Residual receipts	-	20,708	5,815	-	-	26,523
Total	$ 215,186	71,678	18,322	41,915	596,954	944,055

Restricted cash is in the amount of $900,856 and $869,884 for the years ended 2019 and 2018, respectively. Restrictions include HUD and partnership replacement reserves, operating reserves, security deposits, outside reserves, and residual receipts reserve.

NOTE 4—RECEIVABLES

A summary of receivables at December 31 is presented below:

Rent Receivables	2019	2018
Downtown - OneSite	$ 2,615	15,486
Properties	1,871	9,388
Chuska - OneSite	3,423	2,816
Project I - OneSite	619	1,058
Vista Gallinas - OneSite	-	1
Allowance for doubtful accounts	(2,635)	(2,635)
Net rent receivables	$ 5,893	26,114

It is the policy of the Corporation to allowance any rent receivable amounts that have not been collected over sixty (60) days.

Development Affiliates Receivables		2019	2018
Chuska - CARE 66/City of Gallup Sponsor Loan	$	50,000	50,000
Chuska - HUD COC Sponsor Loan		371,000	371,000
DT @700-2nd - City Land Sponsor Loan		958,500	958,500
DT @700-2nd - WH Sponsor Loan		2,607,441	2,607,441
DT @700-2nd - Green Grant Sponsor Loan		49,624	49,624
DT @700-2nd - HUD COC Sponsor Loan		54,520	54,520
DT @700-2nd - LTTF Sponsor Loan		75,000	75,000
DT @700-2nd - MFA Pre-Development Loan		50,000	50,000
Silver Gardens - WH Sponsor Loan		1,898,412	1,898,412
Silver Gardens - Home Depot Sponsor Loan		100,000	100,000
Silver Gardens - UDAG Sponsor Loan		75,000	75,000
Silver Gardens - Green Grant Sponsor Loan		40,103	40,103
Silver Gardens - MFA Capital Outlay Sponsor Loan		200,000	200,000
Silver Gardens II - WH Sponsor Loan		2,499,962	2,499,962
Silver Gardens II - FHLB Sponsor Loan		315,000	315,000
Total Development Affiliate Receivables/Payables		9,344,562	9,344,562
Consolidated Eliminations		(4,216,085)	(4,216,085)
Total development affiliate receivable	$	5,128,477	5,128,477

Development Affiliates Loan Interest Receivables/Payable		2019	2018
Chuska - HUD COC Sponsor Interest Receivable/Payable	$	47,312	43,152
Chuska - City of Gallup Sponsor Interest Receivable/Payable		6,787	6,222
DT @700-2nd - WH Sponsor Interest Receivable/Payable		952,608	847,521
DT @700-2nd - City Land Sponsor Interest Receivable		342,594	307,341
DT @700-2nd - MFA Pre-Development Interest Rec./Payable		6,258	5,699
DT @700-2nd - HUD COC Sponsor Interest Receivable		16,907	14,972
DT @700-2nd - MFA LTTF Interest Receivable/Payable		8,508	7,678
DT @700-2nd - Green Grant Interest Receivable/Payable		5,209	4,663
SG - WH Sponsor Interest Receivable/Payable		716,911	627,086
SG - Home Depot Sponsor Interest Receivable/Payable		37,764	33,032
SG - UDAG Sponsor Interest Receivable/Payable		28,323	24,774
SG - Green Grant Sponsor Interest Receivable/Payable		15,144	13,247
SG - MFA Capital Outlay Sponsor Interest Receivable/Payable		79,135	69,548
SG II -City WH Sponsor Interest Receivable/Payable		183,426	156,737
SG II -FHLB Sponsor Interest Receivable/Payable		27,107	23,704
Total Controlled Development Affiliates Loan Interest Rec./Pay.		2,473,993	2,185,376
Consolidated Eliminations		(1,386,183)	(1,237,248)
Total developer's affiliates loan interest receivable	$	1,087,810	948,128

Grant and Contract Receivables		2019	2018
Housing First - City of Albuquerque	$	210,082	326,895
HUD - Casa Bonita		34,145	32,150
United Way		24,998	15,000
MFA		19,900	-
CYFD		19,493	7,170
HUD - COC		6,621	13,954
Falling Colors		2,575	6,468
Other		1,643	2,564
Silver Gardens I		1,129	15,657
Total grant and contract receivables	$	320,586	419,858

Other Receivables		2019	2018
Other receivables	$	-	1,426

NOTE 5—PREPAID EXPENSES

Prepaid expense represents amounts paid in advance for the following:

		2019	2018
Other prepaid expenses	$	10,456	12,768
Prepaid expenses - Downtown		7,701	8,845
Prepaid expenses - Project I		827	9,298
Prepaid rents and deposits		5,990	5,990
Prepaid expenses - Chuska		125	1,300
Prepaid expenses - Vista Gallinas		813	1,273
Prepaid insurance		-	113
Total prepaid expenses	$	25,912	39,587

NOTE 6—TAX CREDIT FEES

Tax credit fees are related to the Downtown and Chuska buildings. Tax credit fees were not included in the cost of the building and are being amortized over the credit compliance period (15 years). Tax credit fees are as follows:

		2019	2018
Tax credit fees - Downtown	$	77,382	77,382
Accumulated amortization		(51,035)	(45,876)
Tax credit fees - Chuska		49,562	49,562
Accumulated amortization		(38,565)	(35,261)
Tax credit fees, net	$	37,344	45,807

NOTE 7—ACCOUNTS PAYABLE

Accounts payable are invoiced amounts outstanding as of the year ended December 31, 2019 as follows:

	2019	2018
SHC	$ 83,154	64,807
Chuska	18,313	12,051
Project I	12,731	12,767
Vista Gallinas	13,561	4,300
Downtown	35,740	35,620
Total accounts payable	$ 163,499	129,545

NOTE 8—PAYROLL RELATED AND OTHER ACCRUED LIABILITIES

Payroll related liabilities consist of compensated absences, accrued payroll and related accrued payroll benefits.

Accrued payables consist of expenditures that were not invoiced by vendors, but the expenses have been incurred.

Payroll related and other accrued liabilities as of December 31, 2019 are as follows:

	2019					
	SHC	Project I	Vista Gallinas	Chuska	Downtown	Total
Payroll related liabilities	$ 58,818	626	543	1,255	4,187	65,429
Accrued payables	3,423	-	-	56,888	56,649	116,960
Total	$ 62,241	626	543	58,143	60,836	182,389

	2018					
	SHC	Project I	Vista Gallinas	Chuska	Downtown	Total
Payroll related liabilities	$ 46,296	479	622	1,816	3,121	52,334
Accrued payables	1,412	-	-	54,046	57,776	113,234
Total	$ 47,708	479	622	55,862	60,897	165,568

NOTE 9—DEFERRED REVENUE

Deferred revenue is as follows:

	2019	2018
Deferred tenant revenue	$ 12,039	12,868
Other deferred revenues	-	3,195
Total	$ 12,039	16,063

NOTE 10—DEFERRED FINANCING FEES

Deferred financing fees relate to the Chuska Apartments Limited Partnership project. As a result of ASU No. 2015-03, deferred financing costs were reclassified in the balance sheet from other assets to loan payable beginning in 2018. Deferred financing fees for the years ended December 31, 2019 and 2018, respectively, were as follows:

		2019	2018
Deferred financing fees	$	1,816	1,816
Accumulated amortization		(522)	(477)
Net deferred financing fees	$	1,294	1,339

Deferred financing fees reduce SHC's development affiliate's receivable and are eliminated in the consolidated statement of financial position.

NOTE 11—DEPOSITS HELD FOR TENANTS

The $39,566 represents deposits collected from tenants held as rental security deposits.

NOTE 12—ACCRUED INTEREST

Accrued interest consists of accrued interest expense related to notes payable. At December 31, 2019, the amount was $151,069.

NOTE 13—LINE OF CREDIT

A $200,000 revolving line of credit agreement was put in place with US Bank in October 2016. The outstanding balance at year end was $110,403 and is collateralized by accounts, instruments, investment property, inventory, and equipment.

NOTE 14—CARE 66 LOANS PAYABLE

SHC has two loans payable totaling $597,750 due to Care 66, a non-profit social services provider located in Gallup, New Mexico. Care 66 was expected to be a general partner in the Chuska Apartments Limited Partnership and the amount SHC owed Care 66 was expected to be converted to an equity position in the Chuska partnership; however, it was decided in 2012 that the loans would remain as such and the amount is due in March of 2039.

NOTE 15—DEFERRED DEVELOPER'S FEE

The deferred developer's fee of $416,920 is a fee owed to SHC, but will be deferred until the Chuska Apartments Limited Partnership, the Downtown @700-2nd Limited Partnership, and the Silver Gardens II, LLC have generated excess cash and have satisfied other liabilities positioned at a higher priority than SHC's position.

NOTE 16—INTER-CORPORATION ELIMINATIONS

Amounts due to and from SHC to affiliates are as follows:

Intercorporation Eliminations	SHC	Project I	Vista Gallinas	Chuska	Downtown
Loans - Due to SHC from controlled affiliates	$ 4,214,791	-	-	(419,706)	(3,795,085)
Interest - Due from SHC to controlled affiliates	1,386,184	-	-	(54,099)	(1,332,085)
Deferred developer fee	411,897	-	-	(389,306)	(22,591)
Investment in controlled affiliates	1,099,573	-	-	(806,424)	(293,149)
Loss on affiliate investment	76	-	-	(29)	(47)
Development controlled affiliates interest loan income	-	-	-	-	-
Other interfund receivables/payables	184,193	(1,963)	(14,755)	(72,009)	(94,111)
Property management fees	53,741	(8,510)	(7,380)	(15,000)	(22,851)
Total	$ 7,350,455	(10,473)	(22,135)	(1,756,573)	(5,559,919)

NOTE 17—CAPITAL ADVANCES - CONTINGENCY

In April of 2004 SHC's affiliate, Project I, received its final Section 811 Capital Advance from HUD. The total amount of advances received for the construction of the Redland Apartments equaled $1,077,775. The terms of the Capital Advance agreement do not require repayment of the advance as long as the property financed is used solely as rental housing for low income disabled persons. The term of the agreement is for 40 years commencing from April 4, 2003.

In July of 2002, the City of Albuquerque provided Project I with HOME Program funds from HUD to pay for utility expansion charges for the Section 811 project. The total amount received from the City of Albuquerque totaled $32,067. The terms of this agreement do not require repayment of the advance as long as the property is used as an affordable rental housing project. The term of the agreement is for 20 years commencing from February 19, 2003.

As of December 31, 2019 the SHC's affiliate, Vista Gallinas, had received all of its Section 811 Capital Advance from HUD for the construction of the Vista Gallinas Apartments equaling $1,398,465. The terms of the Capital Advance agreement do not require repayment of the advance as long as the property financed is used solely as rental housing for low income disabled persons. The term of the agreement is for 40 years.

As of December 31, 2019, the SHC's affiliate, Vista Gallinas, had received all of its New Mexico Mortgage Finance Authority HOME Program funds from HUD. Funds, totaling $600,000 were used to pay for project development charges for the Section 811 project. The terms of this agreement do not require repayment of the advance as long as the property is used as an affordable rental housing project. The term of the agreement is for 20 years ending on May 1, 2029.

Management determined that the likelihood of repayment was remote. As a result, the advances and loans were accounted for as contributions in the year of receipt.

Capital advances as of December 31, 2019 are as follows:

Description	Amount
Section 811 Capital Advance - Project I	$ 1,077,775
HOME Program Capital Advance Project I	32,067
Section 811 Capital Advance - Vista Gallinas	1,398,465
NM MFA HOME Program - Vista Gallinas	600,000
Total Capital Advances	$ 3,108,307

NOTE 18—NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2019 are as follows:

Net Assets With Donor Restrictions	2018	Additions	Released	2019
Vista Gallinas	$ 1,758,697	97,414	(163,471)	1,692,640
Project I	883,886	112,703	(142,865)	853,724
ABQ Community Foundation	15,000	-	(15,000)	-
United Way	5,750	-	(5,750)	-
MFA Capacity	-	27,000	(13,500)	13,500
Sandia Community Outreach	-	10,000	(10,000)	-
United Way 19-20	-	50,000	(25,000)	25,000
Wells Fargo - Prop Improvement	-	15,000	-	15,000
PNM Foundation	-	5,000	(5,000)	-
ABQ Community Foundation - Vitality	-	20,000	(20,000)	-
Other	-	4,500	(4,500)	-
Total	$ 2,663,333	341,617	(405,086)	2,599,864

NOTE 19—LEASE COMMITMENTS

SHC leases its office space and copier machines under operating leases. Rental expense under the lease for the year ending December 31, 2019 was $72,777. The future remaining lease payments under these agreements are as follows:

	625 Silver	Copiers	Total
2020	$ 63,760	5,356	69,116
2021	65,851	5,356	71,207
2022	62,192	1,785	63,977
Thereafter	-	-	-
Total	$ 191,803	12,497	204,300

NOTE 20—RETIREMENT PLAN

SHC participates in a defined contribution retirement plan called a SIMPLE IRA PLAN (Plan). This plan is for the benefit of all eligible professional and support staff of SHC who qualify under applicable participation requirements. Under the terms of the plan, contributions are made and are invested, at the discretion of the plan participant, in one or more of the investment vehicles available under the plan. The plan currently provides for SHC to make matching contributions up to 3% of eligible employee salary. Retirement expense for the years ended December 31, 2019 and 2018 was $8,975 and $11,909, respectively.

NOTE 21—CONCENTRATION OF RISK-CONTINGENCIES

Government Funding Sources

Funding from government agencies constituted a significant portion of the Corporation's support. This funding is vulnerable to changes in the legislative priorities of the federal, state and local governments. The management of the Corporation does not expect that the support from these sources will be lost in the near term.

Concentrations of Risk For Projects

Project I's sole asset is the Redland Apartments. Project I's operations are concentrated in the multifamily real estate market. In addition, Project I operates in a heavily regulated environment. The operations of the Project 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.

Vista Gallinas's sole asset is the Vista Gallinas Apartments. Vista Gallinas's operations are concentrated in the multifamily real estate market. In addition, Vista Gallinas operates in a heavily regulated environment. The operations of the Project 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.

NOTE 22—RESIDUAL RECEIPTS

Vista Gallinas and Project I's Annual Financial Statement submissions to the U.S. Department of Housing and Urban Development's (HUD) Real Estate Assessment Center (REAC) calculated a surplus of cash in a prior period. This excess cash must be kept in a separate bank account and is restricted by HUD.

NOTE 23—INSURED CASH AND CASH EQUIVALENTS

The Corporation maintained separate bank account balances for each legal entity which were covered by $250,000 FDIC insurance coverage per banking institution. At December 31, 2019, the cash and cash equivalents that were not fully insured by FDIC were as follows:

	SHC	Downtown	Total
Held at U.S. Bank	$ 187,512	629,545	817,057
FDIC insurance	250,000	250,000	500,000
Uninsured	$ -	(379,545)	(317,057)

NOTE 24—IN-KIND DONATIONS

SHC had the following in-kind donation revenues at December 31, 2019:

	2019	2018
Donated goods and materials	$ 198,454	57,528

NOTE 25—EVALUATION OF SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are issued. The Corporation recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Corporation's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before consolidated financial statements are available to be issued. The Corporation has evaluated subsequent events through March 31, 2021, which is the date the consolidated financial statements were available to be issued.

COVID-19

Subsequent to December 31, 2019, as a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively impact the organization's funding sources and cash flows. Other financial impacts could occur though such potential impact is unknown at this time.

West Central Apartments

SHC sold West Central Apartments on March 23, 2021. All proceeds, gains or losses will be recorded in the fiscal year ending December 31, 2021.

Chuska Apartments Limited Partnership

Effective February 1, 2021, pending final signatures, equity ownership of the Chuska Apartments Limited Partnership will wholly transfer to SHC.

New LLC's

SHC signed Memorandum of Understanding agreements in August of 2020 with a developer for the construction and development of apartment complexes (San Roque Apartments LLC and La Serena Apartments LLC) in Albuquerque, New Mexico.

SUPPORTIVE HOUSING COALITION OF NEW MEXICO AND AFFILIATES
Consolidated Schedule of Expenditures of Federal Awards
For The Year Ended December 31, 2019

Sched 1

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Agency	Federal Expenditures
Direct Programs			
U.S. Department of Housing and Urban Development			
Supportive Housing for Persons with Disabilities - Capital Advance	*14.181	n/a	$ 2,476,240
Supportive Housing for Persons with Disabilities (Section 811):			
HUD 811 Project Rental Assistance-Project 1	14.181	n/a	62,188
HUD 811 Project Rental Assistance-Vista Gallinas	14.181	n/a	53,836
Total Supportive Housing for Persons with Disabilities			2,592,264
Continuum of Care Program			
Tenant Based Rental Assistance	14.267	n/a	519,466
Continuum of Care - Chuska Project	14.267	n/a	42,662
Continuum of Care - Downtown Project	14.267	n/a	44,494
Total Continuum of Care Program			606,622
Total Expenditures of Federal Awards			$ 3,198,886

**Denotes major program*

Note 1 - Basis of Presentation

The accompanying consolidated schedule of expenditures of federal awards includes the federal grant expenditure activity for the consolidated financial statements of Supportive Housing Coalition of New Mexico, which includes the consolidated affiliates AMHHC Project I, and Vista Gallinas. The schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (* Uniform Guidance*)* .

Note 2 - Non-Cash Federal Assistance

No non-cash federal assistance was received during the year ended December 31, 2019.

Note 3 - Capital Advances

The Corporation's capital advance balances as of December 31, 2019, are as follows:

Description	Amount
Section 811 Capital Advance - Project I	$ 1,077,775
HOME Program Capital Advance Project I	32,067
Section 811 Capital Advance - Vista Gallinas	1,398,465
NM MFA HOME Program - Vista Gallinas	600,000
Total Capital Advances	$ 3,108,307

The federal compliance supplement for CFDA 14.181 (Section 811 Capital Advances) states that in order to protect its interest in a capital advance, HUD requires a note and mortgage, for a 40-year term. The owner is not required to repay the principal or pay interest and the note is forgiven at maturity, as long as the owner provides housing for the designated class of people in accordance with applicable HUD requirements. However, the full outstanding balance on the note should be considered Federal awards expended, included in determining Type A programs and reported as loans on the Schedule of Expenditures of Federal Awards or accompanying notes in accordance with the Uniform Guidance. No such requirement was found for CFDA 14.239 (HOME Program Capital Advances) and therefore, the capital advance was not included in the determination of Type A programs.

Note 4 - Subrecipients

SHC provided no federal awards presented above to sub-recipients.

Note 5 - Cost Rate

SHC did not use the 10% de minimis cost rate.

SUPPORTIVE HOUSING COALITION OF NEW MEXICO AND AFFILIATES
Consolidating Schedule of Financial Position of Consolidated Corporations
As of December 31, 2019, With Comparative Totals For 2018

	Notes	Supportive Housing Coalition	AMHHC Project I	Vista Gallinas	Chuska Apartments Limited Partnership	Downtown @700-2nd	Eliminations	2019 Total	Sched 2 2018 Total
ASSETS									
Current Assets									
Cash, restricted cash, and cash equivalents	3	$ 3,520	2,073	100	16,298	35,759	-	57,750	74,171
Grant and contract receivables	5	320,586	-	-	-	-	-	320,586	419,858
Rent receivables, net of allowance	5	1,871	590	-	3,112	320	-	5,893	26,114
Other receivables	5	-	-	-	-	-	-	-	1,426
Prepaid expenses	7	16,446	827	813	125	7,701	-	25,912	39,587
Total Current Assets		342,423	3,490	913	19,535	43,780	-	410,141	561,156
Property and Equipment, net of accumulated depreciation	Sched 5	2,522,703	793,026	1,696,329	5,275,058	8,856,212	-	19,143,328	19,898,851
Other Assets									
Cash restricted for replacement/operating reserves	3	5,625	40,643	19,339	19,796	574,258	-	659,661	648,412
Cash restricted to meet tenant deposit liabilities	3	20,044	3,007	3,571	5,153	19,528	-	51,303	44,501
Cash restricted for outside reserves	3,4	150,568	-	-	-	-	-	150,568	150,448
Cash restricted for residual receipts	3, 23	-	31,809	7,516	-	-	-	39,325	26,523
Deferred financing fees	6	-	-	-	-	-	-	-	-
Tax credit fees, net	8	-	-	-	10,997	26,347	-	37,344	45,807
Total Other Assets		176,237	75,459	30,426	35,946	620,133	-	938,201	915,691
Long-Term Assets									
Due from controlled affiliates	18	182,838	-	-	-	1,210	(184,048)	-	-
Due from non-controlled affiliates		1,355	-	-	-	-	-	1,355	-
Total Long-Term Assets		184,193	-	-	-	1,210	(184,048)	1,355	-
Long-Term Development Controlled Affiliate Assets									
Development affiliates loan receivables	5	4,214,791	-	-	-	-	(4,214,791)	-	-
Development affiliates loan interest receivables	5, 15	1,386,184	-	-	-	-	(1,386,184)	-	-
Deferred developer's fee	16	416,920	-	-	-	-	(411,897)	5,023	5,023
Investment in controlled affiliates	1-H	1,611,352	-	-	-	-	(1,099,573)	511,779	512,014
Total Long-Term Development Controlled Affiliate Assets		7,629,247	-	-	-	-	(7,112,445)	516,802	517,037
Long-Term Development Assets									
Silver Gardens affiliate loan receivables	1-H, 5	5,128,477	-	-	-	-	-	5,128,477	5,128,477
Silver Gardens affiliate loan interest receivables	1-H, 5	1,087,810	-	-	-	-	-	1,087,810	948,128
Total Long-Term Development Assets									
Total Assets		$ 17,071,090	871,975	1,727,668	5,330,539	9,521,335	(7,296,493)	27,226,114	27,969,340

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

SUPPORTIVE HOUSING COALITION OF NEW MEXICO AND AFFILIATES
Consolidating Schedule of Financial Position of Consolidated Corporations, Continued
As of December 31, 2019, With Comparative Totals For 2018

	Notes	Supportive Housing Coalition	AMHHC Project I	Vista Gallinas	Chuska Apartments Limited Partnership	Downtown @700-2nd	Eliminations	Sched 2 Cont. 2019 Total	2018 Total
Current Liabilities									
Bank overdraft	3	$ 25,338	-	1,902	-	-	-	27,240	-
Accounts payable	9	83,154	12,731	13,561	18,313	35,740	-	163,499	129,545
Payroll related and other accrued liabilities	10	62,241	626	543	58,143	60,836	-	182,389	165,568
Deferred revenue	11	-	-	1,002	2,992	8,045	-	12,039	16,063
Due to controlled affiliates	18	-	1,963	14,755	72,009	95,321	(184,048)	-	-
Lines of credit	14	110,403	-	-	-	-	-	110,403	114,347
Current portion of notes payable	Sched 6	63,018	-	-	-	-	-	63,018	60,304
Total Current Liabilities		344,154	15,320	31,763	151,457	199,942	(184,048)	558,588	485,827
Long Term Liabilities									
Accrued interest	13	50,048	-	-	71,693	29,328	-	151,069	133,526
Deferred developer's fee	16	-	-	-	389,306	16,220	(405,526)	-	-
Accrued developer's fee	16	-	-	-	-	6,371	(6,371)	-	-
Notes payable-net of current portion	Sched 6	1,429,614	-	-	429,000	392,132	-	2,250,746	2,314,070
Deposits held for tenant	12	17,538	2,931	3,265	5,412	10,720	-	39,866	35,624
Other Deposits		3,000	-	-	-	-	-	3,000	3,000
Long-Term Development Controlled Affiliate Liabilities									
Sponsor loan payable	5	-	-	-	419,706	3,795,085	(4,214,791)	-	-
Sponsor loan interest payable	5	-	-	-	54,099	1,332,085	(1,386,184)	-	-
Total Long-Term Development Controlled Affiliate Liabilities		-	-	-	473,805	5,127,170	(5,600,975)	-	-
Total Liabilities		1,844,354	18,251	35,028	1,520,673	5,781,883	(6,196,920)	3,003,269	2,972,047
NET ASSETS									
Net Assets Without Donor Restrictions									
Unrestricted, undesignated		12,531,813	-	-	-	-	-	12,531,813	12,384,098
Capital, General Partner-controlled affiliates	Sched 4	-	-	-	806,424	293,149	-	1,099,573	1,099,649
Capital, Limited Partner, net	Sched 4	-	-	-	3,003,442	3,446,303	-	6,449,745	7,211,859
Investment in affiliates	1-H	1,611,352	-	-	-	-	(1,099,573)	511,779	512,014
Investment in property and equipment, net of related debt	Sched 5, 6	1,030,071	-	-	4,426,352	4,668,995	-	10,125,418	10,736,771
Investment in property and equipment - controlled affiliates offset	Sched 5, 6	-	-	-	(4,426,352)	(4,668,995)	-	(9,095,347)	(9,610,431)
Total Net Assets Without Donor Restrictions		15,173,236	-	-	3,809,866	3,739,452	(1,099,573)	21,622,981	22,333,960
Net Assets With Donor Restrictions									
Investment in property and equipment	Sched 5	-	793,026	1,696,329	-	-	-	2,489,355	2,572,960
Other net assets without donor restrictions	2-C	53,500	60,698	(3,689)	-	-	-	110,509	90,373
Total Net Assets With Donor Restrictions		53,500	853,724	1,692,640	-	-	-	2,599,864	2,663,333
Total Net Assets		15,226,736	853,724	1,692,640	3,809,866	3,739,452	(1,099,573)	24,222,845	24,997,293
Total Liabilities and Net Assets		$ 17,071,090	871,975	1,727,668	5,330,539	9,521,335	(7,296,493)	27,226,114	27,969,340

The independent auditor’s report and the accompanying notes are an integral part of these financial statements.

SUPPORTIVE HOUSING COALITION OF NEW MEXICO AND AFFILIATES
Consolidating Schedule of Activities of Consolidated Corporations
For The Year Ended December 31, 2019, With Comparative Totals For 2018

	Supportive Housing Coalition	AMHHC Project I	Vista Gallinas	Chuska Apartments Limited Partnership	Downtown 700 @ 2nd	Eliminations	Sched 3 2019 Total	2018 Total
REVENUE AND SUPPORT								
Revenue								
Rental and management income	$ 626,601	50,070	43,575	161,543	458,294	(53,741)	1,286,342	1,301,642
Program income	394,326	-	-	525	-	-	394,851	515,391
Investment income	141	12	3	3	458	-	617	636
Fundraising/event income	39,634	-	-	-	-	-	39,634	38,029
Less: fundraising/event expenses	(3,645)	-	-	-	-	-	(3,645)	(3,850)
Net fundraising revenue	35,989	-	-	-	-	-	35,989	34,179
Other income	184	470	-	21	2,653	-	3,328	16,147
Total Revenue	1,057,241	50,552	43,578	162,092	461,405	(53,741)	1,721,127	1,867,995
Support								
Operational grants and programs	2,995,683	62,151	53,836	42,662	44,494	-	3,198,826	3,213,332
Contributions	55,222	-	-	-	-	-	55,222	19,938
Contributions in-kind	198,454	-	-	-	-	-	198,454	57,528
Total Support	3,249,359	62,151	53,836	42,662	44,494	-	3,452,502	3,290,798
Total Revenue and Support	4,306,600	112,703	97,414	204,754	505,899	(53,741)	5,173,629	5,158,793
EXPENSES BEFORE DEPRECIATION AND AMORTIZATION								
Program								
Property Management	710,315	114,690	108,039	242,420	706,921	(202,754)	1,679,631	1,555,378
Housing Program	3,110,869	-	-	-	-	-	3,110,869	3,201,295
Total Programs	3,821,184	114,690	108,039	242,420	706,921	(202,754)	4,790,500	4,756,673
Resource Development	179,281	-	-	-	-	-	179,281	115,736
General and administrative	353,991	-	-	-	-	-	353,991	203,111
Total Expenses Before Depreciation and Amortization	4,354,456	114,690	108,039	242,420	706,921	(202,754)	5,323,772	5,075,520
Change in Net Assets Before Development Controlled Affiliates Revenue, Depreciation and Amortization, and Unusual Items	(47,856)	(1,987)	(10,625)	(37,666)	(201,022)	149,013	(150,143)	83,273
Property Management-depreciation and amortization	152,968	28,175	55,432	249,822	273,680	-	760,077	766,296
General and administrative-depreciation	3,910	-	-	-	-	-	3,910	9,319
Total Depreciation and Amortization	156,878	28,175	55,432	249,822	273,680	-	763,987	775,615
DEVELOPMENT AFFILIATES REVENUE								
Development controlled affiliates interest loan income	288,619	-	-	-	-	(148,937)	139,682	135,619
Change in net assets	83,885	(30,162)	(66,057)	(287,488)	(474,702)	76	(774,448)	(556,723)
Net assets, beginning of year	15,142,851	883,886	1,758,697	4,097,354	4,214,154	(1,099,649)	24,997,293	25,554,016
Net assets, end of year	$ 15,226,736	853,724	1,692,640	3,809,866	3,739,452	(1,099,573)	24,222,845	24,997,293

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

SUPPORTIVE HOUSING COALITION OF NEW MEXICO AND AFFILIATES
Consolidating Schedule of Changes In Partners' Equity For Limited Partnerships
For The Year Ended December 31, 2019, With Comparative Totals For 2018

Sched 4

CHUSKA APARTMENTS LIMITED PARTNERSHIP

	General Partner Supportive Housing Coalition of New Mexico	Limited Partner Enterprise Housing Alliance Fund II, LP	Total
Percentage of Ownership	0.01%	99.99%	100.00%
Partner's Equity at December 31, 2017	$ 806,479	3,546,830	4,353,309
Net income (loss)	(26)	(255,929)	(255,955)
Partner's Equity at December 31, 2018	806,453	3,290,901	4,097,354
Net income (loss)	(29)	(287,459)	(287,488)
Partner's Equity at December 31, 2019	$ 806,424	3,003,442	3,809,866

DOWNTOWN @700-2nd LIMITED PARTNERSHIP

	General Partner Supportive Housing Coalition of New Mexico	Limited Partner Enterprise RB Fund I, LP	Total
Percentage of Ownership	0.01%	99.99%	100.00%
Partner's Equity at December 31, 2017	$ 293,245	4,407,295	4,700,540
Net income (loss)	(49)	(486,337)	(486,386)
Partner's Equity at December 31, 2018	293,196	3,920,958	4,214,154
Net income (loss)	(47)	(474,655)	(474,702)
Partner's Equity at December 31, 2019	$ 293,149	3,446,303	3,739,452

TOTAL

Partner's Equity at December 31, 2017	$ 1,099,724	7,954,125	9,053,849
Net income (loss)	(75)	(742,266)	(742,341)
Partner's Equity at December 31, 2018	1,099,649	7,211,859	8,311,508
Net income (loss)	(76)	(762,114)	(762,190)
Partner's Equity at December 31, 2019	$ 1,099,573	6,449,745	7,549,318

SUPPORTIVE HOUSING COALITION OF NEW MEXICO AND AFFILIATES
Consolidated Schedule of Property and Equipment
For The Year Ended December 31, 2019

Sched 5

	2018	Additions	Deletions	2019
SHC				
Land	$ 280,958	-	-	280,958
Building and building improvements	4,043,947	-	-	4,043,947
Furniture and equipment	149,398	-	-	149,398
Leasehold improvements	3,853	-	-	3,853
Total Property and Equipment	4,478,156	-	-	4,478,156
Less accumulated depreciation	(1,798,574)	(156,879)	-	(1,955,453)
Total Property and Equipment, net	2,679,582	(156,879)	-	2,522,703
Project I				
Land	217,714	-	-	217,714
Land improvements	24,508	-	-	24,508
Building	978,201	-	-	978,201
Furniture and fixtures	27,481	-	-	27,481
Total Property and Equipment	1,247,904	-	-	1,247,904
Less accumulated depreciation	(426,705)	(28,173)	-	(454,878)
Total Property and Equipment, net	821,199	(28,173)	-	793,026
Vista Gallinas				
Land	100,292	-	-	100,292
Land improvements	26,603	-	-	26,603
Building	2,094,233	-	-	2,094,233
Furniture and equipment	16,930	-	-	16,930
Total Property and Equipment	2,238,058	-	-	2,238,058
Less accumulated depreciation	(486,297)	(55,432)	-	(541,729)
Total Property and Equipment, net	1,751,761	(55,432)	-	1,696,329
Chuska				
Land	274,856	-	-	274,856
Building and building improvements	7,715,712	-	-	7,715,712
Furniture and fixtures	345,236	-	-	345,236
Total Property and Equipment	8,335,804	-	-	8,335,804
Less accumulated depreciation	(2,814,228)	(246,518)	-	(3,060,746)
Total Property and Equipment, net	5,521,576	(246,518)	-	5,275,058
Downtown @ 700-2nd				
Land	1,065,000	-	-	1,065,000
Building and building improvements	10,342,310	-	-	10,342,310
Furniture and fixtures	498,688	-	-	498,688
Total Property and Equipment	11,905,998	-	-	11,905,998
Less accumulated depreciation	(2,781,265)	(268,521)	-	(3,049,786)
Total Property and Equipment, net	9,124,733	(268,521)	-	8,856,212
Total				
Total Property and Equipment	28,205,920	-	-	28,205,920
Less accumulated depreciation	(8,307,069)	(755,523)	-	(9,062,592)
Total Property and Equipment, net	$ 19,898,851	(755,523)	-	19,143,328

SUPPORTIVE HOUSING COALITION OF NEW MEXICO AND AFFILIATES
Consolidated Schedule of Property and Equipment, Continued
For The Year Ended December 31, 2019

Sched 5 Cont.

Description	Type of Property	Historical Cost Basis
SHC Property and Equipment		
5817 West Central	Apartments	$ 457,635
1313 Wellesley	Apartments	802,215
Sunport	Apartments	3,090,057
SHC Property and Equipment	Furniture and Equipment	124,397
Leasehold Improvements	Door	3,852
Total SHC Property and Equipment		4,478,156
Project I Property		
5901 Redlands	Apartments	1,247,904
Vista Gallinas		
Vista Gallinas Gallup Property	Apartments	2,238,058
Chuska Limited Partnership		
Chuska Apartments	Apartments	8,335,804
Downtown @ 700 - 2nd Limited Partnership		
Downtown @700 -2nd Apartments	Apartments	11,905,998
Total Property and Equipment By Project		$ 28,205,920

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

SUPPORTIVE HOUSING COALITION OF NEW MEXICO AND AFFILIATES
Consolidated Schedule of Long-Term Debt
For The Year Ended December 31, 2019, With Comparative Totals For 2018

Sched 6

		2019	2018
SHC	$	835,301	878,241
Note payable in the original amount of $1,081,597 from Wells Fargo Bank, secured by building. Interest at 4.970%. The note is collateralized on real property located at 1301 Wellesley SE. This note is payable in 120 monthly installments of $7,109 with a maturity date of March 25, 2023.			
Less current portion		(44,810)	(42,633)
Long-term portion	$	790,491	835,608
SHC	$	597,750	597,750
Two loans payable in the original amount of $222,750 and $375,000 from Community Area Resource Enterprise, Inc. related to the Chuska project. Interest on the outstanding unpaid balance will accrue at an interest rate of 1% per annum, compounded annually. If not paid sooner, the entire outstanding balance of the principal sum and all accrued and unpaid interest thereon will be immediately due and payable on March 1, 2039.			
Less current portion		-	-
Long term debt	$	597,750	597,750
SHC	$	59,581	77,251
Note payable in the original amount of $91,577 due to Albuquerque Health Care for the Homeless, secured by Sunport Plaza Apartments' land and building. Interest at 3%. This note is payable in full of its outstanding balance at February 16, 2023.			
Less current portion		(18,208)	(17,671)
Long term debt	$	41,373	59,580
Chuska	$	189,000	189,000
Note payable in the amount of $189,000 due to Community Area Resources Enterprise, Inc. (Care 66). The amount originally came from New Mexico Mortgage Finance Authority. Interest at 3%. The note is payable out of surplus cash and is due in 2049.			
Less current portion		-	-
Long term debt	$	189,000	189,000
Chuska	$	240,000	240,000
Note payable in the amount of $240,000 from New Mexico Finance Authority. Interest is payable monthly at 1%. The note is payable out of surplus cash and is due in 2047.			
Less current portion		-	-
Long term debt	$	240,000	240,000

Sched 6 Cont.

		2019	2018
Downtown	$	392,132	392,132
Notes payable in the amount of $401,044 with New Mexico Mortgage Finance Authority Tax Credit Assistance Program. Borrower promises to pay one-forty-fifth (1/45) of principal balance plus all accrued interest as of April 1, 2012. Beginning on April 1, 2013, borrower shall make 44 equal payments of principal and interest. Maturity Date is April 1, 2056. Interest is at 1% per annum. The note is only payable when a cash surplus exists.			
Less current portion		-	-
Long term debt		392,132	392,132
Total long-term debt including current portion	$	2,313,764	2,374,374
Less total current portion		(63,018)	(60,304)
Total Long-term debt	$	2,250,746	2,314,070

Loan maturities for each of the five years subsequent to December 31, are as follows:

		Total
2020	$	63,018
2021		65,851
2022		68,815
2023		55,274
2024		54,643
Thereafter		2,006,163
	$	2,313,764

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

Board of Directors of
Supportive Housing Coalition
of New Mexico and Affiliates
Albuquerque, New Mexico

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 consolidated financial statements of the Supportive Housing Coalition of New Mexico and Affiliates (the Corporation), all of which are under common control and common management, and consist of a nonprofit organization, two nonprofit affiliates, and two limited partnerships, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated 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 March 31, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 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, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 2018-001, 2018-002, and 2018-007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item: 2017-001.

Supportive Housing Coalition's Response to Findings

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Corporation's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Hinkle + Landers, P.C.

Hinkle + Landers, P.C.
Albuquerque, NM
March 31, 2021

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

Board of Directors of
Supportive Housing Coalition
of New Mexico and Affiliates
Albuquerque, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the Supportive Housing Coalition of New Mexico and Affiliates' (collectively referred to as "the Corporation") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Corporation's major federal programs for the year ended December 31, 2019. The Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation'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 Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item: 2017-001. Our opinion on each major federal program is not modified with respect to this these matters.

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

Report on Internal Control Over Compliance

Management of the Corporation 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 Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 Corporation'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 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.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hinkle + Landers, P.C.

Hinkle + Landers, P.C.
Albuquerque, NM
March 31, 2021

SUPPORTIVE HOUSING COALITION OF NEW MEXICO AND AFFILIATES
Summary of Auditor's Results
For The Year Ended December 31, 2019

SECTION I—SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	☐Yes	☒No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	☒Yes	☐No
Noncompliance material to the financial statements noted?	☐Yes	☒No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	☐Yes	☒No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	☐Yes	☒No
Type of auditor's report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a)	☐Yes	☒No

Identification of major programs:

CFDA Number (s)	Name of Federal Programs or Cluster	Funding Source
14.181	Supportive Housing for Persons with Disabilities	U.S. Dept. of HUD

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	☒Yes	☐No

SUPPORTIVE HOUSING COALITION OF NEW MEXICO AND AFFILIATES
Schedule of Findings and Questioned Costs
For The Year Ended December 31, 2019

SECTION II AND III- FINANCIAL STATEMENTS AND FEDERAL AWARD FINDINGS

Finding	Findings	Status of Current and Prior Year Findings	Type of Finding*	Responsible Entity
Prior Year Findings				
2015-014	RECONCILIATION OF INCOME REPORTING IN ONESITE ACCOUNTING SYSTEM	**Resolved**	B	Chuska
2015-016	RECONCILIATION OF INCOME REPORTING IN ONESITE ACCOUNTING SYSTEM	**Resolved**	B	Downtown
2017-001	REPLACEMENT RESERVE REQUIREMENTS	Repeated/ Modified	F	Vista Gallinas
2018-001	FINANCIAL CLOSE AND REPORTING	Repeated/ Modified	B	Chuska
2018-002	FINANCIAL CLOSE AND REPORTING	Repeated/ Modified	B	Downtown
2018-003	REPLACEMENT RESERVE	**Resolved**	F	Project I
2018-004	RESIDUAL RECEIPTS ACCOUNT	**Resolved**	F	Project I
2018-005	BANK RECONCILIATIONS	**Resolved**	B	SHC
2018-006	RECONCILIATION OF INCOME REPORTING IN ONESITE ACCOUNTING SYSTEM	**Resolved**	B	SHC
2018-007	FINANCIAL CLOSE AND REPORTING	Repeated/ Modified	B	SHC
2018-008	SUPPORTIVE SERVICES EXPENDITURES	**Resolved**	F	SHC
2018-009	ACCOUNTING RECORDS	**Resolved**	F	SHC
2018-010	PROGRAM INCOME	**Resolved**	F	SHC
2018-011	MATCH REQUIREMENTS	**Resolved**	F	SHC
Current Year Findings				
None		N/A	N/A	N/A

* Legend for Type of Findings

A. Material Weakness in Internal Control Over Financial Reporting
B. Significant Deficiency in Internal Control Over Financial Reporting
C. Finding That Does Not Rise to the Level of a Significant Deficiency (Other Matters) Involving Internal Control Financial Reporting
D. Material Weakness in Internal Control Over Compliance of Federal Awards
E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
F. Instance of Noncompliance related to Federal Awards

Prior Year Findings Repeated in the Current Year

2017-001 – Replacement Reserve Requirements (Vista Gallinas)

Type of Finding: (F) Instance of Noncompliance related to Federal Awards

Federal Program Information:
Funding Agency: U.S. Dept. of Housing and Urban Development
Title: Supportive Housing for Persons with Disabilities (Section 811)
CFDA Number: 14.181

Statement of Condition
The replacement reserve's year-end balance was $1,253 less than the minimum reserve amount required by HUD. The shortfall was subsequently transferred into the account.

Criteria
Per the HUD compliance supplement, Owners shall establish and maintain a replacement reserve to aid in funding extraordinary maintenance and repair and replacement of capital items. The replacement reserve funds must be deposited in a federally insured depository in an interest-bearing account. All earnings including interest on the reserve must be added to the reserve. An amount as required by HUD will be deposited monthly in the reserve fund (Regulatory Agreement, item 5 (a)). All disbursements from the reserve must be approved by HUD (24 CFR section 891.405). The minimum balance set by HUD is $20,592.

Cause
Operating cash-flow was not sufficient to support the deposits to the replacement reserve account and attempts to have the deposit requirement decreased were unsuccessful.

Effect
Not adhering to HUD policy could result in loss of future funding as well as repayment of any funds already received.

Recommendation
HUD policies should be adhered to.

View of Responsible Officials and Corrective Action Plan
Operating cash-flow was not sufficient in prior years to support the deposits to the replacement reserve account. The organization did determine that the rent amounts charged had not been increased in three years, so the organization sought approval to increase rental amounts. This approval was received and effective October 2019. This has resulted in healthier cashflow. The 2019 required deposit amount was made in July 2020 to correct the shortfall. In addition, the 2020 required deposit was also made in July 2020, so this finding can be resolved for 2020. The organization will review approved rental amounts annually and seek annual approval for higher rental rates, when appropriate to keep cashflow moving in a positive trend.

Corrective Action Plan Timeline
The correction has already been made as of July 2020.

Designation of Employee Position Responsible for Meeting Deadline
Associate Executive Director

2018–001 - Financial Close and Reporting (Chuska)

Type of Finding: (B) Significant Deficiency in Internal Control Over Financial Reporting

Statement of Condition
The Partnership has not implemented effective financial close and reporting process controls for the year ended December 31, 2019. The financial close should include but not be limited to:

- Identifying all sources of financial and non-financial data (routine and nonroutine events and transactions) that will be needed in order to maintain and systematically adjust the Partnership's general ledger.
- Establishing and implementing procedures and records to initiate, authorize, record process, correct, transfer to the general ledger, and report the Partnerships transactions.
- Monitoring assigned personnel are completing their task timely and accurately.

Significant areas that required proposed audit adjustments are as follows:

- Net adjustment to grant revenues $(57,213)
- Net adjustment to accrued payables and other liabilities $(11,252)
- Net adjustment to accounts payable $(12,855)
- Net adjustment to prepaid expenses $9,235
- Net adjustment to receivables $(4,855)
- Net adjustment to prepaid rents $(2,381)
- Net adjustment to due to SHC $42,662

Criteria
There are several key underlying accounting standards related to an organization designing and implementing an effective financial close and reporting process. Auditors, are required to identify and communicate internal weaknesses according to AU-C 265 "Communicating Internal Control Related Matters Identified in an Audit". The following are a few concepts associated with this standard:

- The auditor cannot be part of a client's internal control because becoming part of a client's internal control impairs auditor independence;
- The auditor's work is independent of the client's internal control over financial reporting, and the auditor cannot be a compensating control for the client; and
- A system of internal control over the financial reporting does not stop at the general ledger – it includes controls over the presentation of the financial statements.

The Financial Close is considered a significant process of internal control and should be performed by the Partnership staff.

Cause
There was a severe interruption of workflow, due to the team focus required to be redirected to finding and implementing technical solutions to respond to the COVID-19 state work restrictions and keep the rest of the organization delivering mission services in mid-March 2020. This meant that the staff was not able to complete a thorough review of work submitted to the auditor, including a full quarterly/year-end financial close review. The staff is now very familiar with the audit pain points for moving forward for the next audit cycle.

Effect
The Partnership was not ready for its audit in a timely manner and it resulted in audit findings and a significant number of adjustments.

Recommendation
We recommend the Partnership institute procedures to ensure there is a proper monthly/quarterly and year-end/financial close to its accounts.

View of Responsible Officials and Corrective Action Plan
The COVID-19 pandemic severely curtailed the year-end audit workflow momentum that was in progress for this entity. With a small organizational staff size, most of the finance team had to be diverted to find and implement technological solutions to allow all staff to work remotely and communicate with each other under the state's social distancing work mandates. The further refinement of the month-end checklist, month-end close process and internal procedures, established before and during this audit period, allow for improved oversight, and fewer, insignificant audit adjustments in the future, and improve monthly financial reporting in preparation for the year-end audit process.

Corrective Action Plan Timeline
The corrective action will be completed by the end of September 2020:

- The month-end checklist developed in the prior year, was revised and improved in June 2020. The final version of balance sheet reconciliation tool has been in place since July 2020, satisfies audit needs and is in line with version utilized in the responsible party's prior work experience, The Finance team has been fully trained on balance sheet reconciliations in as of July 2020 and will have the 2020 YTD reconciliations completed for the August 2020 monthly close by the end of September 2020.
- The improved Gross Rent Potential has been in place for most of 2019 and utilized in the regular monthly close process, and is recorded smoothly with no issues in 2020; therefore, we believe this item has been completed since January 2020.
- The Accounts Receivable and Accounts Payable year-end process needed further refinement and has been the topic of training from May 2020 to present. As a further refinement, each Finance staff member will be solely responsible for the 2020 year-end audit close of at least one entity, to be utilized as an on-the-job training exercise to further cement the acceptable accounting principle in this area.
- A monthly review process to scrutinize revenue trends was implemented in 2019, and the team has been cross-trained in May 2020 to check each other's work as part of the month-end close process.

Designation of Employee Position Responsible for Meeting Deadline
Associate Executive Director

2018–002 - Financial Close and Reporting (Downtown)

Type of Finding: (B) Significant Deficiency in Internal Control Over Financial Reporting

Statement of Condition
The Partnership has not implemented effective financial close and reporting process controls for the year ended December 31, 2019. The financial close should include but not be limited to:

- Identifying all sources of financial and non-financial data (routine and nonroutine events and transactions) that will be needed in order to maintain and systematically adjust the Partnership's general ledger.
- Establishing and implementing procedures and records to initiate, authorize, record process, correct, transfer to the general ledger, and report the Partnerships transactions.
- Monitoring assigned personnel are completing their task timely and accurately.

Significant areas that required proposed audit adjustments are as follows:

- Net adjustment to revenues $(46,198)
- Net adjustment to expenses $53,703
- Net adjustment to accounts payable $(27,074)
- Net adjustment to accrued payables and other liabilities $2,385
- Net adjustment to prepaid expenses $(5,086)
- Net adjustment to receivables $(5,965)
- Net adjustment to tax credit fees $(5,159)
- Net adjustment to due to SHC $109,593

Criteria
There are several key underlying accounting standards related to an organization designing and implementing an effective financial close and reporting process. Auditors are required to identify and communicate internal weaknesses according to AU-C 265 "Communicating Internal Control Related Matters Identified in an Audit". The following are a few concepts associated with this standard:

- The auditor cannot be part of a client's internal control because becoming part of a client's internal control impairs auditor independence;
- The auditor's work is independent of the client's internal control over financial reporting, and the auditor cannot be a compensating control for the client; and
- A system of internal control over the financial reporting does not stop at the general ledger – it includes controls over the presentation of the financial statements.

The Financial Close is considered a significant process of internal control and should be performed by the Partnership staff.

Cause
There was a severe interruption of workflow, due to the team focus required to be redirected to finding and implementing technical solutions to respond to the COVID-19 state work restrictions and keep the rest of the organization delivering mission services in mid-March 2020. This meant that the staff was not able to complete a thorough review of work submitted to the auditor, including a full quarterly/year-end financial close review. The staff is now very familiar with the audit pain points for moving forward for the next audit cycle.

Effect
The Partnership was not ready for its audit in a timely manner and it resulted in audit findings and a significant number of adjustments.

Recommendation
We recommend the Partnership institute procedures to ensure there is a proper monthly/quarterly and year-end/financial close to its accounts.

View of Responsible Officials and Corrective Action Plan
The COVID-19 pandemic severely curtailed the year-end audit workflow momentum that was in progress for this entity. With a small organizational staff size, most of the finance team had to be diverted to find and implement technological solutions to allow all staff to work remotely and communicate with each other under the state's social distancing work mandates. The further refinement of the month-end checklist, month-end close process and internal procedures, established before and during this audit period, allow for improved oversight, and fewer, insignificant audit adjustments in the future, and improve monthly financial reporting in preparation for the year-end audit process.

Corrective Action Plan Timeline
The corrective action will be completed by the end of September 2020:

- The month-end checklist developed in the prior year, was revised and improved in June 2020. The final version of balance sheet reconciliation tool has been in place since July 2020, satisfies audit needs and is in line with version utilized in the responsible party's prior work experience, The Finance team has been fully trained on balance sheet reconciliations in as of July 2020 and will have the 2020 YTD reconciliations completed for the August 2020 monthly close by the end of September 2020.
- The improved Gross Rent Potential has been in place for most of 2019 and utilized in the regular monthly close process, and is recorded smoothly with no issues in 2020; therefore, we believe this item has been completed since January 2020.
- The Accounts Receivable and Accounts Payable year-end process needed further refinement and has been the topic of training from May 2020 to present. As a further refinement, each Finance staff member will be solely responsible for the 2020 year-end audit close of at least one entity, to be utilized as an on-the-job training exercise to further cement the acceptable accounting principle in this area.
- A monthly review process to scrutinize revenue trends was implemented in 2019, and the team has been cross-trained in May 2020 to check each other's work as part of the month-end close process.

Designation of Employee Position Responsible for Meeting Deadline
Associate Executive Director

2018–007 - Financial Close and Reporting (SHC)

Type of Finding: (B) Significant Deficiency in Internal Control Over Financial Reporting

Statement of Condition
SHC has not implemented effective financial close and reporting process controls for the year ended December 31, 2019. The financial close should include but not be limited to:

- Identifying all sources of financial and non-financial data (routine and nonroutine events and transactions) that will be needed in order to maintain and systematically adjust SHC's general ledger.
- Establishing and implementing procedures and records to initiate, authorize, record process, correct, transfer to the general ledger, and report SHC's transactions.
- Monitoring assigned personnel are completing their task timely and accurately.

Areas that required proposed audit adjustments are as follows:

- Net adjustment to revenues $7,387
- Net adjustment to accrued payables and other liabilities $(30,546)
- Net adjustment to receivables $(4,231)
- Net adjustment to notes payable $(4,293)
- Net adjustment to due to/from affiliates $(81,538)

Criteria
There are several key underlying accounting standards related to an organization designing and implementing an effective financial close and reporting process. Auditors are required to identify and communicate internal weaknesses according to AU-C 265 "Communicating Internal Control Related Matters Identified in an Audit". The following are a few concepts associated with this standard:

- The auditor cannot be part of a client's internal control because becoming part of a client's internal control impairs auditor independence;
- The auditor's work is independent of the client's internal control over financial reporting, and the auditor cannot be a compensating control for the client; and
- A system of internal control over the financial reporting does not stop at the general ledger – it includes controls over the presentation of the financial statements.

The Financial Close is considered a significant process of internal control and should be performed by SHC's staff.

Cause
There was turnover at a key financial position in the prior fiscal year and unfamiliarity with the data in the financial accounting systems resulted in a lack of confidence in financial close.

Effect
SHC was not ready for its audit in a timely manner and it resulted in audit findings and a number of adjustments.

Recommendation
We recommend SHC institute procedures to ensure there is a proper monthly/quarterly and year-end/financial close to its accounts.

View of Responsible Officials and Corrective Action Plan
The COVID-19 pandemic severely curtailed the year-end audit workflow momentum that was in progress for this entity. With a small organizational staff size, most of the finance team had to be diverted to find and implement technological solutions to allow all staff to work remotely and communicate with each other under the state's social distancing work mandates. The further refinement of the month-end checklist, month-end close process and internal procedures, established before and during this audit period, allow for improved oversight, and fewer, insignificant audit adjustments in the future, and improve monthly financial reporting in preparation for the year-end audit process.

Corrective Action Plan Timeline
The corrective action was completed by the end of September 2020:

- The month-end checklist developed in the prior year, was revised and improved in June 2020. The final version of balance sheet reconciliation tool has been in place since July 2020, satisfies audit needs and is in line with version utilized in the responsible party's prior work experience, The Finance team has been fully trained on balance sheet reconciliations in as of July 2020 and will have the 2020 YTD reconciliations completed for the August 2020 monthly close by the end of September 2020.
- The improved Gross Rent Potential has been in place for most of 2019 and utilized in the regular monthly close process, and is recorded smoothly with no issues in 2020; therefore, we believe this item has been completed since January 2020.
- The Accounts Receivable and Accounts Payable year-end process needed further refinement and has been the topic of training from May 2020 to present. As a further refinement, each Finance staff member will be solely responsible for the 2020 year-end audit close of at least one entity, to be utilized as an on-the-job training exercise to further cement the acceptable accounting principle in this area.
- A monthly review process to scrutinize revenue trends was implemented in 2019, and the team has been cross-trained in May 2020 to check each other's work as part of the month-end close process.

Designation of Employee Position Responsible for Meeting Deadline
Associate Executive Director

<u>Current Year Findings</u>

No additional findings except those that were repeated from prior year.