

**Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641**

**Financial Statements
and
Supplementary Information**

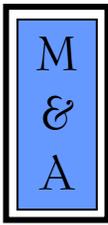
December 31, 2017 and 2016

**Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641**

December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

**To the Partners
Riverview Apartments Preservation LP
Eagle County, Colorado**

Report on the Financial Statements

We have audited the accompanying financial statements of Riverview Apartments Preservation LP (HUD Project No. FHA 101-35641), a Colorado limited partnership, which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations, changes in partners' capital, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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INDEPENDENT AUDITOR'S REPORT
To the Partners
Riverview Apartments Preservation LP
Eagle County, Colorado

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Riverview Apartments Preservation LP as of December 31, 2017 and 2016, and the changes in partners' capital and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on Riverview Apartments Preservation LP's financial statements as a whole. The accompanying supplementary information shown on pages 19 – 33 is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information on pages 19 – 33 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on pages 19 – 33 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2018 on our consideration of Riverview Apartments Preservation LP's internal control over financial reporting and 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 Riverview Apartments Preservation LP's internal control over financial reporting and compliance.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
February 28, 2018

Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
Balance Sheets
December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents - Unrestricted	\$ 152,263	\$ 125,259
Cash and cash equivalents - Restricted	1,330,887	1,322,684
Investments - Restricted	250,523	247,046
Accounts receivable, net - Tenants	14,983	19,855
Accounts receivable, net - Other	2,249	1,200
Deposits and prepaid expenses	37,502	1,650
Fixed assets, net	12,928,905	13,373,161
Deferred costs, net	111,894	114,976
Total Assets	\$ 14,829,206	\$ 15,205,831
 LIABILITIES AND PARTNERS' CAPITAL		
Liabilities:		
Accounts payable	\$ 12,771	\$ 13,814
Due to Eagle County	2,306	8,614
Accrued expenses	22,050	10,962
Accrued interest payable	1,276,805	1,102,187
Accrued to Eagle County Housing and Development Authority	332,819	310,324
Deferred revenue	9,260	6,378
Tenant security deposits	29,394	29,332
Long-term debt, net of unamortized debt issue costs	12,430,632	12,511,494
Total Liabilities	14,116,037	13,993,105
PARTNERS' CAPITAL	713,169	1,212,726
Total Liabilities and Partners' Capital	\$ 14,829,206	\$ 15,205,831

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

Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
Statement of Operations
For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
REVENUES		
Tenant rents	\$ 381,207	\$ 360,916
Tenant assistance payments, net	764,037	766,061
Miscellaneous income	18,785	20,244
	<u>1,164,029</u>	<u>1,147,221</u>
Total Revenues		
OPERATING EXPENSES		
Repairs and maintenance	178,445	195,860
Utilities	91,488	93,280
General and administration	192,360	189,067
Management fees	73,767	72,832
	<u>536,060</u>	<u>551,039</u>
Total Operating Expenses		
INCOME (LOSS) from OPERATIONS	627,969	596,182
OTHER INCOME (EXPENSES)		
Investment earnings	6,609	6,547
Depreciation	(500,913)	(499,690)
Amortization	(3,082)	(3,082)
Interest expense	(630,140)	(629,414)
	<u>(1,127,526)</u>	<u>(1,125,639)</u>
Net Other Income (Expenses)		
NET INCOME (LOSS)	<u>\$ (499,557)</u>	<u>\$ (529,457)</u>

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

Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
Statement of Changes in Partners' Capital
For the years ended December 31, 2017 and 2016

	<u>General Partner</u>	<u>Special Limited Partner</u>	<u>Administrative Limited Partner</u>	<u>Investor Limited Partner</u>	<u>Total</u>
Balance - January 1, 2016	\$ (5)	\$ (5)	\$ (111)	\$ 1,742,304	\$ 1,742,183
Net income (loss) for the year	<u>(26)</u>	<u>(26)</u>	<u>(53)</u>	<u>(529,352)</u>	<u>(529,457)</u>
Balance - December 31, 2016	(31)	(31)	(164)	1,212,952	1,212,726
Net income (loss) for the year	<u>(25)</u>	<u>(25)</u>	<u>(50)</u>	<u>(499,457)</u>	<u>(499,557)</u>
Balance - December 31, 2017	<u>\$ (56)</u>	<u>\$ (56)</u>	<u>\$ (214)</u>	<u>\$ 713,495</u>	<u>\$ 713,169</u>

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

Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
Statement of Cash Flows
For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Cash received for rent	\$ 1,152,998	\$ 1,128,170
Investment income received	3,132	3,110
Other cash receipts	17,736	20,330
Net change in tenant security deposits	62	629
Interest paid	(447,339)	(451,925)
Cash paid for goods and services	(545,680)	(706,399)
Net Cash Provided (Used) By Operating Activities	<u>180,909</u>	<u>(6,085)</u>
Cash Flows From Financing Activities:		
Repayment of long-term debt	(89,045)	(84,458)
Net Cash Provided (Used) By Financing Activities	<u>(89,045)</u>	<u>(84,458)</u>
Cash Flows From Investing Activities:		
Cash paid to purchase capital assets	(56,657)	-
Net Cash Provided (Used) By Investing Activities	<u>(56,657)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	35,207	(90,543)
Cash and Cash Equivalents - Beginning	<u>1,447,943</u>	<u>1,538,486</u>
Cash and Cash Equivalents - Ending	<u>\$ 1,483,150</u>	<u>\$ 1,447,943</u>
Cash and Cash Equivalents - Ending is comprised of:		
Cash and cash equivalents - Unrestricted	\$ 152,263	\$ 125,259
Cash and cash equivalents - Restricted	1,330,887	1,322,684
Total	<u>\$ 1,483,150</u>	<u>\$ 1,447,943</u>
Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:		
Income (loss) from operations	<u>\$ 627,969</u>	<u>\$ 596,182</u>
Adjustments to reconcile:		
Accrued interest on investment	(3,477)	(3,437)
Interest income	6,609	6,547
Interest expense, net of amortization of debt issue costs	(621,957)	(621,230)
(Increase) decrease in accounts receivable, net	3,823	6,168
(Increase) decrease in prepaid expenses	(35,852)	(150)
Increase (decrease) in accounts payable and accrued liabilities	32,540	(171,416)
Increase (decrease) in accrued interest payable	174,618	169,305
Increase (decrease) in due to Eagle County and related entities	(6,308)	7,683
Increase (decrease) in deferred revenue	2,882	3,634
Increase (decrease) in tenant security deposits, net	62	629
Total Adjustments	<u>(447,060)</u>	<u>(602,267)</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 180,909</u>	<u>\$ (6,085)</u>

The accompanying notes are an integral part of these financial statements

Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
Notes to the Financial Statements
December 31, 2017 and 2016

1. Organization

Riverview Apartments Preservation LP (the "Partnership") is a Colorado limited partnership, formed pursuant to a limited partnership agreement adopted February 2, 2009, and subsequently amended and restated (the "Partnership Agreement"). The Partnership began operations on August 1, 2010. The Partnership's purpose is to renovate, own, and operate a 72-unit apartment project known as "Riverview Apartments" (the "Project") located in unincorporated Eagle County, Colorado. The Project is rented to low-income tenants who are subsidized by the U.S. Department of Housing and Urban Development ("HUD") through a Section 8 Housing Assistance Payments contract ("HAP Contract") with the Partnership. The Project is operated in a manner necessary to qualify for Federal low-income housing tax credits ("Tax Credits"), as provided under section 42 of the Internal Revenue Code.

The General Partner of the Partnership is Riverview Apartments Preservation LLC; a Colorado limited liability corporation (the "General Partner") whose sole member, Eagle County Housing and Development Authority ("ECHDA"), is a component unit of Eagle County, Colorado. The Partnership Agreement also provides for the following limited partners: ECHDA is Special Limited Partner; Alliant Tax Credit 58, LLC, a Florida limited liability company, is Administrative Limited Partner; and Alliant Tax Credit Fund 58, LTD., a Florida limited partnership, is the Investor Limited Partner. In accordance with the Partnership Agreement, profits and losses from operations, and Tax Credits are allocated 0.005% to the General Partner, 0.005% to the Special Limited Partner, 0.01% to the Administrative Limited Partner, and 99.98% to the Investor Limited Partner.

Pursuant to the Partnership Agreement, the Investor Limited Partner is required to provide capital contributions totaling \$3,840,695, subject to potential adjustments based, among other occurrences, on the amount of Tax Credits ultimately allocated to the Project. As of December 31, 2017, all required capital contributions have been made by the Investor Limited Partner, in accordance with the Partnership Agreement.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The Partnership utilizes the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

B. Cash Equivalents

For the purposes of the Statement of Cash Flows, the Partnership defines cash equivalents as all cash, money market, and savings accounts, plus all investments with original maturities of three months or less.

C. Investment Valuation

The Partnership's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for further discussion of fair value measurements.

**Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
Notes to the Financial Statements
December 31, 2017 and 2016
(Continued)**

2. Summary of Significant Accounting Policies (continued)

D. Restricted Assets

Certain of the Partnership's assets are classified as restricted assets because their use is restricted to specific purposes by legally binding commitments. At December 31, 2017 and 2016, the Partnership held restricted cash balances related to security deposits and funding established by the HUD Commitment for Insurance of Advances.

E. Tenant Security Deposits

Tenant security deposits are placed into a separate bank account and are generally held until termination of the underlying tenant lease, at which time some or all deposits may be returned to the lessee.

F. Allowance for Uncollectible Accounts

The Partnership uses the allowance method to recognize the potential uncollectibility of receivables, including amounts due from tenants. At December 31, 2017, the Partnership has recorded an allowance of \$3,572 to provide for amounts which management determined may not be collectible (\$1,572 at December 31, 2016).

G. Fixed Assets

Fixed assets are recorded at cost. Depreciation on the building structures and major improvements is computed using the straight-line method, over an estimated useful life of 30 years. Depreciation on furniture and equipment is computed using the straight-line method, over an estimated useful life of 7 years.

H. Deferred Costs

Deferred costs include fees incurred to obtain the Project's tax credit status and are amortized on a straight-line basis over the 10-year term of the Tax Credits.

I. Debt Issuance Costs

Debt issuance costs incurred in connection with obtaining long-term financing for the Partnership and are amortized to interest expense over the 40-year term of the HUD-insured Mortgage using the straight-line method, which approximates the effective interest method. The unamortized amount is presented as a reduction of long-term debt on the balance sheet.

J. Revenue Recognition

Rental revenue attributable to residential leases is recorded when due from residents, generally upon the first day of each month. Rental payments received in advance are deferred until earned. Leases are for periods of up to one year, with rental payments due monthly.

**Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
Notes to the Financial Statements
December 31, 2017 and 2016
(Continued)**

2. Summary of Significant Accounting Policies (continued)

K. Income Taxes

In accordance with federal and state income tax regulations, taxes are levied on the partners in their individual capacity. Consequently, no provision for federal or state income taxes is reflected in the accompanying financial statements.

Income tax returns of the Partnership are subject to examination by the Internal Revenue Service and the Colorado Department of Revenue. The Partnership's returns are no longer subject to examination for tax years prior to 2014 by the Internal Revenue Service and for tax years prior to 2013 by the Colorado Department of Revenue.

L. Subsequent Events

Management has evaluated subsequent events through February 28, 2018; the date these financial statements were available to be issued.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

N. Reclassification

Certain prior year balances have been reclassified to conform to the current year presentation. Total assets, liabilities, capital, revenues and expenses are unaffected by this reclassification.

3. Restricted Cash and Investments

The Partnership's restricted cash and investment balances are comprised of the following at December 31, 2017 and 2016:

	2017	2016
Restricted Cash:		
Tenant security deposits	\$ 29,394	\$ 29,332
Operating Deficit Reserve	484,270	483,461
Replacement Reserve	761,409	717,915
Re-tenanting Reserve	35,440	35,419
Property Insurance Escrow	-	34,794
Mortgage Insurance Premium Escrow	20,374	21,763
Total - Restricted Cash	\$ 1,330,887	\$ 1,322,684
Restricted Investments:		
Re-tenanting Reserve	\$ 250,523	\$ 247,046

**Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
Notes to the Financial Statements
December 31, 2017 and 2016
(Continued)**

3. Restricted Cash (continued)

As a condition of securing HUD’s commitment to insure certain mortgage indebtedness of the Partnership in connection with the acquisition of the Project (the “Commitment”), the Partnership was required to establish a Working Capital Escrow from the mortgage proceeds. The Working Capital Escrow is to be held for a period ending one year after the date of substantial completion of the Project as determined by HUD, with any remaining balance to be refunded to the Partnership.

The Commitment and the Partnership Agreement require the Partnership to establish and maintain an Operating Deficit Reserve sufficient to meet three months of expenses of the Project – defined by the Partnership Agreement as being equal to \$478,296 and funded from the Investor Limited Partner’s required capital contributions.

The Partnership is required by the terms of the Commitment and the Partnership Agreement to establish a Replacement Reserve, with an initial deposit of \$690,000 funded from the Investor Limited Partner’s required capital contributions. Thereafter, following completion of rehabilitation of the Project, the Partnership is required to make annual contributions to the Replacement Reserve in an amount equal to the greater of \$35,600 or \$494 per unit (increased annually by 2.5%). This account is to be used to make capital improvements and repairs to the Project.

Under the terms of the Partnership Agreement, the Partnership is required to establish a Re-tenanting Reserve of \$275,000, which is to be funded from the Investor Limited Partner’s required capital contributions. These funds are solely to be used in the event of termination or suspension of the Partnership’s HAP Contract with HUD.

As of December 31, 2017 and 2016, the Operating Deficit Reserve, Replacement Reserve, and Re-tenanting Reserve had been funded in accordance with the terms of the Commitment and the Partnership Agreement, as applicable.

4. Investments

	2017	2016
Certificates of deposit, maturing within three years, interest at 1.4% p.a. (2016 - 1.4% p.a.)	<u>\$ 250,523</u>	<u>\$ 247,046</u>

5. Fair Value Measurements

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Partnership has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Market-corroborated inputs

**Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
Notes to the Financial Statements
December 31, 2017 and 2016
(Continued)**

5. Fair Value Measurements (continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Certificates of deposit: Valued at the daily closing price as reported by the financial institution holding the deposit.

The following tables set forth, by level within the fair value hierarchy, the Partnership's investments at fair values as of December 31, 2017 and 2016:

Fair Value Measurement at December 31, 2017 using:				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 250,523	\$ -	\$ 250,523	\$ -
Total investments at fair value	<u>\$ 250,523</u>	<u>\$ -</u>	<u>\$ 250,523</u>	<u>\$ -</u>

Fair Value Measurement at December 31, 2016 using:				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 247,046	\$ -	\$ 247,046	\$ -
Total investments at fair value	<u>\$ 247,046</u>	<u>\$ -</u>	<u>\$ 247,046</u>	<u>\$ -</u>

Gains and losses (realized and unrealized) included in net income (loss) for the year end are reported in investment earnings on the Statement of Operations.

**Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
Notes to the Financial Statements
December 31, 2017 and 2016
(Continued)**

6. Fixed Assets

The Partnership's fixed assets were comprised of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 1,900,000	\$ 1,900,000
Buildings	14,025,412	13,973,833
Furniture and fixtures	242,346	237,268
At cost	<u>16,167,758</u>	<u>16,111,101</u>
Less: Accumulated depreciation	<u>(3,238,853)</u>	<u>(2,737,940)</u>
Fixed Assets, net	<u>\$ 12,928,905</u>	<u>\$ 13,373,161</u>

7. Deferred Costs

The following are the Partnership's deferred costs balances at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Deferred tax credit costs	\$ 30,818	\$ 30,818
Other deferred costs	102,649	102,649
	<u>133,467</u>	<u>133,467</u>
Less: Accumulated amortization	<u>(21,573)</u>	<u>(18,491)</u>
Deferred costs, net	<u>\$ 111,894</u>	<u>\$ 114,976</u>

8. Green Retrofit Program

As part of the renovation, the Partnership committed to HUD that managers of the property would complete a minimum of 16 hours of training in acceptable topics that promote green energy efficiencies. ECHDA has represented that appropriate staff have completed this required training within the timelines specified by HUD.

9. Long-term Debt

A. HUD-Insured Mortgage Note Payable

In August 2010 and in connection with the acquisition of the Project, the Partnership entered into a mortgage note agreement (the "HUD-insured Mortgage") with Dougherty Mortgage, LLC ("Dougherty") in the principal amount of \$8,900,000. The HUD-insured Mortgage is insured by HUD under section 221(d)(4) of the Housing and Community Development Act of 1992, as amended, and is secured by a first deed of trust on the Project. Amounts were advanced on the HUD-insured Mortgage as the renovation of the Project proceeded, with the full \$8,900,000 principal balance in 2011. Interest accrues on the principal amount outstanding at 5.3% per annum, with monthly interest-only payments beginning September 2010 and continuing until May 2011.

**Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
Notes to the Financial Statements
December 31, 2017 and 2016
(Continued)**

9 Long-term Debt (continued)

A. HUD-Insured Mortgage Note Payable (continued)

Beginning June 2011, the HUD-insured Mortgage converted to a permanent loan, with blended monthly payments of \$44,699 until maturity in May 2051. Unless otherwise directed by HUD, the HUD-insured Mortgage may not be prepaid prior to June 2013, and any prepayment from June 2013 through May 2021 will require the Partnership to pay Dougherty a prepayment penalty equal to between 8% and 1% of the prepayment amount (dependent on timing of prepayment).

During 2017, the Partnership incurred interest on the HUD-insured Mortgage totaling \$446,946 (2016 – \$451,553). At December 31, 2017, the principal balance of the HUD-insured Mortgage was \$8,391,749 (\$8,480,794 at December 31, 2016) and accrued interest payable was \$37,064 (\$37,457 at December 31, 2016). The HUD-insured Mortgage is reported on the December 31, 2017 balance sheet net of unamortized debt issuance costs of \$266,122 (2016 – \$274,306).

Future minimum principal payments in each of the next five years following December 31, 2017, and for five-year increments thereafter, are as follows:

2018	\$ 93,880
2019	98,979
2020	104,354
2021	110,021
2020	115,996
2023 - 2027	681,596
2027 - 2031	887,895
2032 - 2036	1,156,634
2037 - 2041	1,506,713
2042 - 2046	1,962,751
2047 - 2051	<u>1,672,930</u>
Total	<u>\$ 8,391,749</u>

B. Pre-Development Note – ECHDA

In August 2010 and in connection with the acquisition of the Project, the Partnership executed a promissory note with ECHDA (the “Pre-Development Note”) in the principal amount of \$2,172,000. The Pre-Development Note, which matures August 1, 2065 and bears interest at 3.94% per annum, is secured by a second deed of trust on the Project. Annual payments may be made on the Pre-Development Note on or before June 1 of each year, beginning in 2011, to the extent of the Project’s Surplus Cash, as defined, for the immediately preceding year.

During 2017, the Partnership accrued interest expense of \$109,675 in respect of the Pre-Development Note (2016 – \$105,517). At December 31, 2017, the principal balance outstanding on the Pre-Development Note was \$2,172,000 (\$2,172,000 at December 31, 2016) and cumulative accrued interest payable was \$721,300 (\$611,625 at December 31, 2016). No payments were made in 2017 or 2016 in respect of the Pre-Development Note or interest accrued thereon.

**Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
Notes to the Financial Statements
December 31, 2017 and 2016
(Continued)**

9. Long-term Debt (continued)

C. Green Retrofit Loan – ECHDA

In August 2010, the Partnership executed a promissory note with ECHDA (the “Green Retrofit Loan”) for up to \$1,144,598 to fund certain improvements to the Project. The Green Retrofit Loan, which matures August 1, 2065 and bears interest at 3% per annum (simple interest), is secured by a third deed of trust on the Project. Annual payments may be made on the Green Retrofit Loan annually on or before June 1, beginning in 2011, to the extent of the Project’s Surplus Cash, as defined, for the immediately preceding year.

At December 31, 2017, the principal balance outstanding on the Green Retrofit Loan was \$1,144,598 (\$1,144,598 at December 31, 2016) and cumulative accrued interest payable was \$239,108 (\$204,770 at December 31, 2016). Interest expense of \$34,338 was accrued in respect of the Green Retrofit Loan for 2017 (\$34,338 for 2016).

No payments were made in 2017 or 2016 in respect of the Green Retrofit Loan or interest accrued thereon.

D. CDH Loan – ECHDA

In August 2010 and in connection with the acquisition of the Project, the Partnership executed a promissory note with ECHDA (the “CDH Loan”) in the principal amount of \$450,000. The CDH Loan, which matures August 1, 2065 and is non-interest bearing, is secured by a fourth deed of trust on the Project. Annual payments may be made on the CDH Loan on or before June 1 of each year, beginning in 2011, to the extent of the Project’s Surplus Cash, as defined, for the immediately preceding year.

At December 31, 2017, the principal balance outstanding on the CDH Loan was \$450,000 (\$450,000 at December 31, 2016).

No payments were made in 2017 or 2016 in respect of the CDH Loan.

E. Bridge Loan – ECHDA

In August 2010 and in connection with the acquisition of the Project, the Partnership executed a promissory note with ECHDA (the “Bridge Loan”) in the principal amount of \$1,951,496. The Bridge Loan, which matures August 1, 2065 and bears interest at 3.94% per annum, is secured by a fifth deed of trust on the Project. Annual payments may be made on the Bridge Loan on or before June 1 of each year, beginning in 2011, to the extent of the Project’s Surplus Cash, as defined, for the immediately preceding year. However, the terms of the Bridge Loan also require the Partnership to reduce the principal balance of the Bridge Loan to \$538,407 by the earlier of March 31, 2012 or the date on which the Investor Limited Partner has funded its entire capital contribution under the Partnership Agreement. The required principal reduction payment was made by the Partnership in 2011.

At December 31, 2017, the principal balance outstanding on the Bridge Loan was \$538,407 (\$538,407 at December 31, 2016) and cumulative accrued interest payable was \$279,333 (\$248,336 at December 31, 2016). During 2017, the Partnership accrued interest expense of \$30,998 in respect of the Bridge Loan (2016 – \$29,823).

No payments were made in 2017 or 2016 in respect of the Bridge Loan or interest accrued thereon.

**Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
Notes to the Financial Statements
December 31, 2017 and 2016
(Continued)**

10. Related Party Transactions

A. Management Agreement

Effective May 1, 2010, the Partnership entered into an agreement with ECHDA, whereby ECHDA is to provide management of the day-to-day operations of the Project, and to ensure operational compliance with all the terms and conditions of the HAP Contract and the HUD-insured Note. The agreement originally had a one-year term, but was extended, through execution of the Third Amendment to the Management Agreement, until June 30, 2015. Pursuant to the agreement, ECHDA is to be reimbursed for all costs, including staffing, incurred on behalf of the Partnership in managing the Project. The terms of the agreement also provide for ECHDA to be paid a management fee equal to 3.45% of all residential and miscellaneous income generated by the Project. During 2015, the Partnership and ECHDA executed a new management agreement – which expires June 30, 2018, unless otherwise terminated – under substantially similar terms.

For 2017, the Partnership incurred management fee expense of \$40,504 (2016 – \$39,945) in accordance with the agreement. At December 31, 2017, \$817 was payable to ECHDA for such fees (2016 - \$497).

B. Asset Management Fee

As part of the Partnership Agreement, the Investor Limited Partner is to be paid \$10,000 annually, following completion of the Project's renovation, for its services in reviewing the informational reports, financial statements, and tax returns of the Partnership. The fee is to be adjusted annually based on changes in the Consumer Price Index, as defined.

For 2017, the Partnership incurred asset management fee expense of \$11,087 (2016 – \$10,962) in accordance with the Partnership Agreement. At December 31, 2017, a balance of \$22,050 was payable to the Investor Limited Partner for such fees (\$10,962 at December 31, 2016). Pursuant to the Partnership Agreement, such fees are payable only to the extent of sufficient Cash Flow, and in the priority detailed at Note 11.

C. Partnership Management Fee

As part of the Partnership Agreement, the General Partner is to be paid \$20,000 annually following completion of the Project's renovation, for its services in managing the Partnership pursuant to the Partnership Agreement. The fee is to be adjusted annually based on changes in the Consumer Price Index, as defined.

For the year ended December 31, 2017, the Partnership recognized an expense of \$22,176 (2016 – \$21,925) in respect of this fee arrangement. A balance of \$142,358 was payable to the General Partner at December 31, 2017 for these fees (\$120,182 at December 31, 2016). Pursuant to the Partnership Agreement, such fees are payable only to the extent of sufficient Cash Flow, and in the priority detailed at Note 11.

**Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
Notes to the Financial Statements
December 31, 2017 and 2016
(Continued)**

10. Related Party Transactions (continued)

D. Development Services Agreement

On August 1, 2010, the Partnership entered into a Development Services Agreement with ECHDA for the provision of services to oversee the development and construction of the Project. Under the Development Services Agreement, ECHDA is entitled to receive a development fee totaling \$500,000 which is payable from available cash flow and upon the Partnership's receipt of the Investor Limited Partner's required capital contributions in accordance with the Partnership Agreement.

Through December 31, 2011, ECHDA had earned the entire development fee of \$500,000; all of which was capitalized to the carrying value of the Project's buildings. At December 31, 2017, development fees totaling \$189,644 were payable to ECHDA by the Partnership under the terms of the Development Services Agreement (\$189,644 at December 31, 2016).

E. Other Services

During 2017 and 2016, Eagle County provided certain services to, and incurred expenses on behalf of, the Partnership, including administrative and maintenance personnel. For 2017 and 2016, the following services were provided by Eagle County:

	<u>2017</u>	<u>2016</u>
Salaries and wages	\$ 193,925	\$ 185,647
Repairs and maintenance	6,884	12,916
Office and administrative	<u>4,254</u>	<u>3,027</u>
Total	<u>\$ 205,063</u>	<u>\$ 201,590</u>

At December 31, 2017, a balance of \$2,306 (2016 – \$8,614) was payable to Eagle County in respect of services provided and other reimbursements.

**Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
Notes to the Financial Statements
December 31, 2017 and 2016
(Continued)**

11. Partnership Agreement – Distribution and Application of Cash Flow

The Partnership Agreement provides that the Partnership's Cash Flow (the excess of Cash Receipts over Expenditures) for each year is to be distributed in the following order of priority:

- i) To the Investor Limited Partner in an amount equal to any unpaid Housing Tax Credit Shortfall Payment;
- ii) To replenish any funds disbursed from the Operating Deficit Reserve Account until the Operating Deficit Reserve Account is funded to the Operating Reserve Amount;
- iii) To pay interest on any loans, including Voluntary Loans (but excluding Operating Loans, Deferred Development Fee, Second Priority Loan, Third Priority Loan, Fourth Priority Loan, and Fifth Priority Loan) from Partners or their Affiliates provided for herein, pro rata in accordance with the amount of interest accrued as of the date of such distribution;
- iv) To repay principal of any loans, including Voluntary Loans (but excluding Operating Loans, Deferred Development Fee, Second Priority Loan, Third Priority Loan, Fourth Priority Loan, and Fifth Priority Loan) payable to Partners or their Affiliates, pro rata in accordance with the amount of the principal balances as of the date of such distribution;
- v) To pay in full any unpaid Asset Management Fees;
- vi) To pay in full any unpaid and accrued Management Fee;
- vii) To pay in full any unpaid Development Fee;
- viii) To pay in full any accrued and unpaid Partnership Management Fees;
- ix) To pay in full any outstanding principal or interest on the Second Priority Loan;
- x) To pay in full any outstanding principal or interest on the Third Priority Loan;
- xi) To pay in full any outstanding principal or interest on the Fourth Priority Loan;
- xii) To pay in full any outstanding principal or interest on the Fifth Priority Loan;
- xiii) To pay in full any Operating Loans; and
- xiv) The balance to be paid 0.005% to the General Partners, 0.005% to the Special Limited Partner, 0.01 % to the Administrative Limited Partner and 99.98% to the Investor Limited Partner. However, the Investor Limited Partner is not to receive less than 10% of the distributions made pursuant to sections (viii) and (xiii) above.

The Partnership did not generate positive Cash Flow, as defined, for 2017 and 2016.

12. Low-Income Housing Tax Credits

The Partnership expects to generate Tax Credits aggregating to \$5,508,950, which generally will become available for use by the Partners, pro rata, over a ten-year credit period, which began in 2011. In order to qualify for the Tax Credits, the Project must comply with various federal and state requirements which include, but are not limited to, renting to low-income tenants at rental rates which do not exceed specified percentages of area median gross income for the first 15 years of operation. The Partnership has also agreed to maintain and operate the Project as low-income housing for another 15 years after the above period ends. Because the Tax Credits are subject to ongoing compliance with certain requirements, there can be no assurance that the aggregate amount of Tax Credits will be realized and failure to meet all such requirements may result in generating a lesser amount of Tax Credits than expected.

At December 31, 2017, the Project had generated cumulative Tax Credits of \$3,810,278 (\$3,259,383 at December 31, 2016).

**Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
Notes to the Financial Statements
December 31, 2017 and 2016
(Continued)**

12. Low-Income Housing Tax Credits (continued)

The Partnership anticipates generating additional Tax Credits in future years as follows:

2018	\$	550,895
2019		550,895
2020		550,895
2021		<u>45,987</u>
Total		<u><u>\$ 1,698,672</u></u>

13. HUD Contract

Effective August 1, 2010, the Partnership was assigned a HAP Contract with HUD to subsidize tenant rents. Based on the resources and income of each tenant, HUD determines the HAP subsidy to be provided to the Partnership. The HAP Contract has a 20-year term, expiring November 1, 2029. During the year ended December 31, 2017, the Partnership earned HAP subsidies totaling \$764,037 (2016 – \$766,061).

14. Concentrations

A. Geographical Area and Rent Subsidies

The Partnership operates a single property located in unincorporated Eagle County, Colorado. Future operations could be affected by economic changes or other conditions in that geographical area or by changes in federal low-income rental subsidies or the demand for such housing.

B. Credit Risk

The Federal Deposit Insurance Corporation (the “FDIC”) insures up to \$250,000 per depositor at each separately chartered FDIC-member financial institution, without regard to the nature of the accounts. At December 31, 2017, the Partnership’s uninsured cash balances totaled \$677,427 (\$668,581 at December 31, 2016).

Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
Balance Sheet - HUD Basis
December 31, 2017

ASSETS

Current assets:

1120	Cash - Operations	\$ 152,263
1130	Tenant/member accounts receivable	18,555
1131	Allowance for doubtful accounts	<u>(3,572)</u>
	1130N Net tenant accounts receivable	<u>14,983</u>
1140	Accounts and notes receivable - Operations	2,249
1200	Prepaid expenses	37,502
	1100T Total current assets	<u>206,997</u>

Deposits held in trust:

1191	Tenant/patient deposits held in trust	29,394
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Restricted deposits and funded reserves:

1310	Escrow deposits	20,374
1320	Replacement Reserve	761,409
1330	Other reserves	<u>770,233</u>
	1300T Total deposits	<u>1,552,016</u>

Fixed assets:

1410	Land	1,900,000
1420	Buildings	14,025,412
1460	Furnishings	<u>242,346</u>
	1400T Total fixed assets	<u>16,167,758</u>
1495	Accumulated depreciation	<u>(3,238,853)</u>
	1400N Net fixed assets	<u>12,928,905</u>

Other assets:

1520	Deferred financing costs	<u>111,894</u>
	1500T Total other assets	<u>111,894</u>
	1000T Total Assets	<u><u>\$ 14,829,206</u></u>

LIABILITIES

Current liabilities:

2110	Accounts payable - Operations	\$ 15,077
2111	Accounts payable - Construction/development	189,644
2123	Accrued management fee payable	165,225
2131	Accrued interest payable - First mortgage (or bonds)	37,064
2133	Accrued interest payable - Other loans and notes (Surplus Cash)	1,239,741
2170	Mortgage (or bonds) payable - First mortgage (bonds) - Short-term	93,880
2210	Prepaid revenue	<u>9,260</u>
	2122T Total current liabilities	<u>1,749,891</u>

Other liabilities:

2191	Tenant/patient deposits held in trust (contra)	29,394
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Long-term liabilities:

2320	Mortgage (or bonds) payable - First mortgage (bonds)	8,031,747
2323	Other loans and notes payable - Surplus Cash	<u>4,305,005</u>
	2300T Total long-term liabilities	<u>12,336,752</u>
	2000T Total Liabilities	<u>14,116,037</u>

PARTNERS' CAPITAL

3130	Total Equity	<u>713,169</u>
	2033T Total Liabilities and Equity	<u><u>\$ 14,829,206</u></u>

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

Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
Statement of Profit and Loss - HUD Basis
For the year ended December 31, 2017

REVENUE

Rent revenue:		
5120	Rent revenue - Gross potential	\$ 410,278
5121	Tenant assistance payments	<u>764,037</u>
5100T	Total rent revenue	<u>1,174,315</u>
Vacancies:		
5220	Vacancies - Apartments	<u>(29,071)</u>
5200T	Total vacancies	<u>(29,071)</u>
5152N	Net rental revenue (rent revenue less vacancies)	<u>1,145,244</u>
Financial revenue:		
5410	Financial revenue - Project operations	4,363
5440	Revenue from investments - Replacement Reserve	<u>2,246</u>
5400T	Total financial revenue	<u>6,609</u>
Other revenue:		
5910	Laundry and vending revenue	12,479
5920	Tenant charges	5,332
5990	Miscellaneous revenue	<u>974</u>
5900T	Total other revenue	<u>18,785</u>
5000T	Total Revenue	<u>1,170,638</u>

EXPENSES

Administrative expenses:		
6311	Office expenses	9,046
6320	Management fee	40,504
6330	Manager or superintendent salaries	53,181
6350	Audit expense	11,500
6370	Bad debts	2,856
6390	Miscellaneous administrative expenses	<u>3,424</u>
6263T	Total administrative expenses	<u>120,511</u>
Utilities expenses:		
6450	Electricity	20,092
6451	Water	34,049
6453	Sewer	<u>30,191</u>
6400T	Total utilities expenses	<u>84,332</u>
Operating and maintenance expenses:		
6515	Supplies	68,125
6520	Contracts	57,981
6525	Garbage and trash removal	7,156
6548	Snow removal	<u>9,538</u>
6500T	Total operating and maintenance expenses	<u>142,800</u>
Taxes and insurance:		
6711	Payroll taxes - Project's share	41,577
6720	Property and liability insurance - Hazard	34,612
6722	Workmen's Compensation	3,589
6723	Health insurance and other employee benefits	<u>37,597</u>
6700T	Total taxes and insurance	<u>117,375</u>
Financial expenses:		
6820	Interest on first mortgage (or bonds) payable	455,129
6850	Mortgage insurance premium/service charge	<u>37,779</u>
6800T	Total financial expenses	<u>492,908</u>
6000T	Total Cost of Operations before Depreciation	<u>957,926</u>
5060T	Profit (Loss) before Depreciation	<u>212,712</u>
6600	Depreciation expense	500,913
6610	Amortization expense	<u>3,082</u>
5060N	Operating Profit (Loss)	<u>(291,283)</u>
Corporate or mortgagor revenue and expenses:		
7141	Interest on notes payable	175,011
7190	Other expenses	<u>33,263</u>
7100T	Net entity expenses	<u>208,274</u>
3250	Net Income (Loss)	<u>\$ (499,557)</u>

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

Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
Statement of Changes in Partners' Capital - HUD Basis
For the year ended December 31, 2017

PARTNERS' CAPITAL - BEGINNING OF YEAR:

S1100-010	Beginning of Year Balance	\$ 1,212,726
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3250	Net Income (Loss)	(499,557)
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PARTNERS' CAPITAL - END OF YEAR:

3130	End of Year	<u>\$ 713,169</u>
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The accompanying notes are an integral part of these financial statements.

**Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
Statement of Cash Flows - HUD Basis
For the year ended December 31, 2017**

CASH FLOW FROM OPERATING ACTIVITIES:

Receipts:	
S1200-010 Rental receipts	\$ 1,150,999
S1200-020 Interest received	6,609
S1200-030 Other operating receipts	17,736
S1200-040 Total receipts	<u>1,175,344</u>
Disbursements:	
S1200-050 Administrative	(26,584)
S1200-070 Management fee	(40,184)
S1200-090 Utilities	(84,185)
S1200-100 Salaries and wages	(53,181)
S1200-110 Operating and maintenance	(147,238)
S1200-140 Property insurance	(72,114)
S1200-150 Miscellaneous taxes and insurance	(82,763)
S1200-160 Tenant security deposits	347
S1200-180 Interest on first mortgage	(447,339)
S1200-210 Mortgage interest premium	(37,779)
S1200-230 Total disbursements	<u>(991,020)</u>
S1200-240 Net cash provided by (used in) operating activities	<u>184,324</u>

CASH FLOW FROM INVESTING ACTIVITIES:

S1200-245 Net deposits to Mortgage Escrow account	36,183
S1200-250 Net deposits to Replacement Reserve account	(43,494)
S1200-255 Net deposits to other reserves	(4,307)
S1200-330 Net purchase of fixed assets	(56,657)
S1200-350 Net cash provided by (used in) investing activities	<u>(68,275)</u>

CASH FLOW FROM FINANCING ACTIVITIES:

S1200-360 Principal payments - First mortgage (or bonds)	(89,045)
S1200-460 Net cash provided by (used in) financing activities	<u>(89,045)</u>
S1200-470 Net increase (decrease) in cash and cash equivalents	27,004
S1200-480 Beginning of period cash	<u>125,259</u>
S1200T End of period cash	<u>\$ 152,263</u>

**RECONCILIATION OF NET PROFIT (LOSS) TO
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:**

3250 Net income (loss)	<u>\$ (499,557)</u>
Adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities:	
6600 Depreciation expense	500,914
6610 Amortization expense	3,082
S1200-486 Amortization of debt issuance costs	8,183
S1200-490 Decrease (increase) in tenant/member accounts receivable	4,873
S1200-500 Decrease (increase) in accounts receivable - Other	(1,049)
S1200-520 Decrease (increase) in prepaid expenses	(35,852)
S1200-530 Decrease (increase) in cash restricted for tenant deposits	(62)
S1200-540 Increase (decrease) in accounts payable	(7,351)
S1200-560 Increase (decrease) in accrued liabilities	33,583
S1200-570 Increase (decrease) in accrued interest payable	174,616
S1200-580 Increase (decrease) in tenant security deposits held in trust	62
S1200-590 Increase (decrease) in prepaid revenue	2,882
S1200-610 Net cash provided by (used in) operating activities	<u>\$ 184,324</u>

The accompanying notes are an integral part of these financial statements

**Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
Schedule of Reserve for Replacement and
Computation of Surplus Cash, Distributions, and Residual Receipts
For the year ended December 31, 2017**

SCHEDULE OF RESERVE FOR REPLACEMENT:

1320P	Balance at beginning of year	\$ 717,915
1320DT	Total monthly deposits	41,248
1320INT	Interest on Replacement Reserve accounts	<u>2,246</u>
1320	Balance at end of year (confirmed by Mortgagee)	<u><u>\$ 761,409</u></u>

COMPUTATION OF SURPLUS CASH:

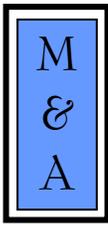
Cash:		
S1300-010	Cash (<i>Accounts 1120, 1170, 1191</i>)	\$ 181,657
	S1300-040 Total cash	<u>181,657</u>
Current obligations:		
S1300-050	Accrued mortgage (or bond) interest payable	37,064
S1300-075	Accounts payable (<i>due within 30 days</i>)	15,078
S1300-080	Loans and notes payable (<i>due within 30 days</i>)	7,635
2210	Prepaid revenue	9,260
2191	Tenant/patient deposits held in trust (contra)	29,394
	S1300-140 Total current obligations	<u>98,431</u>
S1300-150	Surplus cash (deficiency)	<u>\$ 83,226</u>
S1300-200	Amount Available for Distribution During Next Fiscal Period	<u><u>\$ 83,226</u></u>

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

Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
Schedule of Changes in Fixed Asset Accounts - HUD Basis
For the year ended December 31, 2017

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
1410 Land	\$ 1,900,000	\$ -	\$ -	\$ 1,900,000
1420 Buildings	13,973,833	51,579	-	14,025,412
1460 Furnishings	237,268	5,078	-	242,346
1400T Total fixed assets	16,111,101	56,657	-	16,167,758
1495 Accumulated depreciation	<u>(2,737,940)</u>	<u>(500,913)</u>	-	<u>(3,238,853)</u>
1400N Total - net book value	<u><u>\$ 13,373,161</u></u>	<u><u>\$ (444,256)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,928,905</u></u>

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



MCMAHAN AND ASSOCIATES, L.L.C.

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

**To the Partners
Riverview Apartments Preservation LP
Eagle County, Colorado**

Report on Internal Control Over Financial Reporting and Compliance

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Riverview Apartments Preservation LP (HUD Project No. FHA 101-35641), a Colorado limited partnership, which comprise the balance sheet as of December 31, 2017, and related statements operations, changes in partners' capital and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated February 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Riverview Apartments Preservation LP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on financial statements, but not for the purpose of expressing an opinion on the effectiveness of Riverview Apartments Preservation LP's internal control. Accordingly, we do not express an opinion on the effectiveness of Riverview Apartments Preservation LP'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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INDEPENDENT AUDITOR'S REPORT
To the Partners
Riverview Apartments Preservation LP
Eagle County, Colorado

Compliance and Other Matters

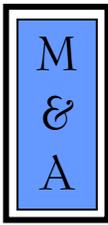
As part of obtaining reasonable assurance about whether Riverview Apartments Preservation LP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an object of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
February 28, 2018



MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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

**To the Partners
Riverview Apartments Preservation LP
Eagle County, Colorado**

Report on Compliance for Each Major HUD Program

We have audited the compliance of Riverview Apartments Preservation LP (HUD Project No. FHA 101-35641), a Colorado limited partnership, with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide") that could have a direct and material effect on each of Riverview Apartments Preservation LP's major U.S. Department of Housing and Urban Development ("HUD") programs for the year ended December 31, 2017. Direct and material compliance requirements associated with the Housing Assistance Payment program include fair housing and non-discrimination, cash receipts, cash disbursement, tenant application, eligibility and re-certification, and tenant security deposits. Direct and material compliance requirements associated with the Insured Loan program include governing federal financial reports, mortgage status, replacement reserves, residual receipts, distributions to owners, equity skimming, unauthorized change of ownership/ acquisition of liabilities, unauthorized loans of project funds, and excess income.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Riverview Apartments Preservation LP's major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD-assisted program occurred. An audit includes examining, on a test basis, evidence about Riverview Apartments Preservation LP's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. However, our audit does not provide a legal determination on Riverview Apartments Preservation LP's compliance.

Member: American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT
To the Partners
Riverview Apartments Preservation LP
Eagle County, Colorado

Opinion on Each Major HUD Program

In our opinion, Riverview Apartments Preservation LP complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of Riverview Apartments Preservation LP is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Riverview Apartments Preservation LP's internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Riverview Apartments Preservation LP's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

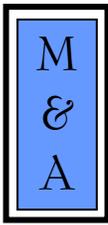
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

Purpose of This Report

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



McMahan and Associates, L.L.C.
February 28, 2018



MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO FAIR HOUSING AND NON-DISCRIMINATION

**To the Partners
Riverview Apartments Preservation LP
Eagle County, Colorado**

We have applied procedures to test the compliance of Riverview Apartments Preservation LP (HUD Project No. FHA 101-35641), a Colorado limited partnership, with Fair Housing and Non-Discrimination requirements applicable to its HUD-assisted program for the year ended December 31, 2017.

Our procedures were limited to the applicable compliance requirement described in the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide"), issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Riverview Apartments Preservation LP's compliance with the Fair Housing and Non-Discrimination requirements. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under the Guide.

This report is intended solely for the information and use of the Partners, management, and the U.S. Department of Housing and Urban Development, and is not intended to be and should not be used by anyone other than these specified parties.

**McMahan and Associates, L.L.C.
February 28, 2018**

Member: American Institute of Certified Public Accountants

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**Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2017**

Our audit disclosed no findings that are required to be reported herein under the HUD *Consolidated Audit Guide for Audits of HUD Programs* for the year ended December 31, 2017.

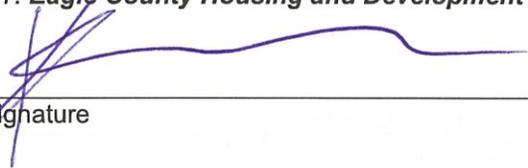
**Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
AUDITOR'S COMMENTS ON AUDIT RESOLUTION OF MATTERS RELATING TO HUD PROGRAMS
December 31, 2017**

There were no findings or questioned costs noted for the year ended December 31, 2016.

**Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
CERTIFICATION OF OFFICERS
December 31, 2017**

I hereby certify that I have examined the accompanying financial statements and supplemental data of Riverview Apartments Preservation LP and, to the best of my knowledge and belief, the same is complete and accurate.

Riverview Apartments Preservation LLC
General Partner of Riverview Apartments Preservation LP
BY: Eagle County Housing and Development Authority, its sole member

	February 28, 2018
Signature	Date

Name of Signatory:	Kim Williams
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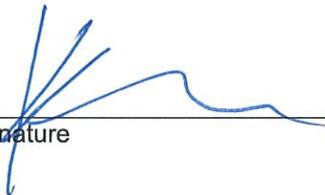
Title of Certifying Official:	Executive Director – Eagle County Housing and Development Authority
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Auditee Telephone Number:	970-328-8776 ¹³
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**Riverview Apartments Preservation LP
(A Colorado Limited Partnership)
HUD Project No. FHA 101-35641
MANAGING AGENT'S CERTIFICATION
December 31, 2017**

I hereby certify that I have examined the accompanying financial statements and supplemental data of Riverview Apartments Preservation LP and, to the best of my knowledge and belief, the same is complete and accurate.

Eagle County Housing and Development Authority
Managing Agent for Riverview Apartments Preservation LP
BY:

	February 28, 2018
Signature	Date

Name of Signatory:	Kim Williams
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Title of Certifying Official:	Executive Director – Eagle County Housing and Development Authority
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Auditee Telephone Number:	970-328-8776 ³
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