

Name of partnership  
**MERRILL ROAD ASSOCIATES C/O HSG A**  
 EIN **\*\*-\*\*\*1399** Name of partner  
**HOUSING AUTHORITY OF THE COUNTY O** SSN or TIN  
**\*\*-\*\*\*9385**

**Part II Foreign Tax Credit Limitation** (continued)

**Section 1 - Gross Income** (continued)

Description	(a) U.S. source	Foreign Source				(f) Sourced by partner	(g) Total
		(b) Foreign branch category income	(c) Passive category income	(d) General category income	(e) Other (category code)		
16 Section 986(c) gain .....							
17 Section 987 gain .....							
18 Section 988 gain .....							
19 Section 951(a) inclusions							
A							
B							
C							
20 Other income (see instructions)							
A							
B							
C							
21 Reserved for future use							
A							
B							
C							
22 Reserved for future use							
A							
B							
C							
23 Reserved for future use							
A							
B							
C							
24 Total gross income (combine lines 1 through 23) .....	630,187.						630,187.
A US	630,187.	0.	0.	0.	0.	0.	630,187.
B							
C							

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**Part II Foreign Tax Credit Limitation (continued)**

**Section 2 - Deductions**

Description	(a) U.S. source	Foreign Source				(g) Total
		(b) Foreign branch category income	(c) Passive category income	(d) General category income	(e) Other (category code)	
25 Expenses allocable to sales income						
26 Expenses allocable to gross income from performance of services						
27 Net short-term capital loss						
28 Net long-term capital loss						
29 Collectibles loss						
30 Net section 1231 loss						
31 Other losses						
32 Research & experimental (R&E) expenses						
A SIC code:						
B SIC code:						
C SIC code:						
33 Allocable rental expenses - depreciation, depletion, and amortization	50,826.					50,826.
34 Allocable rental expenses - other than depreciation, depletion, and amortization	216,622.					216,622.
35 Allocable royalty and licensing expenses - depreciation, depletion, and amortization						
36 Allocable royalty and licensing expenses - other than depreciation, depletion, and amortization						
37 Depreciation not included on line 33 or line 35						
38 Charitable contributions						
39 Interest expense specifically allocable under Regulations section 1.861-10(e)						
40 Other interest expense specifically allocable under Regulations section 1.861-10T	43,004.					43,004.
41 Other interest expense - business						
42 Other interest expense - investment						
43 Other interest expense - passive activity						
44 Section 59(e)(2) expenditures, excluding R&E expenses on line 32						
45 Foreign taxes not creditable but deductible						

Name of partnership: **MERRILL ROAD ASSOCIATES C/O HSG A** EIN: **\*\*-\*\*\*1399** Name of partner: **HOUSING AUTHORITY OF THE COUNTY OF** SSN or TIN: **\*\*-\*\*\*9385**

**Part II Foreign Tax Credit Limitation (continued)**

**Section 2 - Deductions (continued)**

Description	(a) U.S. source	Foreign Source				(f) Sourced by partner	(g) Total
		(b) Foreign branch category income	(c) Passive category income	(d) General category income	(e) Other (category code )		
46 Section 986(c) loss							
47 Section 987 loss							
48 Section 988 loss							
49 Other allocable deductions (see instructions)							
50 Other apportioned share of deductions (see instructions)							
51 Reserved for future use							
52 Reserved for future use							
53 Reserved for future use							
54 Total deductions (combine lines 25 through 53)	310,452.						310,452.
55 Net income (loss) (subtract line 54 from line 24)	319,735.						319,735.

**Part III Other Information for Preparation of Form 1116 or 1118**

**Section 1 - R&E Expenses Apportionment Factors**

Description	(a) U.S. source	Foreign Source				(f) Sourced by partner	(g) Total
		(b) Foreign branch category income	(c) Passive category income	(d) General category income	(e) Other (category code (country code )		
1 Gross receipts by SIC code							
A SIC code:							
B SIC code:							
C SIC code:							
E SIC code:							
E SIC code:							
F SIC code:							
2 Exclusive apportionment with respect to total R&E expenses entered on Part II, line 32.							
A R&E expense with respect to activity performed in the United States							2A(i)
(i) SIC code:							2A(ii)
(ii) SIC code:							2A(iii)
(iii) SIC code:							
B R&E expense with respect to activity performed outside the United States							2B(i)
(i) SIC code:							2B(ii)
(ii) SIC code:							2B(iii)
(iii) SIC code:							

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**Part III Other Information for Preparation of Form 1116 or 1118** (continued)

**Section 2 - Interest Expense Apportionment Factors** **ASSETS TAX BOOK VALUE AMOUNTS**

Description	(a) U.S. source	Foreign Source				(f) Sourced by partner	(g) Total
		(b) Foreign branch category income	(c) Passive category income	(d) General category income	(e) Other (category code _____) (country code _____)		
<b>1</b> Total average value of assets .....	<b>1,820,183.</b>					<b>1,820,183.</b>	
<b>2</b> Sections 734(b) and 743(b) adjustment to assets - average value .....							
<b>3</b> Assets attracting directly allocable interest expense under Regulations section 1.861-10(e) .....							
<b>4</b> Other assets attracting directly allocable interest expense under Regulations section 1.861-10T .....	<b>1,820,183.</b>					<b>1,820,183.</b>	
<b>5</b> Assets excluded from apportionment formula .....							
<b>6a</b> Total assets used for apportionment (subtract the sum of lines 3, 4, and 5 from the sum of lines 1 and 2) .....							
<b>b</b> Assets attracting business interest expense .....							
<b>c</b> Assets attracting investment interest expense .....							
<b>d</b> Assets attracting passive activity interest expense .....							
<b>7</b> Basis in stock of 10%-owned noncontrolled foreign corporations (see attachment) .....							
<b>8</b> Basis in stock of CFCs (see attachment) .....							

**Section 3 - Foreign-Derived Intangible Income (FDII) Deduction Apportionment Factors**

Description	(a) U.S. source	Foreign Source				(e) Sourced by partner	(f) Total
		(b) Passive category income	(c) General category income	(d) Other (category code _____) (country code _____)			
<b>1</b> Foreign-derived gross receipts .....							
<b>2</b> Cost of goods sold (COGS) .....							
<b>3</b> Partnership deductions allocable to foreign-derived gross receipts .....							
<b>4</b> Other partnership deductions apportioned to foreign-derived gross receipts .....							

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**Part III Other Information for Preparation of Form 1116 or 1118 (continued)**

**Section 4 - Foreign Taxes**

Description	(a) Type of tax	(b) Section 951A category income		(c) Foreign branch category income	
		U.S.	Foreign	U.S.	Foreign
<b>1</b> Direct (section 901 or 903) foreign taxes: <input type="checkbox"/> Paid <input type="checkbox"/> Accrued <b>A</b> _____ <b>B</b> _____ <b>C</b> _____ <b>D</b> _____ <b>E</b> _____ <b>F</b> _____					Partner
<b>2</b> Reduction of taxes (total) <b>A</b> Taxes on foreign mineral income ..... <b>B</b> Reserved for future use ..... <b>C</b> International boycott provisions ..... <b>D</b> Failure-to-file penalties ..... <b>E</b> Taxes with respect to splitter arrangements ..... <b>F</b> Taxes on foreign corporate distributions ..... <b>G</b> Other .....					
<b>3</b> Foreign tax redeterminations <b>A</b> _____ Related tax year _____ Date tax paid _____ Contested tax <input type="checkbox"/> _____ <b>B</b> _____ Related tax year _____ Date tax paid _____ Contested tax <input type="checkbox"/> _____ <b>C</b> _____ Related tax year _____ Date tax paid _____ Contested tax <input type="checkbox"/> _____					
<b>4</b> Reserved for future use ..... <b>5</b> Reserved for future use ..... <b>6</b> Reserved for future use .....					

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**Part III Other Information for Preparation of Form 1116 or 1118 (continued)**

**Section 4 - Foreign Taxes (continued)**

	(d) Passive category income		(e) General category income			(f) Other (category code _____)	(g) Total
	U.S.	Foreign	Partner	U.S.	Foreign		
1							
A							
B							
C							
D							
E							
F							
2							
A							
B							
C							
D							
E							
F							
G							
3							
A							
B							
C							
4							
5							
6							

**Section 5 - Other Tax Information**

Description	(a) U.S. source	Foreign Source				(g) Sourced by partner (country code _____)	(h) Total
		(b) Section 951A category income	(c) Foreign branch category income	(d) Passive category income	(e) General category income		
1 Section 743(b) positive income adjustment .....							
2 Section 743(b) negative income adjustment .....							
3 Reserved for future use .....							
4 Reserved for future use .....							

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**Part IV Information on Partner's Section 250 Deduction With Respect to Foreign-Derived Intangible Income (FDII)**  
**Section 1 - Information To Determine Deduction Eligible Income (DEI) and Qualified Business Asset Investment (QBAI) on Form 8993**

1	Net income (loss)	1	319,735.
2a	DEI gross receipts	2a	630,187.
b	DEI COGS	2b	
c	DEI properly allocated and apportioned deductions	2c	267,448.
3	Section 951(a) inclusions	3	
4	Controlled foreign corporation (CFC) dividends	4	
5	Financial services income	5	
6	Domestic oil and gas extraction income	6	
7	Foreign branch income	7	
8	Partnership QBAI	8	345,081.

**Section 2 - Information To Determine Foreign-Derived Deduction Eligible Income (FDDEI) on Form 8993 (see instructions)**

Description	(a) Foreign-derived income from all sales of general property	(b) Foreign-derived income from all sales of intangible property	(c) Foreign-derived income from all services	(d) Total (add columns (a) through (c))
9	Gross receipts			
10	COGS			
11	Allocable deductions			
12	Other apportioned deductions			12

**Section 3 - Other Information for Preparation of Form 8993**

Description	(a) DEI	(b) FDDEI	(c) Total
13	Interest deductions		
A	Interest expense specifically allocable under Regulations section 1.861-10(e)		
B	Other interest expense specifically allocable under Regulations section 1.861-10T	43,004.	43,004.
C	Other interest expense		
14	Interest expense apportionment factors		
A	Total average value of assets	1,820,183.	1,820,183.
B	Sections 734(b) and 743(b) adjustment to assets - average value		
C	Assets attracting directly allocable interest expense under Regulations section 1.861-10(e)		
D	Other assets attracting directly allocable interest expense under Regulations section 1.861-10T	1,820,183.	1,820,183.
E	Assets excluded from apportionment formula		
F	Total assets used for apportionment (the sum of lines 14C, 14D, and 14E subtracted from the sum of lines 14A and 14B)		

**15** R&E expenses apportionment factors

Gross receipts by SIC code	
A SIC code:	
B SIC code:	
C SIC code:	

**16** R&E expenses by SIC code

A SIC code:	16A
B SIC code:	16B
C SIC code:	16C

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**Part VIII Partner's Interest in Foreign Corporation Income (Section 960)**

**A** EIN or reference ID number of CFC ..... **B** Separate category. See instructions .....  **C** If PAS was entered on line B, applicable grouping under Regulations section 1.904-4(c). See instructions .....  **D** Box is checked if there is more than one source country for a line. See attachment and instructions .....  **E** Box is checked if U.S. source income .....  **F** Box is checked if foreign oil related income or foreign oil and gas extraction income .....  **G** Functional currency of foreign corporation .....

	(i) Country code	(ii) Partner's share of foreign corporation's net income (functional currency)	(iii) Foreign corporation's total net income (functional currency) (see instructions)	(iv) Foreign corporation's current year foreign taxes for which credit allowed (U.S. dollars) (see instructions)
<b>1</b> Subpart F income groups				
<b>a</b> Dividends, interest, rents, royalties, and annuities (total) .....				
<b>(1)</b> Unit:				
<b>(2)</b> Unit:				
<b>b</b> Net gain from certain property transactions (total) .....				
<b>(1)</b> Unit:				
<b>(2)</b> Unit:				
<b>c</b> Net gain from commodities transactions (total) .....				
<b>(1)</b> Unit:				
<b>(2)</b> Unit:				
<b>d</b> Net foreign currency gain (total) .....				
<b>(1)</b> Unit:				
<b>(2)</b> Unit:				
<b>e</b> Income equivalent to interest (total) .....				
<b>(1)</b> Unit:				
<b>(2)</b> Unit:				
<b>f</b> Other foreign personal holding company income (total) .....				
<b>(1)</b> Unit:				
<b>(2)</b> Unit:				
<b>g</b> Foreign base company sales income (total) .....				
<b>(1)</b> Unit:				
<b>(2)</b> Unit:				
<b>h</b> Foreign base company services income (total) .....				
<b>(1)</b> Unit:				
<b>(2)</b> Unit:				
<b>i</b> Full inclusion foreign base company income (total) .....				
<b>(1)</b> Unit:				
<b>(2)</b> Unit:				
<b>j</b> Insurance income (total) .....				
<b>(1)</b> Unit:				
<b>(2)</b> Unit:				
<b>k</b> International boycott income (total) .....				
<b>l</b> Bribes, kickbacks, and other payments (total) .....				
<b>m</b> Section 901(f) (total) .....				



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**Part VIII Partner's Interest in Foreign Corporation Income (Section 960)** (continued)

	(i) Country code	(ii) Partner's share of foreign corporation's net income (functional currency)	(iii) Foreign corporation's total net income (functional currency) (see instructions)	(iv) Foreign corporation's current year foreign taxes for which credit allowed (U.S. dollars) (see instructions)
<b>2</b> Recaptured subpart F income				
<b>3</b> Tested income group (total)				
<b>(1)</b> Unit:				
<b>(2)</b> Unit:				
<b>4</b> Residual income group (total)				
<b>(1)</b> Unit:				
<b>(2)</b> Unit:				
<b>5 Total</b>				

**Part IX Partner's Information for Base Erosion and Anti-Abuse Tax (Section 59A)**

**Section 1 - Applicable Taxpayer** (see instructions for more information and definitions of terms)

Description	(a) Total	(b) Total ECI gross receipts	(c) Total non-ECI gross receipts
<b>1</b> Gross receipts for section 59A(e)	630,187.	630,187.	
<b>2</b> Gross receipts for the first preceding year	181,439.	181,439.	
<b>3</b> Gross receipts for the second preceding year	186,075.	186,075.	
<b>4</b> Gross receipts for the third preceding year	185,864.	185,864.	
<b>5</b> Amounts included in the denominator of the base erosion percentage as described in Regulations section 1.59A-2(e)(3)			

**Section 2 - Base Erosion Payments and Base Erosion Tax Benefits** (see instructions)

Description	(a) Total	(b) Total base erosion payments	(c) Total base erosion tax benefits
<b>6</b> Reserved for future use			
<b>7</b> Reserved for future use			
<b>8</b> Purchase or creations of property rights for intangibles (patents, trademarks, etc.)			
<b>9</b> Rents, royalties, and license fees			
<b>10 a</b> Compensation/consideration paid for services <b>not</b> excepted by section 59A(d)(5)			
<b>b</b> Compensation/consideration paid for services excepted by section 59A(d)(5)	43,004.		
<b>11</b> Interest expense			
<b>12</b> Payments for the purchase of tangible personal property			
<b>13</b> Premiums and/or other considerations paid or accrued for insurance and reinsurance as covered by sections 59A(d)(3) and 59A(c)(2)(A)(iii)			
<b>14 a</b> Nonqualified derivative payments			
<b>b</b> Qualified derivative payments excepted by section 59A(h)			
<b>15</b> Payments reducing gross receipts made to surrogate foreign corporation			
<b>16</b> Other payments-specify:			
<b>17</b> Base erosion tax benefits related to payments reported on lines 6 through 16, on which tax is imposed by section 871 or 881, with respect to which tax has been withheld under section 1441 or 1442 at the 30% (0.30) statutory withholding tax rate			

Name of partnership <b>MERRILL ROAD ASSOCIATES C/O HSG A</b>	EIN <b>**-***1399</b>	Name of partner <b>HOUSING AUTHORITY OF THE COUNTY O</b>	SSN or TIN <b>**-***9385</b>
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**Part IX Partner's Information for Base Erosion and Anti-Abuse Tax (Section 59A)** (continued)  
**Section 2 - Base Erosion Payments and Base Erosion Tax Benefits** (see instructions) (continued)

Description	(a) Total	(b) Total base erosion payments	(c) Total base erosion tax benefits
18 Portion of base erosion tax benefits reported on lines 6 through 16, on which tax is imposed by section 871 or 881, with respect to which tax has been withheld under section 1441 or 1442 at reduced withholding rate pursuant to income tax treaty. Multiply ratio of percentage withheld divided by 30% (0.30) times tax benefit. See instructions .....			
19 <b>Total base erosion tax benefits</b> (subtract the sum of lines 17 and 18 from the sum of lines 8 through 16) .....			
20 Reserved for future use .....			
21 Reserved for future use .....			
22 Reserved for future use .....			

**Part X Foreign Partner's Character and Source of Income and Deductions**  
**Section 1 - Gross Income**

Description	(a) Total	(b) Partner determination	Partnership Determination						
			ECI		Non-ECI				
			(c) U.S. source	(d) Foreign source	(e) U.S. source (FDAP)	(f) U.S. source (other)	(g) Foreign source		
1 Ordinary business income (gross) .....									
2 Gross rental real estate income .....	616,225.		616,225.						
3 Other gross rental income .....									
4 Guaranteed payments for services .....									
5 Guaranteed payments for use of capital .....									
6 Interest income .....	13,962.		13,962.						
7 Dividends .....									
8 Dividend equivalents .....									
9 Royalties and license fees .....									
10 Net short-term capital gain .....									
11 Net long-term capital gain .....									
12 Collectibles (28%) gain .....									
13 Unrecaptured section 1250 gain .....									
14 Net section 1231 gain .....									
15 Reserved for future use .....									
16 Reserved for future use .....									
17 Reserved for future use .....									
18 Reserved for future use .....									
19 Reserved for future use .....									
20 Other income (loss) not included on lines 1 through 19 .....									
21 <b>Gross income</b> (sum of lines 1 through 20) .....	630,187.		630,187.						

Name of partnership  
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**\*\*-\*\*\*9385**

**Part X Foreign Partner's Character and Source of Income and Deductions** (continued)  
**Section 2 - Deductions, Losses, and Net Income**

Description	(a) Total	(b) Partner determination	Partnership Determination					
			ECI		Non-ECI			
			(c) U.S. source	(d) Foreign source	(e) U.S. source (FDAP)	(f) U.S. source (other)	(g) Foreign source	
1 Expenses related to ordinary business income (gross) .....								
2 R&E expenses .....								
3 Expenses from rental real estate .....	267,448.		267,448.					
4 Expenses from other rental activities .....								
5 Royalty and licensing expenses .....								
6 Section 179 deduction .....								
7 Interest expense on U.S.-booked liabilities .....								
8 Interest expense directly allocable under Regulations sections 1.882-5(a)(1)(ii)(B) and 1.861-10T .....	43,004.		43,004.					
9 Other interest expense .....								
10 Section 59(e)(2) expenditures .....								
11 Net short-term capital loss .....								
12 Net long-term capital loss .....								
13 Collectibles loss .....								
14 Net section 1231 loss .....								
15 Other losses								
(1)								
(2)								
16 Charitable contributions .....								
17 Other:								
18 Other:								
19 Reserved for future use .....								
20 Reserved for future use .....								
21 Reserved for future use .....								
22 Reserved for future use .....								
23 Reserved for future use .....								
24 Total (sum of lines 1 through 23) .....	310,452.		310,452.					
25 Net income (loss) (line 21 (Section 1) minus line 24 (Section 2)) .....	319,735.							

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**Part X Foreign Partner's Character and Source of Income and Deductions** (continued)

**Section 3 - Allocation and Apportionment Methods for Deductions**

<b>1</b>	Gross income		Reserved for future use	
<b>a</b>	Gross ECI	630,187.	(i)	(ii)
<b>b</b>	Worldwide gross income	630,187.		(iii)
<b>2</b>	Assets			
<b>a</b>	Average U.S. assets (inside basis)	1,820,183.	Other allocation and apportionment key	
<b>b</b>	Worldwide assets	1,820,183.	(i) Key/Factor	(ii) Allocation
<b>3</b>	Liabilities			
<b>a</b>	U.S.-booked liabilities of partnership	3,297,380.	Other allocation and apportionment key	
<b>b</b>	Directly allocated partnership indebtedness	3,000,380.	(i) Key/Factor	(ii) Allocation
<b>4</b>	Personnel			
<b>a</b>	Personnel of U.S. trade or business			
<b>b</b>	Worldwide personnel			
<b>5</b>	Gross receipts from sales or services by SIC code			
<b>a</b>	(i) SIC code			(ii) Worldwide
<b>b</b>	(ii) ECI			

**Section 4 - Reserved for Future Use**

	Reserved		
	(a) Reserved	(b) Reserved	(c) Reserved
<b>1</b>	Reserved for future use		
<b>2</b>	Reserved for future use		
<b>3</b>	Reserved for future use		
<b>4</b>	Reserved for future use		
<b>5</b>	Reserved for future use		
<b>6</b>	Reserved for future use		
<b>7</b>	Reserved for future use		
<b>8</b>	Reserved for future use		
<b>9</b>	Reserved for future use		
<b>10</b>	Reserved for future use		

**SUMMARY OF SCHEDULE K-1**

Entity Name: MERRILL ROAD ASSOCIATES C/O HSG AUTHORITY OF THE CO OF SANTA CRUZ Schedule K-1 Line/Item Description	Number 1 Name: MERRILL ROAD HOUSING CORPORA	Number 2 Name: HOUSING AUTHORITY OF THK-1	Number Name:	Number Name:	Number Name:	Number Name:
2 - NET INCOME (LOSS) - RENTAL REAL ESTATE	3,081.	304,981.	308,062.			
5 - INTEREST INCOME	141.	13,962.	14,103.			
18(C) - NONDEDUCTIBLE EXPENSES	8.	792.	800.			
CAPITAL ACCOUNTS						
BEGINNING OF YEAR	139,671.	-1,074,393.	-934,722.			
CONTRIBUTIONS			0.			
CURRENT YEAR INCREASES (DECREASES)	3,214.	318,151.	321,365.			
WITHDRAWALS & DISTRIBUTIONS			0.			
END OF YEAR	142,885.	-756,242.	-613,357.			
LIABILITIES - NONRECOURSE	3,000.	297,000.	300,000.			
LIABILITIES - QUALIFIED NONRECOURSE	30,307.	3,000,380.	3,030,687.			
LIABILITIES - OTHER	59,204.		59,204.			

TAXABLE YEAR  
**2023**

# California e-file Return Authorization for Partnerships

FORM  
**8453-P**

Partnership name

**MERRILL ROAD ASSOCIATES C/O HSG  
AUTHORITY OF THE CO OF SANTA CRUZ**

California Secretary of State (SOS) file number  
or FEIN

**\*\* - \*\*\*1399**

**Part I Tax Return Information** (whole dollars only)

- 1 Total income (Form 565, line 12) ..... 1 \_\_\_\_\_
- 2 Ordinary income (Form 565, line 23) ..... 2 \_\_\_\_\_
- 3 Tax due (Form 565, line 35) ..... 3 \_\_\_\_\_
- 4 Refund (Form 565, line 36) ..... 4 \_\_\_\_\_

**Part II Settle Your Account Electronically**

- 5  Electronic funds withdrawal
  - 5a Tax due amount \_\_\_\_\_
  - 5c PTE amount due \_\_\_\_\_
- 5b Withdrawal date (mm/dd/yyyy) \_\_\_\_\_
- 5d Withdrawal date (mm/dd/yyyy) \_\_\_\_\_

**Part III Pass-Through Entity (PTE) Elective Tax Payment for Taxable Year 2024**

	First Payment
6 Amount	
7 Withdrawal date (mm/dd/yyyy)	

**Part IV Banking Information** (Have you verified the partnership's banking information?)

- 8 Routing number \_\_\_\_\_
- 9 Account number \_\_\_\_\_
- 10 Type of account:  Checking  Savings

**Part V Declaration of Officer**


I authorize the partnership's account to be settled as designated in Parts II and III. If I check Part II, box 5, I authorize an electronic funds withdrawal for the amount listed on line 5a, line 5c, and on Part III, line 6 from the bank account specified in Part IV.

Under penalties of perjury, I declare that I am an officer of the above partnership and that the information I provided to my electronic return originator (ERO), transmitter, or intermediate service provider and the amounts in Part I above agree with the amounts on the corresponding lines of the partnership's 2023 California income tax return. To the best of my knowledge and belief, the partnership's return is true, correct, and complete. If the partnership is filing a balance due return, I understand that if the Franchise Tax Board (FTB) does not receive full and timely payment of the partnership's tax liability, the partnership will remain liable for the tax liability and all applicable interest and penalties. I authorize the partnership return and accompanying schedules and statements be transmitted to the FTB by my ERO, transmitter, or intermediate service provider. **If the processing of the partnership's return or refund is delayed, I authorize the FTB to disclose to my ERO or intermediate service provider the reason(s) for the delay or the date when the refund was sent.**

Sign Here

  
Signature of officer

1/17/25  
Date

 EXECUTIVE DIRECTOR  
Title

TAXABLE YEAR **California Payment Authorization**  
**2023 for Business Entities**

FORM  
**8453-BE (PMT)**

Name of business entity (corporation, limited liability company, partnership or exempt organization) <b>MERRILL ROAD ASSOCIATES C/O HSG AUTHORITY OF THE CO OF SANTA CRUZ</b>	California Corporation No., CA SOS file no., or FEIN <b>** - ***1399</b>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------

**Part I Extension Payment Information for Taxable Year 2023**

1 Electronic Funds Withdrawal (EFW) Amount 800 2 Withdrawal Date (mm/dd/yyyy) 01/13/2025

**Part II Schedule of Estimated Tax Payments for Taxable Year 2024**

(These are **not** installment payments for the current amount the corporation or exempt organization owes.)

	First Payment	Second Payment	Third Payment	Fourth Payment
3 Amount				
4 Withdrawal date (mm/dd/yyyy)				

**Part III Annual Tax or Estimated Fee Payment for Taxable Year 2024**

(This is **not** an installment payment for the current amount the LLC owes.)

	Annual Tax Payment	Estimated Fee Payment
5 Amount		
6 Withdrawal date (mm/dd/yyyy)		

**Part IV Pass-Through Entity (PTE) Elective Tax Payments for Taxable Years 2023 and 2024**

	2023 Second Payment	2024 First Payment
7 Amount		
8 Withdrawal date (mm/dd/yyyy)		

**Part V Banking Information for Electronic Funds Withdrawal**

9 Routing number 121143736 10 Account number \*\*\*\*\*  
11 Type of account:  Checking  Savings

**Payment Authorization**

I authorize the business entity account to be settled as designated in Parts I, II, III and IV. The above electronic funds withdrawals are to be made from the bank account indicated on Part V, lines 9, 10, and 11. This authorization will remain in effect unless I contact the Franchise Tax Board (FTB) to cancel the request. I request that the payment(s) above be deducted from the bank account on the date(s) specified above. If a date falls on a Saturday, Sunday, or holiday, the transfer is authorized for the next business day. If the FTB cannot deduct the payment from the account because of insufficient funds or because the bank account is closed, the FTB may charge a dishonored payment penalty. I will be responsible for any overdraft fees charged by the bank. Under penalties of perjury under the laws of the State of California, I declare that I have completed this payment authorization to the best of my knowledge and belief; it is true, correct, and complete.

<b>Sign Here</b>	Signature of business entity's representative _____	Date
	Title <b>EXECUTIVE DIRECTOR</b>	

**Declaration of Electronic Return Originator (ERO) and Paid Preparer.**

Under penalties of perjury, I declare that I have reviewed the entries on form FTB 8453-BE (PMT) and they are complete and correct to the best of my knowledge. (If I am only an intermediate service provider, I declare that form FTB 8453-BE (PMT) accurately reflects the data on the EFW request.) I have obtained the taxpayer's signature on form FTB 8453-BE (PMT) before transmitting the EFW to the FTB. I have provided the taxpayer with a copy of all forms and information that I will file with the FTB and I have followed all other requirements described in FTB Pub. 1345, 2023 Handbook for Authorized e-file Providers. I will keep form FTB 8453-BE (PMT) for the statute of limitations period, and I will make a copy available to FTB upon request.

<b>Sign Here</b>	ERO's signature	Date	Check if also paid preparer <input checked="" type="checkbox"/>	Check if self-employed <input type="checkbox"/>	ERO's PTIN <b>P00183253</b>
	Paid preparer's Signature	Date		Check if self-employed <input type="checkbox"/>	Paid preparer's PTIN
	Firm's Name (or yours if self-employed) and Address	NOVOGRADAC & COMPANY LLP  1144 HOOPER AVE, SUITE 203 TOMS RIVER, NJ			Firm's FEIN <b>** - ***8253</b>  ZIP code <b>08753</b>

**KEEP THIS FORM FOR YOUR RECORDS - DO NOT MAIL TO THE FTB**

**Partnership Return of Income**

199526300009 MERR \*\*-\*\*\*1399 23  
 TYB 07-01-2023 TYE 06-30-2024  
 MERRILL ROAD ASSOCIATES C/O HSG AUTHORITY OF THE CO OF SANTA CRUZ  
  
 2160 41ST AVENUE  
 CAPITOLA CA 95010

ACCTMETHOD 2 09-01-1996 ASSETS 2565485.  
 INITIAL 0 FINAL 0 AMENDED 0 PROTECTIVE 0

- I (1)** During this taxable year, did this partnership acquire control or majority ownership (more than a 50% interest) in another legal entity?  
 If yes, did the acquired entity(ies) own California real property (i.e., land, buildings), lease such property for a term of 35 years or more, or lease such property from a government agency for any term?  
 If yes to both questions, answer yes ..... •  Yes  No
- (2)** During this taxable year, did another person or legal entity acquire control or majority ownership (more than a 50% interest) of this partnership or any legal entity in which the partnership holds a controlling or majority interest?  
 If yes, did the acquired entity(-ies) own California real property (i.e., land, buildings), lease such property for a term of 35 years or more, or lease such property from a government agency for any term? If yes to both questions, answer yes ..... •  Yes  No
- (3)** Has California real property (i.e., land, buildings) transferred to the partnership that was excluded from property tax reassessment under Revenue and Taxation Code Section 62(a)(2)?  
 If yes, during this taxable year, has more than 50% of the partnership's ownership interests cumulatively transferred in one or more transactions and it was not reported on a previous year's tax return? If yes to both questions, answer yes ..... •  Yes  No  
 (Yes requires filing of BOE-100-B statement, penalties may apply - see instructions.)

**Caution:** Include **only** trade or business income and expenses on line 1a through line 22. See the instructions for more information.

	1 a	b	c	1c	
	Gross receipts or sales \$	Less returns and allowances \$	Balance		00
	2	Cost of goods sold (Schedule A, line 8)		2	00
	3	GROSS PROFIT. Subtract line 2 from line 1c		3	00
	4	Total ordinary income from other partnerships and fiduciaries. Attach schedule		4	00
	5	Total ordinary loss from other partnerships and fiduciaries. Attach schedule		5	00
	6	Total farm profit. Attach federal Schedule F (Form 1040)		6	00
	7	Total farm loss. Attach federal Schedule F (Form 1040)		7	00
	8	Total gains included on Schedule D-1, Part II, line 17 (gain only)		8	00
	9	Total losses included on Schedule D-1, Part II, line 17 (loss only)		9	00
	10	Other income. Attach schedule		10	00
	11	Other loss. Attach schedule		11	00
<b>Income</b>	12	<b>Total income (loss).</b> Combine line 3 through line 11		12	00



Deductions Enclose, but do not staple, any payment	13 Salaries and wages (other than to partners) .....	<input checked="" type="radio"/>	13		00
	14 Guaranteed payments to partners .....	<input checked="" type="radio"/>	14		00
	15 Bad debts .....	<input type="radio"/>	15		00
	16 Deductible interest expense not claimed elsewhere on return .....	<input checked="" type="radio"/>	16		00
	17 a Depreciation and amortization. Att form FTB 3885P \$ .....	<input type="radio"/>			
	b Less depreciation reported on Sch A and elsewhere on return \$ .....	<input type="radio"/>			
	c Balance .....	<input type="radio"/>	17c		00
	18 Depletion. Do not deduct oil and gas depletion .....	<input type="radio"/>	18		00
	19 Retirement plans, etc. ....	<input type="radio"/>	19		00
	20 Employee benefit programs .....	<input type="radio"/>	20		00
	21 Other deductions. Attach schedule .....	<input type="radio"/>	21		00
	22 Total deductions. Add line 13 through line 21 .....	<input type="radio"/>	22		00
Payments	23 Ordinary income (loss) from trade or business activities. Subtract line 22 from line 12 .....	<input type="radio"/>	23	0	00
	24 Tax - \$800.00 (LPs, LLPs, and REMICs only). See instructions .....	<input type="radio"/>	24	800	00
	25 Pass-through entity elective tax. See instructions .....	<input type="radio"/>	25	0	00
	26 Partnership level tax. If IRS concluded a centralized audit for this year, see instructions. If not, leave blank .....	<input type="radio"/>	26		00
	27 Total tax. Add line 24, line 25, and line 26 .....	<input type="radio"/>	27	800	00
	28 Withholding (Form 592-B and/or 593) .....	<input type="radio"/>	28		00
	29 Amount paid with extension of time to file return (form FTB 3538) .....	<input type="radio"/>	29	800	00
	30 Amounts paid for pass-through entity elective tax .....	<input type="radio"/>	30		00
	31 Total payments. Add line 28, line 29, and line 30 .....	<input type="radio"/>	31	800	00
	Amount Due or Refund	32 Use tax. This is not a total line. See instructions .....	<input type="radio"/>	32	
33 Payments balance. If line 31 is more than line 32, subtract line 32 from line 31 .....		<input type="radio"/>	33	800	00
34 Use tax balance. If line 32 is more than line 31, subtract line 31 from line 32 .....		<input type="radio"/>	34		00
35 Tax due. If line 27 is more than line 33, subtract line 33 from line 27 .....		<input type="radio"/>	35		00
36 Refund. If line 33 is more than line 27, subtract line 27 from line 33 .....		<input type="radio"/>	36		.00
37 Penalties and interest. See instructions .....		<input type="radio"/>	37		00
38 Total amount due. Add line 34, line 35, and line 37. Make the check or money order payable to the Franchise Tax Board .....	<input type="radio"/>	38		0.00	

- J What type of entity is filing this return? Check one only:
- 1  General partnership
  - 2  LP required to pay annual tax (is doing business in CA, is registered with SOS, or is organized in CA)
  - 3  LP, LLC, or other entity NOT required to pay annual tax (is not doing business in CA, is not registered with SOS, and is not organized in CA)
  - 4  REMIC
  - 5  LLP
  - 6  Other (See instructions)
- K Principal business activity code (Do not leave blank) ..... **531110**  
 Business activity **REAL ESTATE** Product or service **RENTAL**
- L Enter the maximum number of partners in this partnership at any time during the year. Attach a CA Sch. K-1 (565) for each partner ..... **2**
- M Is any partner of the partnership related (as defined in IRC Section 267(c)(4)) to any other partner? .....  Yes  No
- N Is any partner of the partnership a trust for the benefit of any person related (as defined in IRC Section 267(c)(4)) to any other partner? .....  Yes  No
- O Are any partners in this partnership also partnerships or LLCs? If "Yes," complete Schedule K-1, Table 3 for each .....  Yes  No
- P Does the partnership meet all the requirements shown in the instructions for Question P? .....  Yes  No
- Q Is this partnership a partner in another partnership or multiple member LLC? If "Yes," complete Schedule EO, Part I ...  Yes  No
- R Was there a distribution of property or transfer (for example by sale or death) of a partnership interest during the taxable year? .....  Yes  No  
 If "Yes," see the federal instructions concerning an election to adjust the basis of the partnership's assets under IRC Section 754
- S Is this partnership a publicly traded partnership as defined in IRC Section 469(k)(2)? .....  Yes  No
- T Is this partnership under audit by the IRS or has it been audited in a prior year? .....  Yes  No



- U (1) Does the partnership have any foreign (non U.S.) nonresident partners?  Yes  No
- (2) Does the partnership have any domestic (non-foreign) nonresident partners?  Yes  No
- (3) Were Form 592, Form 592-A, Form 592-B, Form 592-F, and Form 592-PTE filed for these partners?  Yes  No
- V Is this an investment partnership? See General Information O, Investment Partnerships, in the instructions  Yes  No
- W Is the partnership apportioning or allocating income to California using Schedule R?  Yes  No
- X Has the partnership included a Reportable Transaction or Listed Transaction within this return?  Yes  No  
(See instructions for definitions.) If "Yes," complete and attach federal Form 8886 for each transaction.
- Y Did this partnership file the Federal Schedule M-3 (Form 1065)?  Yes  No
- Z Is this partnership a direct owner of an entity that filed a federal Schedule M-3?  Yes  No
- AA Does this partnership have a beneficial interest in a trust or is it a grantor of a trust? Attach name, address, and FEIN  Yes  No
- BB Does this partnership own an interest in a business entity disregarded for tax purposes? If "Yes," complete Schedule EO, Part II  Yes  No
- CC (1) Is the partnership deferring any income from the disposition of assets?  Yes  No
- (2) If "Yes," enter the year of asset disposition
- DD Is the partnership reporting previously deferred income from:  Installment Sale  IRC §1031  IRC §1033  Other
- EE "Doing business as" name. See instructions:  \_\_\_\_\_
- FF (1) Has this partnership operated as another entity type such as a Corporation, S Corporation, General Partnership, Limited Partnership, LLC or Sole Proprietorship in the previous five (5) years?  Yes  No
- (2) If "Yes," provide prior FEIN(s) if different, business name(s), and entity type(s) for prior returns filed with the FTB and/or IRS: \_\_\_\_\_
- GG (1) Has this partnership previously operated outside California?  Yes  No
- (2) Is this the first year of doing business in California?  Yes  No
- HH Is the partnership a section 721(c) partnership, as defined in Treasury Regulations Section 1.721(c)-1T(b)(14)?  Yes  No
- II At any time during the tax year, were there any transfers between the partnership and its partners subject to the disclosure requirements of Regulations section 1.707-8?  Yes  No
- JJ Check if the partnership: (1)  Aggregated activities for IRC Section 465 at-risk purposes  
(2)  Grouped activities for IRC Section 469 passive activity purposes
- KK (1) Has this business entity previously filed an unclaimed property Holder Remit Report with the State Controller's Office?  Yes  No
- (2) If "Yes," when was the last report filed? (mm/dd/yyyy)  (3) Amount last remitted  \$

<b>Sign Here</b>	<small>Our privacy notice can be found in annual tax booklets or online. Go to <a href="http://ftb.ca.gov/privacy">ftb.ca.gov/privacy</a> to learn about our privacy policy statement, or go to <a href="http://ftb.ca.gov/forms">ftb.ca.gov/forms</a> and search for 1131 to locate FTB 1131 EN-SP, Franchise Tax Board Privacy Notice on Collection. To request this notice by mail, call 800.338.0505 and enter form code 948 when instructed.</small> Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.	<small>Date</small>	<small>Telephone</small>
	<small>Signature of general partner</small> <input style="width: 80%;" type="text"/>		
	<small>General Partner's email address (optional)</small>		<input type="checkbox"/>
<b>Paid Preparer's Use Only</b>	<small>Paid Preparer's signature</small> <input style="width: 80%;" type="text"/>	<small>Date</small>	<small>Check if self-employed</small> <input type="checkbox"/>
	<small>Firm's name (or yours if self-employed) and address</small> <b>NOVOGRADAC &amp; COMPANY LLP</b> <b>1144 HOOPER AVE, SUI</b> <b>TOMS RIVER, NJ 08753</b>	<small>Telephone</small> <b>732-503-4257</b>	<small>PTIN</small> <b>P00183253</b>
			<small>FEIN</small> <b>** - ***8253</b>
<small>May the FTB discuss this return with the preparer shown above (see instructions)?</small> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			

**Schedule K Partners' Shares of Income, Deductions, Credits, etc.**

	(a) Distributive share items	(b) Amounts from federal K (1065)	(c) California adjustments	(d) Total amounts using California law		
Income (Loss)	1 Ordinary income (loss) from trade or business activities	1 •		•		
	2 Net income (loss) from rental real estate activities. Attach federal Form 8825	2 ● 308,862	-800	● 308,062		
	3 a Gross income (loss) from other rental activities	3a ●		●		
	b Less expenses. Attach schedule	3b ●		●		
	c Net income (loss) from other rental activities. Subtract In 3b from In 3a	3c ●		•		
	4 Guaranteed payments a Services	4a ●				
	b Capital	4b ●				
	c Total	4c ●		•		
	5 Interest income STMT 1	5 ● 14,103		• 14,103		
	6 Dividends	6 ●		•		
	7 Royalties	7 ●		•		
8 Net short-term capital gain (loss). Attach Schedule D (565)	8 ●		•			
9 Net long-term capital gain (loss). Attach Schedule D (565)	9 ●		•			
10 a Total gain under IRC Section 1231 (other than due to casualty or theft)	10a ●		•			
b Total loss under IRC Section 1231 (other than due to casualty or theft)	10b ●		•			
11 a Other portfolio income (loss). Attach schedule	11a ●		●			
b Total other income. Attach schedule	11b ●		●			
c Total other loss. Attach schedule	11c ●		●			
Deductions	12 Expense deduction for recovery property (IRC Section 179). Attach schedule	12 ●		●		
	13 a Cash contributions	13a ●		●		
	b Noncash contributions	13b ●		●		
	c Investment interest expense	13c ●		•		
	d 1 Total expenditures to which IRC Section 59(e) election may apply	13d1 ●		●		
	2 Type of expenditures ●	13d2				
e Deductions related to portfolio income	13e ●		●			
f Other deductions. Attach schedule	13f ●		●			
Credits	15 a Withholding on partnership allocated to all partners	15a		●		
	b Low-income housing credit	15b		●		
	c Credits other than the credit shown on line 15b related to rental real estate activities	15c		●		
	d Credits related to other rental activities	15d		●		
	e Nonconsenting nonresident members' tax allocated to all partners	15e		●		
	f Other credits	15f		•		
Alternative Minimum Tax (AMT) Items	17 a Depreciation adjustment on property placed in service after 1986	17a ●		●		
	b Adjusted gain or loss	17b ●		●		
	c Depletion (other than oil and gas)	17c ●		●		
	d Gross income from oil, gas, and geothermal properties	17d ●		●		
	e Deductions allocable to oil, gas, and geothermal properties	17e ●		●		
	f Other alternative minimum tax items	17f ●		●		
Other Information	18 a Tax-exempt interest income	18a ●		●		
	b Other tax-exempt income	18b ●		•		
	c Nondeductible expenses	18c ●	800	● 800		
	19 a Distributions of money (cash and marketable securities)	19a ●		●		
	b Distribution of property other than money	19b ●		●		
	20 a Investment income	20a ● 14,103		● 14,103		
b Investment expenses	20b ●		●			
c Other information. See instructions STMT 2	20c ●		●			
Analysis	21 a Total distributive income/payment items. Combine lines 1, 2, 3c and 4c through 11c. From the result, subtract the sum of lines 12 through 13f.	21a	322,965	-800 • 322,165		
	b Analysis by type of partner:	(a) Corporate	(b) Individual i. Active ii. Passive	(c) Partnership	(d) Exempt Organization	(e) Nominee/Other
	(1) General partners ●	●	●	●	● 3,222 ●	
(2) Limited partners ●	●	●	●	● 318,943 ●		

**Schedule A**

**Cost of Goods Sold**

1 Inventory at beginning of year	1	00
2 Purchases less cost of items withdrawn for personal use	2	00
3 Cost of labor	3	00
4 Additional IRC Section 263A costs. Attach schedule	4	00
5 Other costs. Attach schedule	5	00
6 Total. Add line 1 through line 5	6	00
7 Inventory at end of year	7	00
8 Cost of goods sold. Subtract line 7 from line 6. Enter here and on Side 1, line 2	8	00

- 9 a Check all methods used for valuing closing inventory:
- (1)  Cost (2)  Lower of cost or market as described in Treas. Reg. Section 1.471-4 (3)  Write down of "subnormal" goods as described in Treas. Reg. Section 1.471-2(c) (4)  Other. Specify method used and attach explanation \_\_\_\_\_
- b Check this box if the LIFO inventory method was adopted this taxable year for any goods. If checked, attach federal Form 970  Yes
- c Do the rules of IRC Section 263A (with respect to property produced or acquired for resale) apply to the partnership?  Yes  No
- d Was there any change (other than for IRC Section 263A purposes) in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation  Yes  No

**Schedule L Balance Sheets.** See the instructions for Question P before completing Schedules L, M-1, and M-2.

Assets	Beginning of income year		End of income year	
	(a)	(b)	(c)	(d)
1 Cash		2,538		402,642
2 a Trade notes and accounts receivable	11,784		10,521	
b Less allowance for bad debts	(8,444)	3,340	(9,089)	1,432
3 Inventories				•
4 U.S. government obligations				
5 Tax-exempt securities				
6 Other current assets. Attach schedule	STATEMENT 3	203,884		• 216,791
7 a Loans to partners				
b Mortgage and real estate loans				
8 Other investments. Attach schedule				•
9 a Buildings and other depreciable assets	2,856,130		2,863,405	
b Less accumulated depreciation	• (1,882,810)	• 973,320	(1,958,716)	• 904,689
10 a Depletable assets				
b Less accumulated depletion	( )		( )	
11 Land (net of any amortization)		• 1,039,931		• 1,039,931
12 a Intangible assets (amortizable only)				
b Less accumulated amortization	( )		( )	
13 Other assets. Attach schedule				•
14 Total assets		2,223,013		2,565,485
<b>Liabilities and Capital</b>				
15 Accounts payable		23,806		• 5,004
16 Mortgages, notes, bonds payable in less than 1 year				•
17 Other current liabilities. Attach schedule	STATEMENT 4	• 34,774	•	• 54,246
18 All nonrecourse loans		• 2,199,439		• 2,199,439
19 a Loans from partners				
b Mortgages, notes, bonds payable in 1 year or more		•		•
20 Other liabilities. Attach schedule	STATEMENT 5	1,087,810		• 1,131,248
21 Partners' capital accounts		• -1,122,816		• -824,452
22 Total liabilities and capital		2,223,013		2,565,485

**Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return.** Use total amount under California law.  
If the partnership completed federal Schedule M-3 (Form 1065), see instructions.

<p><b>1</b> Net income (loss) per books <input checked="" type="radio"/> <u>298,364</u></p> <p><b>2</b> Income included on Schedule K, line 1 through line 11c, not recorded on books this year. Itemize <b>STMT 7</b> <input type="radio"/> <u>35</u></p> <p><b>3</b> Guaranteed payments (other than health insurance) <input checked="" type="radio"/></p> <p><b>4</b> Expenses recorded on books this year not included on Schedule K, line 1 through line 13f. Itemize:  <b>a</b> Depreciation <input checked="" type="radio"/> \$ _____  <b>b</b> Travel and entertainment <input checked="" type="radio"/> \$ _____  <b>c</b> Limited partnership tax <input checked="" type="radio"/> \$ <u>800</u>  <b>d</b> Other <b>STMT 6</b> <input checked="" type="radio"/> \$ <u>800</u>  <b>e</b> Total. Add line 4a through line 4d <input type="radio"/> <u>1,600</u></p> <p><b>5</b> Total of line 1 through line 4e <input type="radio"/> <u>299,999</u></p>	<p><b>6</b> Income recorded on books this year not included on Schedule K, line 1 through line 11c. Itemize:  <b>a</b> Tax-exempt interest <input checked="" type="radio"/> \$ _____  <b>b</b> Other <input checked="" type="radio"/> \$ _____  <b>c</b> Total. Add line 6a and line 6b <input type="radio"/></p> <p><b>7</b> Deductions included on Schedule K, line 1 through line 13f, not charged against book income this year. Itemize:  <b>a</b> Depreciation <input checked="" type="radio"/> \$ _____  <b>b</b> Other <input checked="" type="radio"/> \$ _____  <b>c</b> Total. Add line 7a and line 7b <input type="radio"/></p> <p><b>8</b> Total. Add line 6c and line 7c <input type="radio"/></p> <p><b>9</b> Income (loss) (Schedule K, line 21a). Subtract line 8 from line 5 <input checked="" type="radio"/> <u>322,165</u></p>
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**Schedule M-2 Analysis of Partners' Capital Accounts.** Use California amounts.

<p><b>1</b> Balance at beginning of year <input checked="" type="radio"/> <u>-934,722</u></p> <p><b>2</b> Capital contributed during year:  <b>a</b> Cash <input type="radio"/>  <b>b</b> Property <input type="radio"/></p> <p><b>3</b> Net income (loss) per books <input checked="" type="radio"/> <u>298,364</u></p> <p><b>4</b> Other increases. Itemize <input type="radio"/></p>	<p><b>5</b> Total of line 1 through line 4 <input type="radio"/> <u>-636,358</u></p> <p><b>6</b> Distributions: <b>a</b> Cash <input type="radio"/>  <b>b</b> Property <input type="radio"/></p> <p><b>7</b> Other decreases. Itemize <input type="radio"/></p> <p><b>8</b> Total of line 6 and line 7 <input type="radio"/></p> <p><b>9</b> Balance at end of year. Subtract line 8 from line 5 <input checked="" type="radio"/> <u>-636,358</u></p>
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CA SCHEDULE K	INTEREST INCOME	STATEMENT 1
DESCRIPTION		AMOUNT
INTEREST INCOME		14,103.
TOTAL TO SCHEDULE K, LINE 5		14,103.

CA SCHEDULE K	AGGREGATE GROSS RECEIPTS FOR AMT EXCLUSION	STATEMENT 2
DESCRIPTION		AMOUNT
ACTIVITY: RENTAL REAL ESTATE INTEREST		622,450.
		14,103.
TOTAL		636,553.

CA SCHEDULE L	OTHER CURRENT ASSETS	STATEMENT 3
DESCRIPTION	BEGINNING OF TAX YEAR	END OF TAX YEAR
PREPAID EXPENSES	5,761.	7,205.
RESTRICTED CASH	183,779.	190,705.
TENANT SECURITY DEPOSITS	14,344.	18,881.
TOTAL TO SCHEDULE L, LINE 6	203,884.	216,791.

CA SCHEDULE L	OTHER CURRENT LIABILITIES	STATEMENT 4
DESCRIPTION	BEGINNING OF TAX YEAR	END OF TAX YEAR
ACCRUED EXPENSES	8,419.	11,319.
DUE TO RELATED PARTIES	12,000.	24,000.
PREPAID RENT	11.	46.
TENANT SECURITY DEPOSIT LIABILITY	14,344.	18,881.
TOTAL TO SCHEDULE L, LINE 17	34,774.	54,246.

CA SCHEDULE L	OTHER LIABILITIES	STATEMENT 5	
DESCRIPTION		BEGINNING OF TAX YEAR	END OF TAX YEAR
ACCRUED INTEREST		1,087,810.	1,131,248.
TOTAL TO SCHEDULE L, OTHER LIABILITIES		1,087,810.	1,131,248.

CA SCHEDULE M-1	BOOK EXPENSES NOT ON RETURN	STATEMENT 6
DESCRIPTION		AMOUNT
NONDEDUCTIBLE EXPENSE		800.
TOTAL TO SCHEDULE M-1, LINE 4		800.

CA SCHEDULE M-1	INCOME PER RETURN NOT ON BOOKS	STATEMENT 7
DESCRIPTION		AMOUNT
RENTAL INCOME FROM MERRILL ROAD ASSOCIATES		35.
TOTAL TO SCHEDULE M-1, LINE 2		35.

**SCHEDULE M-3**

(Form 1065)

(Rev. December 2021)  
Department of the Treasury  
Internal Revenue Service

**Net Income (Loss) Reconciliation  
for Certain Partnerships**

▶ Attach to Form 1065.

OMB No. 1545-0123

▶ Go to [www.irs.gov/Form1065](http://www.irs.gov/Form1065) for instructions and the latest information.

Name of partnership <b>MERRILL ROAD ASSOCIATES C/O HSG AUTHORITY OF THE CO OF SANTA CRUZ</b>	Employer identification number <b>** - *** 1399</b>
-----------------------------------------------------------------------------------------------------	--------------------------------------------------------

**This Schedule M-3 is being filed because (check all that apply):**

- A  The amount of the partnership's total assets at the end of the tax year is equal to \$10 million or more.
- B  The amount of the partnership's adjusted total assets for the tax year is equal to \$10 million or more. If box B is checked, enter the amount of adjusted total assets for the tax year \_\_\_\_\_.
- C  The amount of total receipts for the tax year is equal to \$35 million or more. If box C is checked, enter the total receipts for the tax year \_\_\_\_\_.
- D  An entity that is a reportable entity partner with respect to the partnership owns or is deemed to own an interest of 50% or more in the partnership's capital, profit, or loss on any day during the tax year of the partnership.

Name of Reportable Entity Partner	Identifying Number	Maximum Percentage Owned or Deemed Owned
<b>HOUSING AUTHORITY OF CO OF SANTA CRU</b>	<b>** - *** 9385</b>	<b>99.0000%</b>

E  Voluntary filer.

**Part I Financial Information and Net Income (Loss) Reconciliation**

1a Did the partnership file SEC Form 10-K for its income statement period ending with or within this tax year?

- Yes. Skip lines 1b and 1c and complete lines 2 through 11 with respect to that SEC Form 10-K.
- No. Go to line 1b. See instructions if multiple non-tax-basis income statements are prepared.

b Did the partnership prepare a certified audited non-tax-basis income statement for that period?

- Yes. Skip line 1c and complete lines 2 through 11 with respect to that income statement.
- No. Go to line 1c.

c Did the partnership prepare a non-tax-basis income statement for that period?

- Yes. Complete lines 2 through 11 with respect to that income statement.
- No. Skip lines 2 through 3b and enter the partnership's net income (loss) per its books and records on line 4a.

2 Enter the income statement period: Beginning 07/01/2023 Ending 06/30/2024

3a Has the partnership's income statement been restated for the income statement period on line 2?

- Yes. (If "Yes," attach a statement and the amount of each item restated.)
- No.

b Has the partnership's income statement been restated for any of the 5 income statement periods immediately preceding the period on line 2?

- Yes. (If "Yes," attach a statement and the amount of each item restated.)
- No.

4a Worldwide consolidated net income (loss) from income statement source identified on Part I, line 1 .....	<b>4a</b>	<b>298,364.</b>
b Indicate accounting standard used for line 4a. See instructions.		
1 <input checked="" type="checkbox"/> GAAP    2 <input type="checkbox"/> IFRS    3 <input type="checkbox"/> Section 704(b)		
4 <input type="checkbox"/> Tax-basis    5 <input type="checkbox"/> Other (specify) ▶ _____		
5a Net income from nonincludible foreign entities (attach statement) .....	<b>5a</b>	( )
b Net loss from nonincludible foreign entities (attach statement and enter as a positive amount) .....	<b>5b</b>	( )
6a Net income from nonincludible U.S. entities (attach statement) .....	<b>6a</b>	( )
b Net loss from nonincludible U.S. entities (attach statement and enter as a positive amount) .....	<b>6b</b>	( )
7a Net income (loss) of other foreign disregarded entities (attach statement) .....	<b>7a</b>	( )
b Net income (loss) of other U.S. disregarded entities (attach statement) .....	<b>7b</b>	( )
8 Adjustment to eliminations of transactions between includible entities and nonincludible entities (attach stmt.) .....	<b>8</b>	( )
9 Adjustment to reconcile income statement period to tax year (attach statement) .....	<b>9</b>	( )
10 Other adjustments to reconcile to amount on line 11 (attach statement) .....	<b>10</b>	( )
11 <b>Net income (loss) per income statement of the partnership.</b> Combine lines 4a through 10 .....	<b>11</b>	<b>298,364.</b>

**Note:** Part I, line 11, must equal Part II, line 26, column (a); or Form 1065, Schedule M-1, line 1. See instructions.

12 Enter the total amount (not just the partnership's share) of the assets and liabilities of all entities included or removed on the following lines.

	Total Assets	Total Liabilities
a Included on Part I, line 4	<b>2,565,485.</b>	<b>3,389,937.</b>
b Removed on Part I, line 5		
c Removed on Part I, line 6		
d Included on Part I, line 7		

For Paperwork Reduction Act Notice, see the instructions for your return.

Schedule M-3 (Form 1065) (Rev. 12-2021)



Name of partnership **MERRILL ROAD ASSOCIATES C/O HSG  
AUTHORITY OF THE CO OF SANTA CRUZ** Employer identification number  
**\*\* - \*\*\* 1399**

**Part II Reconciliation of Net Income (Loss) per Income Statement of Partnership With Income (Loss) per Return**

Income (Loss) Items	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
Attach statements for lines 1 through 10.				
<b>1</b> Income (loss) from equity method foreign corporations				
<b>2</b> Gross foreign dividends not previously taxed				
<b>3</b> Subpart F, QEF, and similar income inclusions				
<b>4</b> Gross foreign distributions previously taxed				
<b>5</b> Income (loss) from equity method U.S. corporations				
<b>6</b> U.S. dividends				
<b>7</b> Income (loss) from U.S. partnerships				
<b>8</b> Income (loss) from foreign partnerships				
<b>9</b> Income (loss) from other pass-through entities				
<b>10</b> Items relating to reportable transactions				
<b>11</b> Interest income (see instructions)	14,103.			14,103.
<b>12</b> Total accrual to cash adjustment				
<b>13</b> Hedging transactions				
<b>14</b> Mark-to-market income (loss)				
<b>15</b> Cost of goods sold (see instructions)	( )			( )
<b>16</b> Sale versus lease (for sellers and/or lessors)				
<b>17</b> Section 481(a) adjustments				
<b>18</b> Unearned/deferred revenue				
<b>19</b> Income recognition from long-term contracts				
<b>20</b> Original issue discount and other imputed interest				
<b>21a</b> Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities				
<b>b</b> Gross capital gains from Schedule D, excluding amounts from pass-through entities				
<b>c</b> Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
<b>d</b> Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
<b>e</b> Abandonment losses				
<b>f</b> Worthless stock losses (attach statement)				
<b>g</b> Other gain/loss on disposition of assets other than inventory				
<b>22</b> Other income (loss) items with differences (attach statement) <b>STMT 8</b>	622,415.	35.		622,450.
<b>23</b> Total income (loss) items. Combine lines 1 through 22	636,518.	35.		636,553.
<b>24</b> Total expense/deduction items. (From Part III, line 31) (see instructions)	-119,344.	24,566.		-94,778.
<b>25</b> Other items with no differences <b>STMT 9</b>	-218,810.			-218,810.
<b>26</b> Reconciliation totals. Combine lines 23 through 25	298,364.	24,601.		322,965.

**Note:** Line 26, column (a), must equal Part I, line 11, and column (d) must equal Form 1065, Analysis of Net Income (Loss), line 1.

Name of partnership **MERRILL ROAD ASSOCIATES C/O HSG  
AUTHORITY OF THE CO OF SANTA CRUZ** Employer identification number  
**\*\* - \*\*\* 1399**

**Part III Reconciliation of Net Income (Loss) per Income Statement of Partnership With Income (Loss) per Return - Expense/Deduction Items**

Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 State and local current income tax expense .....				
2 State and local deferred income tax expense .....				
3 Foreign current income tax expense (other than foreign withholding taxes) .....				
4 Foreign deferred income tax expense .....				
5 Equity-based compensation .....				
6 Meals and entertainment .....				
7 Fines and penalties .....				
8 Judgments, damages, awards, and similar costs .....				
9 Guaranteed payments .....				
10 Pension and profit-sharing .....				
11 Other post-retirement benefits .....				
12 Deferred compensation .....				
13 Charitable contribution of cash and tangible property .....				
14 Charitable contribution of intangible property .....				
15 Organizational expenses as per Regulations section 1.709-2(a) .....				
16 Syndication expenses as per Regulations section 1.709-2(b) ..				
17 Current year acquisition/reorganization investment banking fees .....				
18 Current year acquisition/reorganization legal and accounting fees .....				
19 Amortization/impairment of goodwill .....				
20 Amortization of acquisition, reorganization, and start-up costs .....				
21 Other amortization or impairment write-offs .....				
22 Reserved for future use .....				
23a Depletion - oil & gas .....				
b Depletion - other than oil & gas .....				
24 Intangible drilling and development costs (IDC) .....				
25 Depreciation .....	75,906.	-24,566.		51,340.
26 Bad debt expense .....				
27 Interest expense (see instructions) .....	43,438.			43,438.
28 Purchase versus lease (for purchasers and/or lessees) .....				
29 Research and development costs .....				
30 Other expense/deduction items with differences (attach statement) .....				
31 <b>Total expense/deduction items.</b> Combine lines 1 through 30. Enter here and on Part II, line 24, reporting positive amounts as negative and negative amounts as positive .....	119,344.	-24,566.		94,778.

**Supplemental Attachment to Schedule M-3**

▶ Attach to Schedule M-3 for Form 1065, 1120, 1120-L, 1120-PC, or 1120-S.  
 ▶ Go to [www.irs.gov/Form1120](http://www.irs.gov/Form1120) for the latest information.

OMB No. 1545-0123

Name of common parent <b>MERRILL ROAD ASSOCIATES C/O HSG AUTHORIT</b>	Employer identification number <b>** - ***1399</b>
Name of subsidiary	Employer identification number

**Part I Cost of Goods Sold**

Cost of Goods Sold Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
<b>1</b> Amounts attributable to cost flow assumptions				
<b>2</b> Amounts attributable to:				
<b>a</b> Stock option expense .....				
<b>b</b> Other equity-based compensation .....				
<b>c</b> Meals and entertainment .....				
<b>d</b> Parachute payments .....				
<b>e</b> Compensation with section 162(m) limitation				
<b>f</b> Pension and profit sharing .....				
<b>g</b> Other post-retirement benefits .....				
<b>h</b> Deferred compensation .....				
<b>i</b> Reserved .....				
<b>j</b> Amortization .....				
<b>k</b> Depletion .....				
<b>l</b> Depreciation .....				
<b>m</b> Corporate-owned life insurance premiums ...				
<b>n</b> Other section 263A costs .....				
<b>3</b> Inventory shrinkage accruals .....				
<b>4</b> Excess inventory and obsolescence reserves				
<b>5</b> Lower of cost or market write-downs .....				
<b>6</b> Other items with differences (attach statement)				
<b>7</b> Other items with no differences .....				
<b>8 Total cost of goods sold.</b> Add lines 1 through 7 in columns a, b, c, and d. Enter totals on the applicable Schedule M-3. See instructions ...				

**Part II Interest Income**

	Interest Income Item	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1	Tax-exempt interest income				
2	Interest income from hybrid securities				
3	Sale/lease interest income				
4a	Intercompany interest income - From outside tax affiliated group				
4b	Intercompany interest income - From tax affiliated group				
5	Other interest income <b>STMT 11</b>	<b>14,103.</b>			<b>14,103.</b>
6	Total interest income. Add lines 1 through 5 in columns a, b, c, and d. Enter total on the applicable Schedule M-3. See instructions.	<b>14,103.</b>			<b>14,103.</b>

**Part III Interest Expense**

	Interest Expense Item	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1	Interest expense from hybrid securities				
2	Lease/purchase interest expense				
3a	Intercompany interest expense - Paid to outside tax affiliated group				
3b	Intercompany interest expense - Paid to tax affiliated group				
4	Other interest expense <b>STMT 12</b>	<b>43,438.</b>			<b>43,438.</b>
5	Total interest expense. Add lines 1 through 4 in columns a, b, c, and d. Enter total on the applicable Schedule M-3. See instructions.	<b>43,438.</b>			<b>43,438.</b>

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SCHEDULE M-3                    OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES                    STATEMENT 8

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DESCRIPTION	INCOME (LOSS) PER INCOME STATEMENT	TEMPORARY DIFFERENCE	PERMANENT DIFFERENCE	INCOME (LOSS) PER TAX RETURN
RENTAL INCOME FROM MERRILL ROAD ASSOCIATES	622,415.	35.	0.	622,450.
TOTAL TO M-3, PART II, LINE 22	622,415.	35.	0.	622,450.

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SCHEDULE M-3                    OTHER INCOME (LOSS) AND EXPENSE / DEDUCTION                    STATEMENT 9  
ITEMS WITH NO DIFFERENCES

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DESCRIPTION	PER INCOME STATEMENT	PER TAX RETURN
OTHER EXPENSE / DEDUCTION - SEE STATEMENT	-218,810.	-218,810.
TOTAL TO SCHEDULE M-3, PART II, LINE 25	-218,810.	-218,810.

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SCHEDULE M-3                    OTHER EXPENSE/DEDUCTION ITEMS                    STATEMENT 10  
WITH NO DIFFERENCES

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DESCRIPTION	EXPENSE/ DEDUCTION PER INCOME STATEMENT	EXPENSE/ DEDUCTION PER TAX RETURN
RENTAL EXPENSES FROM MERRILL ROAD ASSOCIATES	218,810.	218,810.
TOTAL TO SCHEDULE M-3, PART II, LINE 25	218,810.	218,810.

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FORM 8916-A                    OTHER INTEREST INCOME                    STATEMENT 11

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DESCRIPTION	PER INCOME STATEMENT	TEMPORARY DIFFERENCE	PERMANENT DIFFERENCE	PER TAX RETURN
INTEREST INCOME	14,103.	0.	0.	14,103.
TOTAL TO PART II, LINE 5	14,103.	0.	0.	14,103.

FORM 8916-A

OTHER INTEREST EXPENSE

STATEMENT 12

DESCRIPTION	PER INCOME STATEMENT	TEMPORARY DIFFERENCE	PERMANENT DIFFERENCE	PER TAX RETURN
INTEREST EXPENSE FROM RENTS AND ROYALTIES	43,438.	0.	0.	43,438.
TOTAL TO PART III, LINE 4	43,438.	0.	0.	43,438.

Depreciation and Amortization

Name as shown on return

FEIN

\*\* - \*\*\*1399

MERRILL ROAD ASSOCIATES C/O HSG
AUTHORITY OF THE CO OF SANTA CRUZ

California Secretary of State (SOS) file no.

19952630009

Table with columns: (a) Description of property, (b) Date placed in service, (c) Cost or other basis, (d) Method of figuring depreciation, (e) Life or rate, (f) Depreciation for this year, (g) Code section, (h) Period or percentage, (i) Amortization for this year. Includes entry for '18 SITE IMPROVEMENTS'.

1 Enter line 1, column (f) and column (i) totals 1 254

Depreciation

Be sure to make adjustments for any basis differences when calculating depreciation.

2 California depreciation for assets placed in service beginning before the 2023 taxable year 2 51,086
3 Total California depreciation. Add line 1(f) totals and line 2 3 51,340

Amortization

Be sure to make adjustments for any basis differences when calculating amortization.

4 California amortization for intangibles placed in service beginning before the 2023 taxable year 4
5 Total California amortization. Add line 1(i) totals and line 4 5
6 Total depreciation and amortization. Add line 3 and line 5. Enter the total here and on Form 565, Side 1, line 17a, if from a trade or business, or on federal Form 8825, line 14, if from rental real estate activities 6 51,340
7 IRC Section 179 expense deduction from line 12 of the worksheet in the instructions 7
8 Carryover of disallowed deduction to 2024 from line 13 of the worksheet in the instructions 8

# Rental Real Estate Income and Expenses of a Partnership or an S Corporation

▶ Attach to Form 1065 or Form 1120S.  
 ▶ Go to [www.irs.gov/Form8825](http://www.irs.gov/Form8825) for the latest information.

**CALIFORNIA**  
**VERSION**

OMB No. 1545-0123

<b>Name</b> <b>MERRILL ROAD ASSOCIATES C/O HSG</b> <b>AUTHORITY OF THE CO OF SANTA CRUZ</b>	<b>Employer identification number</b> <b>** ***1399</b>
------------------------------------------------------------------------------------------------	------------------------------------------------------------

<b>1</b>	Show the type and address of each property. For each rental real estate property listed, report the number of days rented at fair rental value and days with personal use. See instructions. See page 2 to list additional properties.			
	Physical address of each property - street, city, state, ZIP code	Type - Enter code 1-8; see page 2 for list	Fair Rental Days	Personal Use Days
<b>A</b>	<b>3201 MERRILL ROAD</b> <b>APTOS, CA 95003</b>	<b>2</b>	<b>365</b>	
<b>B</b>				
<b>C</b>				
<b>D</b>				

		<b>Properties</b>			
		<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
<b>Rental Real Estate Income</b>					
<b>2</b> Gross rents	<b>2</b>	<b>622,450</b>			
<b>Rental Real Estate Expenses</b>					
<b>3</b> Advertising	<b>3</b>				
<b>4</b> Auto and travel	<b>4</b>	<b>569</b>			
<b>5</b> Cleaning and maintenance	<b>5</b>	<b>29,996</b>			
<b>6</b> Commissions	<b>6</b>				
<b>7</b> Insurance	<b>7</b>	<b>12,965</b>			
<b>8</b> Legal and other professional fees	<b>8</b>	<b>11,500</b>			
<b>9</b> Interest	<b>9</b>	<b>43,438</b>			
<b>10</b> Repairs	<b>10</b>	<b>42,714</b>			
<b>11</b> Taxes	<b>11</b>	<b>1,149</b>			
<b>12</b> Utilities	<b>12</b>	<b>25,603</b>			
<b>13</b> Wages and salaries	<b>13</b>	<b>63,533</b>			
<b>14</b> Depreciation (see instructions)	<b>14</b>	<b>51,340</b>			
<b>15</b> Other (list) ▶ <b>STMT 13</b>	<b>15</b>	<b>30,781</b>			
	<b>15</b>				
	<b>15</b>				
<b>16</b> Total expenses for each property. Add lines 3 through 15	<b>16</b>	<b>313,588</b>			
<b>17</b> Income or (Loss) from each property. Subtract line 16 from line 2	<b>17</b>	<b>308,862</b>			

<b>18a</b> Total gross rents. Add gross rents from line 2, columns A through H		<b>18a</b>	<b>622,450</b>
<b>b</b> Total expenses. Add total expenses from line 16, columns A through H		<b>18b</b>	<b>( 313,588)</b>
<b>19</b> Net gain (loss) from Form 4797, Part II, line 17, from the disposition of property from rental real estate activities		<b>19</b>	
<b>20a</b> Net income (loss) from rental real estate activities from partnerships, estates, and trusts in which this partnership or S corporation is a partner or beneficiary (from Schedule K-1)		<b>20a</b>	
<b>b</b> Identify below the partnerships, estates, or trusts from which net income (loss) is shown on line 20a. Attach a schedule if more space is needed:			
(1) Name	(2) Employer identification number		
_____	_____		
_____	_____		
_____	_____		
<b>21</b> Net rental real estate income (loss). Combine lines 18a through 20a. Enter the result here and on:		<b>21</b>	<b>308,862</b>

• Form 1065 or 1120S: Schedule K, line 2



<b>1</b>	Show the type and address of each property. For each rental real estate property listed, report the number of days rented at fair rental value and days with personal use. See instructions.			
	Physical address of each property - street, city, state, ZIP code	Type - Enter code 1-8; see below for list	Fair Rental Days	Personal Use Days
<b>E</b>	.....			
<b>F</b>	.....			
<b>G</b>	.....			
<b>H</b>	.....			

		Properties			
		E	F	G	H
<b>Rental Real Estate Income</b>					
<b>2</b> Gross rents .....	<b>2</b>				
<b>Rental Real Estate Expenses</b>					
<b>3</b> Advertising .....	<b>3</b>				
<b>4</b> Auto and travel .....	<b>4</b>				
<b>5</b> Cleaning and maintenance .....	<b>5</b>				
<b>6</b> Commissions .....	<b>6</b>				
<b>7</b> Insurance .....	<b>7</b>				
<b>8</b> Legal and other professional fees ..	<b>8</b>				
<b>9</b> Interest .....	<b>9</b>				
<b>10</b> Repairs .....	<b>10</b>				
<b>11</b> Taxes .....	<b>11</b>				
<b>12</b> Utilities .....	<b>12</b>				
<b>13</b> Wages and salaries .....	<b>13</b>				
<b>14</b> Depreciation (see instructions) .....	<b>14</b>				
<b>15</b> Other (list) ▶ ..... .....	<b>15</b>				
<b>16</b> Total expenses for each property. Add lines 3 through 15 .....	<b>16</b>				
<b>17</b> Income or (Loss) from each property. Subtract line 16 from line 2 .....	<b>17</b>				

**Allowable Codes for Type of Property**

- 1 - Single Family Residence
- 2 - Multi-Family Residence
- 3 - Vacation or Short-Term Rental
- 4 - Commercial
- 5 - Land
- 6 - Royalties
- 7 - Self-Rental
- 8 - Other (include description with the code on Form 8825 or on a separate statement)

CA	OTHER RENTAL EXPENSES	STATEMENT 13
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## MULTI-FAMILY RESIDENCE

PROPERTY: MERRILL ROAD ASSOCIATES  
LOCATION: 3201 MERRILL ROAD  
APTOS, CA 95003

DESCRIPTION	AMOUNT
GENERAL AND ADMINISTRATIVE MANAGEMENT FEE	3,400.
PARTNERSHIP MANAGEMENT FEE	14,580.
BAD DEBT - TENANT RENTS	12,000.
OTHER ADMIN	645.
	156.
TOTAL TO RENTAL SCHEDULE, LINE 15	30,781.

CA	OTHER RENTAL INCOME	STATEMENT 14
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## MULTI-FAMILY RESIDENCE

PROPERTY: MERRILL ROAD ASSOCIATES  
LOCATION: 3201 MERRILL ROAD  
APTOS, CA 95003

DESCRIPTION	AMOUNT
OTHER GROSS RENTS	126.
	622,324.
TOTAL TO RENTAL SCHEDULE, LINE 2	622,450.

Partner's Share of Income, Deductions, Credits, etc.

TYB 07-01-2023 TYE 06-30-2024
\*\*-\*\*\*1307

MERRILL ROAD HOUSING CORPORATION

2160 41ST AVENUE
CAPITOLA CA 95010

\*\* - \*\*\* 1399 199526300009
MERRILL ROAD ASSOCIATES C/O HSG AUTHORITY OF THE CO OF SANTA CRUZ

2160 41ST AVENUE
CAPITOLA CA 95010

A Is this partner a: (1) [X] general partner; or (2) [ ] limited partner?

B What type of entity is this partner? See instructions.

(1) [ ] Individual (4) [ ] C Corporation (7) [ ] LLP (10) [X] Exempt Organization

(2) [ ] S Corporation (5) [ ] General Partnership (8) [ ] LLC (11a) [ ] Disregarded Entity (DE)

(3) [ ] Estate/Trust (6) [ ] Limited Partnership (9) [ ] IRA/Keogh/SEP (11b) DE owner's name (11c) DE owner's TIN

C Is this partner a foreign partner? [ ] Yes [X] No

D Enter partner's percentage (without regard to special allocations) of:

Table with columns (i) Beginning and (ii) Ending, rows Profit, Loss, Capital. Values are 1.0000% for all.

Check if decreases is due to: [ ] Sale or [ ] Exchange of partnership interest

E Partner's share of liabilities:

Table with columns (i) Beginning and (ii) Ending, rows Nonrecourse, Qualified nonrecourse financing, Recourse. Values range from 3,000 to 59,204.

Check the box if Item E includes liability amounts from lower tier partnerships [ ]

Check if any of the above liability is subject to guarantees or other payment obligations by the partner [ ]

F Reportable transaction or tax shelter registration number(s) [X] 96276000278

**Partner's name** MERRILL ROAD HOUSING CORPORATION **Partner's identifying number** \*\*\_\*\*\*1307

- G (1)** Check here if this is a publicly traded partnership as defined in IRC Section 469(k)(2)
- H (2)** Check here if this is an investment partnership (R&TC Sections 17955 and 23040.1)
- Check here if this is: • **(1)**  A final Schedule K-1 (565) **(2)**  An amended Schedule K-1 (565)
- I** Is this partner a resident of California?  Yes  No
- J** Did this partner contribute property with a built-in gain or loss? If "Yes" attach statement. See instructions  Yes  No
- K** Partner's share of net unrecognized IRC Section 704(c) gain or (loss) ..... (i) Beginning \_\_\_\_\_ (ii) Ending \_\_\_\_\_

**L Analysis of partner's tax basis capital account:**

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Current year net income (loss)	(d) Other increase (decrease) (attach explanation)	(e) Withdrawals and distributions	(f) Capital account at end of year, combine column (a) through column (e)
• 139,671 •		• STMT 3,214 •		• ( ) •	• 142,885 •

**Caution:** Refer to Partner's Instructions for Schedule K-1 (565) before entering information from this schedule on your California return.

	(a) Distributive share items	(b) Amounts from federal Sched. K-1 (Form 1065)	(c) California adjustments	(d) Total amounts using California law. Combine col. (b) and col. (c)	(e) California source amounts and credits
<b>Income (Loss)</b>	<b>1</b> Ordinary income (loss) from trade or business activities .....			•	▶
	<b>2</b> Net income (loss) from rental real estate activities .....	3,089	-8	• 3,081 •	▶ 3,081
	<b>3</b> Net income (loss) from other rental activities .....			•	•
	<b>4a</b> Guaranteed payments to partners .....				
	<b>4b</b> Guaranteed payments for capital .....				
	<b>4c</b> Total guaranteed payments .....			•	▶
	<b>5</b> Interest income .....	141		• 141 •	▶
	<b>6</b> Dividends .....			•	▶
	<b>7</b> Royalties .....			•	▶
	<b>8</b> Net short-term capital gain (loss) .....			•	▶
	<b>9</b> Net long-term capital gain (loss) .....			•	▶
	<b>10 a</b> Total gain under IRC Section 1231 (other than due to casualty or theft) .....			•	▶
	<b>b</b> Total loss under IRC Section 1231 (other than due to casualty or theft) .....			•	▶
<b>11 a</b> Other portfolio income (loss). Attach schedule .....			•	▶	
<b>b</b> Total other income .....			•	▶	
<b>c</b> Total other loss .....			•	▶	

Partner's name

**MERRILL ROAD HOUSING CORPORATION**

Partner's identifying number

**\*\* - \*\*\*1307**

	(a) Distributive share items	(b) Amounts from federal Schedule K-1 (Form 1065)	(c) California adjustments	(d) Total amounts using California law. Combine col. (b) and col. (c)	(e) California source amounts and credits
Deductions	12 Expense deduction for recovery property (IRC Section 179)			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	13 a Cash contributions			<input checked="" type="radio"/>	
	b Noncash contributions			<input checked="" type="radio"/>	
	c Investment interest expense			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	d 1 Total expenditures to which an IRC Section 59(e) election may apply			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	2 Type of expenditures <input checked="" type="radio"/>				
	e Deductions related to portfolio income			<input checked="" type="radio"/>	<input checked="" type="radio"/>
f Other deductions			<input checked="" type="radio"/>	<input checked="" type="radio"/>	
Credits	15 a Total withholding (equals amount on Form 592-B if calendar year partnership)			<input type="radio"/>	<input type="radio"/>
	b Low-income housing credit			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	c Credits other than line 15b related to rental real estate activities			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	d Credits related to other rental activities			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	e Nonconsenting nonresident members' tax allocated to partner			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	f Other credits - Attach required schedules or statements			<input checked="" type="radio"/>	<input checked="" type="radio"/>
Alternative Minimum Tax (AMT) Items	17 a Depreciation adjustment on property placed in service after 1986			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	b Adjusted gain or loss			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	c Depletion (other than oil & gas)			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	d Gross income from oil, gas, and geothermal properties			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	e Deductions allocable to oil, gas, and geothermal properties			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	f Other alternative minimum tax items			<input checked="" type="radio"/>	<input checked="" type="radio"/>
Tax-Exempt Income and Nondeductible Expenses	18 a Tax-exempt interest income			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	b Other tax-exempt income			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	c Nondeductible expenses		8	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Distributions	19 a Distributions of money (cash and marketable securities)			<input checked="" type="radio"/>	
	b Distributions of property other than money			<input checked="" type="radio"/>	
Other Information	20 a Investment income	141		<input checked="" type="radio"/>	<input checked="" type="radio"/>
	b Investment expenses			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	c Other information. See instructions			<input checked="" type="radio"/>	
21	<input type="checkbox"/> More than one activity for at-risk purposes. See instructions.				
22	<input type="checkbox"/> More than one activity for passive activity purposes. See instructions.				

**Partner's name**  
**MERRILL ROAD HOUSING CORPORATION**

**Partner's identifying number**  
**\*\* - \*\*\*1307**

**Other Partner Information**

**Table 1 - Partner's share of nonbusiness income from intangibles (source of income is dependent on residence or commercial domicile of the partner):**

Interest ...	\$	<input type="text" value="141"/>	Sec. 1231 Gains/Losses	\$	<input type="text"/>	Capital Gains/Losses	\$	<input type="text"/>
Dividends	\$	<input type="text"/>	Royalties .....	\$	<input type="text"/>	Other .....	\$	<input type="text"/>

FOR USE BY PARTNERS ONLY - See instructions.

**Table 2 - Partner's share of distributive items.**

A. Partner's share of the partnership's business income. See instructions. \$

B. Partner's share of nonbusiness income from real and tangible personal property sourced or allocable to California.

Capital Gains/Losses ...	\$	<input type="text"/>	Rents/Royalties	\$	<input type="text"/>
Sec. 1231 Gains/Losses	\$	<input type="text"/>	Other .....	\$	<input type="text"/>

C. Partner's distributive share of the partnership's property, payroll, and sales:

Factors	Total within and outside California	Total within California
Property: Beginning .....	\$ <input type="text"/>	\$ <input type="text"/>
Property: Ending .....	\$ <input type="text"/>	\$ <input type="text"/>
Property: Annual rent expense .....	\$ <input type="text"/>	\$ <input type="text"/>
Payroll .....	\$ <input type="text"/>	\$ <input type="text"/>
Sales .....	\$ <input type="text"/>	\$ <input type="text"/>

**Table 3 - Partner's share of cost of goods sold, deductions, and rental income.**

Enter only amounts used to determine income (loss) derived from and attributable to California sources. All amounts entered on this table are first multiplied by the appropriate percentage in Item D (ii) end of year partner's profit and loss percentage on Side 1. See the partnership Schedule K-1 instructions for information on how to obtain the amounts below.

1. Schedule K, line 1, column (d), Ordinary income (loss) from trade or business activities:

a. Enter as a positive amount the cost of goods sold used to determine the amount on Schedule K, line 1, column (d), plus the total amounts on line 1a of Table 3 from all Schedule K-1s (565) this partnership received ..... \$

b. Enter as a positive amount the total deductions used to determine the amount on Schedule K, line 1, column (d), plus the total amounts on line 1b of Table 3 from all Schedule K-1s (565) this partnership received ..... \$

2. Enter the total gross rents from line 18a of federal Form 8825 as adjusted for California law differences, plus the total amounts on line 2 of Table 3 from all Schedule K-1s (565) this partnership received ..... \$

3. Enter the gross income (loss) from other rental activities from Schedule K, line 3a, column (d), plus the total amounts on line 3 of Table 3 from all Schedule K-1s (565) this partnership received ..... \$

CA SCHEDULE K-1

COLUMN C RECONCILIATION

<u>DESCRIPTION</u>	<u>AMOUNT</u>
RENTAL REAL ESTATE INCOME (LOSS)	3,081.
INTEREST INCOME	141.
NONDEDUCTIBLE EXPENSES	<8.>
TOTAL TO SCHEDULE K-1 ANALYSIS OF CAPITAL ACCOUNT, COLUMN C	<u>3,214.</u>

Partner's Share of Income, Deductions, Credits, etc.

TYB 07-01-2023 TYE 06-30-2024
\*\*-\*\*\*9385

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ

2160 41ST AVENUE
CAPITOLA CA 95010

\*\* - \*\*\*1399 199526300009
MERRILL ROAD ASSOCIATES C/O HSG AUTHORITY OF THE CO OF SANTA CRUZ

2160 41ST AVENUE
CAPITOLA CA 95010

A Is this partner a: (1) general partner; or (2) limited partner?
B What type of entity is this partner? (1) Individual (4) C Corporation (7) LLP (10) Exempt Organization
(2) S Corporation (5) General Partnership (8) LLC (11a) Disregarded Entity (DE)
(3) Estate/Trust (6) Limited Partnership (9) IRA/Keogh/SEP (11b) DE owner's name
(11c) DE owner's TIN

C Is this partner a foreign partner?
D Enter partner's percentage (without regard to special allocations) of:
Table with columns (i) Beginning and (ii) Ending for Profit, Loss, and Capital.

Check if decreases is due to: Sale or Exchange of partnership interest

E Partner's share of liabilities:
Table with columns (i) Beginning and (ii) Ending for Nonrecourse, Qualified nonrecourse financing, and Recourse.

Check the box if Item E includes liability amounts from lower tier partnerships
Check if any of the above liability is subject to guarantees or other payment obligations by the partner

F Reportable transaction or tax shelter registration number(s) 96276000278



Partner's name

HOUSING AUTHORITY OF THE COUNTY OF SA

Partner's identifying number

\*\*-\*\*\*9385

G (1) Check here if this is a publicly traded partnership as defined in IRC Section 469(k)(2)  Yes  No

H (2) Check here if this is an investment partnership (R&TC Sections 17955 and 23040.1)  Yes  No

Check here if this is: (1)  A final Schedule K-1 (565) (2)  An amended Schedule K-1 (565)

I Is this partner a resident of California?  Yes  No

J Did this partner contribute property with a built-in gain or loss? If "Yes" attach statement. See instructions  Yes  No

K Partner's share of net unrecognized IRC Section 704(c) gain or (loss) (i) Beginning (ii) Ending

L Analysis of partner's tax basis capital account:

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Current year net income (loss)	(d) Other increase (decrease) (attach explanation)	(e) Withdrawals and distributions	(f) Capital account at end of year, combine column (a) through column (e)
• -1,074,393 •		• STMT 318,151 •		• ( ) •	• -756,242 •

Caution: Refer to Partner's Instructions for Schedule K-1 (565) before entering information from this schedule on your California return.

	(a) Distributive share items	(b) Amounts from federal Sched. K-1 (Form 1065)	(c) California adjustments	(d) Total amounts using California law. Combine col. (b) and col. (c)	(e) California source amounts and credits
Income (Loss)	1 Ordinary income (loss) from trade or business activities			•	▶
	2 Net income (loss) from rental real estate activities	305,773	-792	• 304,981 •	▶ 304,981
	3 Net income (loss) from other rental activities			•	•
	4a Guaranteed payments to partners				
	4b Guaranteed payments for capital				
	4c Total guaranteed payments			•	▶
	5 Interest income	13,962		• 13,962 •	▶
	6 Dividends			•	▶
	7 Royalties			•	▶
	8 Net short-term capital gain (loss)			•	▶
	9 Net long-term capital gain (loss)			•	▶
	10 a Total gain under IRC Section 1231 (other than due to casualty or theft)			•	▶
	b Total loss under IRC Section 1231 (other than due to casualty or theft)			•	▶
	11 a Other portfolio income (loss). Attach schedule			•	▶
	b Total other income			•	▶
	c Total other loss			•	▶

Partner's name **HOUSING AUTHORITY OF THE COUNTY OF SA** Partner's identifying number **\*\* - \*\*\*9385**

	(a) Distributive share items	(b) Amounts from federal Schedule K-1 (Form 1065)	(c) California adjustments	(d) Total amounts using California law. Combine col. (b) and col. (c)	(e) California source amounts and credits
Deductions	12 Expense deduction for recovery property (IRC Section 179)			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	13 a Cash contributions			<input checked="" type="radio"/>	
	b Noncash contributions			<input checked="" type="radio"/>	
	c Investment interest expense			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	d 1 Total expenditures to which an IRC Section 59(e) election may apply			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	2 Type of expenditures <input checked="" type="radio"/>				
	e Deductions related to portfolio income			<input checked="" type="radio"/>	<input checked="" type="radio"/>
f Other deductions			<input checked="" type="radio"/>	<input checked="" type="radio"/>	
Credits	15 a Total withholding (equals amount on Form 592-B if calendar year partnership)			<input type="radio"/>	<input type="radio"/>
	b Low-income housing credit			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	c Credits other than line 15b related to rental real estate activities			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	d Credits related to other rental activities			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	e Nonconsenting nonresident members' tax allocated to partner			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	f Other credits - Attach required schedules or statements			<input checked="" type="radio"/>	<input checked="" type="radio"/>
Alternative Minimum Tax (AMT) Items	17 a Depreciation adjustment on property placed in service after 1986			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	b Adjusted gain or loss			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	c Depletion (other than oil & gas)			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	d Gross income from oil, gas, and geothermal properties			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	e Deductions allocable to oil, gas, and geothermal properties			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	f Other alternative minimum tax items			<input checked="" type="radio"/>	<input checked="" type="radio"/>
Tax-Exempt Income and Nondeductible Expenses	18 a Tax-exempt interest income			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	b Other tax-exempt income			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	c Nondeductible expenses		792	<input checked="" type="radio"/> 792	<input checked="" type="radio"/> 792
Distributions	19 a Distributions of money (cash and marketable securities)			<input checked="" type="radio"/>	
	b Distributions of property other than money			<input checked="" type="radio"/>	
Other Information	20 a Investment income	13,962		<input checked="" type="radio"/> 13,962	<input checked="" type="radio"/>
	b Investment expenses			<input checked="" type="radio"/>	<input checked="" type="radio"/>
	c Other information. See instructions			<input checked="" type="radio"/>	
21	<input type="checkbox"/> More than one activity for at-risk purposes. See instructions.				
22	<input type="checkbox"/> More than one activity for passive activity purposes. See instructions.				

Partner's name

HOUSING AUTHORITY OF THE COUNTY OF SA

Partner's identifying number

\*\* - \*\*\* 9385

Other Partner Information

Table 1 - Partner's share of nonbusiness income from intangibles (source of income is dependent on residence or commercial domicile of the partner):

Interest ...	\$	<input type="text" value="13,962"/>	Sec. 1231 Gains/Losses	\$	<input type="text"/>	Capital Gains/Losses	\$	<input type="text"/>
Dividends	\$	<input type="text"/>	Royalties	\$	<input type="text"/>	Other	\$	<input type="text"/>

FOR USE BY PARTNERS ONLY - See instructions.

Table 2 - Partner's share of distributive items.

A. Partner's share of the partnership's business income. See instructions. \$

B. Partner's share of nonbusiness income from real and tangible personal property sourced or allocable to California.

Capital Gains/Losses ...	\$	<input type="text"/>	Rents/Royalties	\$	<input type="text"/>
Sec. 1231 Gains/Losses	\$	<input type="text"/>	Other	\$	<input type="text"/>

C. Partner's distributive share of the partnership's property, payroll, and sales:

Factors	Total within and outside California	Total within California
Property: Beginning .....	\$ <input type="text"/>	\$ <input type="text"/>
Property: Ending .....	\$ <input type="text"/>	\$ <input type="text"/>
Property: Annual rent expense .....	\$ <input type="text"/>	\$ <input type="text"/>
Payroll .....	\$ <input type="text"/>	\$ <input type="text"/>
Sales .....	\$ <input type="text"/>	\$ <input type="text"/>

Table 3 - Partner's share of cost of goods sold, deductions, and rental income.

Enter only amounts used to determine income (loss) derived from and attributable to California sources. All amounts entered on this table are first multiplied by the appropriate percentage in Item D (ii) end of year partner's profit and loss percentage on Side 1. See the partnership Schedule K-1 instructions for information on how to obtain the amounts below.

1. Schedule K, line 1, column (d), Ordinary income (loss) from trade or business activities:
  - a. Enter as a positive amount the cost of goods sold used to determine the amount on Schedule K, line 1, column (d), plus the total amounts on line 1a of Table 3 from all Schedule K-1s (565) this partnership received ..... \$
  - b. Enter as a positive amount the total deductions used to determine the amount on Schedule K, line 1, column (d), plus the total amounts on line 1b of Table 3 from all Schedule K-1s (565) this partnership received ..... \$
2. Enter the total gross rents from line 18a of federal Form 8825 as adjusted for California law differences, plus the total amounts on line 2 of Table 3 from all Schedule K-1s (565) this partnership received ..... \$
3. Enter the gross income (loss) from other rental activities from Schedule K, line 3a, column (d), plus the total amounts on line 3 of Table 3 from all Schedule K-1s (565) this partnership received ..... \$

CA SCHEDULE K-1

COLUMN C RECONCILIATION

<u>DESCRIPTION</u>	<u>AMOUNT</u>
RENTAL REAL ESTATE INCOME (LOSS)	304,981.
INTEREST INCOME	13,962.
NONDEDUCTIBLE EXPENSES	<792.>
TOTAL TO SCHEDULE K-1 ANALYSIS OF CAPITAL ACCOUNT, COLUMN C	<u>318,151.</u>

## AGENDA ITEM SUMMARY

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**MEETING DATE:** February 26, 2025

**ITEM NUMBER:** 3C

**FROM:** Finance Director

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**SUBJECT:** Audited Financial Statements for Fiscal Year Ending June 30, 2024

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**RECOMMENDATION:** Approve the Audited Financial Statements for Fiscal Year Ending June 30, 2024 for Merrill Road Associates

---

### **BACKGROUND SUMMARY:**

The financial statements for the fiscal year ending June 30, 2024 were prepared for Merrill Road Associates in the format prescribed by the requirements of the Government Auditing Standards, issued by the Comptroller General of the United States, and the requirements of the *Audited Financial Statement Handbook for Multifamily Rental Housing* of the California Department of Housing and Community Development and the California Housing Finance Agency (“HCD/CalHFA”).

The Agency’s auditor, Novogradac & Company LLP, has issued an unmodified (clean) opinion for the report after conducting an audit in accordance with Government Auditing Standards. The auditor opined that the financial statements present fairly, in all material respects, the financial position of Merrill Road Associates as of June 30, 2024.

### **RECOMMENDATION:**

Approve the Audited Financial Statements for Fiscal Year Ending June 30, 2024 for Merrill Road Associates.

**MERRILL ROAD ASSOCIATES  
LOAN NUMBER 91-RHCP-087**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED JUNE 30, 2024 and 2023**

**WITH  
REPORT OF INDEPENDENT AUDITORS**

**MERRILL ROAD ASSOCIATES**  
**LOAN NUMBER 91-RHCP-087**  
**TABLE OF CONTENTS**  
**FOR THE YEARS ENDED JUNE 30, 2024 and 2023**

	<u>Page</u>
Report of Independent Auditors	1-3
Financial Statements:	
Statements of Net Position	4
Statements of Revenues, Expenses, and Changes in Net Position	5
Statements of Cash Flows	6-7
Notes to Financial Statements	8-17
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18-19
Supplementary Information Required by HCD	20-23
Status of Prior Year Audit Findings	24
Management Agent's Certification	25
Certification of Officers	26

## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
Merrill Road Housing Corporation:

### ***Opinion***

We have audited the accompanying financial statements of Merrill Road Associates (the "Partnership"), a blended component unit of the Housing Authority of the County of Santa Cruz as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Partnership's basic financial statements, as listed in the accompanying table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the net position of the Partnership as of June 30, 2024 and 2023, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements of the *Audited Financial Statement Handbook for Multifamily Rental Housing of the California Department of Housing and Community Development and the California Housing Finance Agency ("HCD/CalHFA")*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Partnership and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



## ***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the requirements of the *HCD/CalHFA* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the requirements of *HCD/CalHFA*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Other Matters***

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis report that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

***Other Matters (continued)***

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Partnership taken as a whole. The accompanying supplementary information is presented for the purposes of additional analysis as required by *HCD/CalHFA* and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Management Agent's Certification and the Certification of Officers have not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards* and the requirements of the *HCD/CalHFA*, we have also issued our report dated January 30, 2025 on our consideration of the Partnership'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* and the requirements of the *HCD/CalHFA*, in considering the Partnership's internal control over financial reporting and compliance.

*Novogradac & Company LLP*

January 30, 2025  
Toms River, New Jersey

## **FINANCIAL STATEMENTS**

**MERRILL ROAD ASSOCIATES  
STATEMENTS OF NET POSITION  
AS OF JUNE 30, 2024 AND 2023**

ASSETS

	<u>2024</u>	<u>2023</u>
Current assets:		
Cash and cash equivalents	\$ 402,642	\$ 2,538
Tenant security deposits	18,881	14,344
Accounts receivable	1,432	3,340
Prepaid expenses	<u>7,205</u>	<u>5,761</u>
Total current assets	<u>430,160</u>	<u>25,983</u>
Non-current assets:		
Restricted cash	190,705	183,779
Capital assets, net	<u>1,944,620</u>	<u>2,013,251</u>
Total non-current assets	<u>2,135,325</u>	<u>2,197,030</u>
Total assets	<u>\$ 2,565,485</u>	<u>\$ 2,223,013</u>

LIABILITIES

Current liabilities:		
Accounts payable	\$ 5,004	\$ 23,806
Accrued expenses	3,347	3,139
Tenant security deposits	18,881	14,344
Accrued compensated absences, current	1,955	1,012
Prepaid rent	46	11
Related party payable	<u>24,000</u>	<u>12,000</u>
Total current liabilities	<u>53,233</u>	<u>54,312</u>
Non-current liabilities:		
Loans payable, non-current	2,199,439	2,199,439
Accrued interest, non-current	1,131,248	1,087,810
Accrued compensated absences, non-current	<u>6,017</u>	<u>4,268</u>
Total non-current liabilities	<u>3,336,704</u>	<u>3,291,517</u>
Total liabilities	<u>3,389,937</u>	<u>3,345,829</u>

NET POSITION

Net investment in capital assets	(254,819)	(186,188)
Restricted net position	190,705	183,779
Unrestricted net position	<u>(760,338)</u>	<u>(1,120,407)</u>
Total net position	<u>(824,452)</u>	<u>(1,122,816)</u>
Total liabilities and net position	<u>\$ 2,565,485</u>	<u>\$ 2,223,013</u>

See accompanying notes to financial statements.

**MERRILL ROAD ASSOCIATES**  
**STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Operating revenues:		
Tenant revenue	\$ <u>622,415</u>	\$ <u>181,711</u>
Total operating revenues	<u>622,415</u>	<u>181,711</u>
Operating expenses:		
Administrative	56,338	56,181
Management fees	14,580	14,580
Partnership fees	12,000	12,000
Utilities	25,603	22,593
Ordinary maintenance and operations	91,015	134,247
Taxes and insurance	19,274	18,916
Depreciation	<u>75,906</u>	<u>70,337</u>
Total operating expenses	<u>294,716</u>	<u>328,854</u>
Operating income (loss)	<u>327,699</u>	<u>(147,143)</u>
Non-operating revenues (expenses):		
Investment income	14,103	1,562
Interest expense	<u>(43,438)</u>	<u>(43,438)</u>
Total non-operating expenses	<u>(29,335)</u>	<u>(41,876)</u>
Net income (loss)	298,364	(189,019)
Total net position, beginning of year	<u>(1,122,816)</u>	<u>(933,797)</u>
Total net position, end of year	\$ <u><u>(824,452)</u></u>	\$ <u><u>(1,122,816)</u></u>

See accompanying notes to financial statements.

**MERRILL ROAD ASSOCIATES  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities:		
Cash received from tenants and others	\$ 628,895	\$ 186,758
Cash paid to vendors and suppliers	(153,446)	(155,703)
Cash paid to employees	<u>(70,710)</u>	<u>(82,267)</u>
Net cash provided by (used in) operating activities	<u>404,739</u>	<u>(51,212)</u>
Cash Flows from Non-capital and Related Financing Activities:		
Interest paid on loan payable	-	(5,087)
Purchase of capital assets	<u>(7,275)</u>	<u>(70,895)</u>
Net cash used in non-capital and related financing activities	<u>(7,275)</u>	<u>(75,982)</u>
Cash Flows from Investing Activities:		
Interest received on investments	<u>14,103</u>	<u>1,562</u>
Net cash provided by investing activities	<u>14,103</u>	<u>1,562</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	411,567	(125,632)
Cash, cash equivalents, and restricted cash, beginning of year	<u>200,661</u>	<u>326,293</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 612,228</u>	<u>\$ 200,661</u>
A reconciliation of cash, cash equivalents, and restricted cash to the Statements of Net Position is as follows:		
	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 402,642	\$ 2,538
Tenant security deposits	18,881	14,344
Restricted cash	<u>190,705</u>	<u>183,779</u>
Total cash, cash equivalents, and restricted cash, end of year	<u>\$ 612,228</u>	<u>\$ 200,661</u>

See accompanying notes to financial statements.

**MERRILL ROAD ASSOCIATES**  
**STATEMENTS OF CASH FLOWS (continued)**  
**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Reconciliation of operating income (loss) to net cash provided by (used) in operating activities:		
Operating income (loss)	\$ 327,699	\$ (147,143)
Adjustments to reconcile operating income (loss) to net cash provided by (used) in operating activities:		
Depreciation	75,906	70,337
Changes in operating assets and liabilities:		
Accounts receivable, net	1,908	6,479
Prepaid expenses	(1,444)	(751)
Accounts payable	(18,802)	20,599
Accrued expenses	208	544
Tenant security deposits	4,537	(1,431)
Accrued compensated absences	2,692	205
Prepaid rent	35	(1)
Related party payable	<u>12,000</u>	<u>(50)</u>
Net cash provided by (used) in operating activities	<u>\$ 404,739</u>	<u>\$ (51,212)</u>

See accompanying notes to financial statements.

**MERRILL ROAD ASSOCIATES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The Housing Authority of the County of Santa Cruz (the "Authority") is a governmental, public corporation, established in 1969, by a resolution of the Santa Cruz County Board of Supervisors. The Authority is governed by a seven member Board of Commissioners. At-large commissioners are appointed for terms of four years and tenant commissioners are appointed for terms of two years by the Santa Cruz County Board of Supervisors. The Authority is responsible for operating certain low-rent housing programs in the County of Santa Cruz under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

Merrill Road Associates (the "Partnership") was formed as a limited partnership on September 15, 1995.

The Partnership was formed for the purpose of acquiring, constructing, owning, holding for investment, operating, managing, leasing or selling Partnership property for low and very low income persons. The Partnership property consists of a 15-unit affordable housing complex (the partnership) in the unincorporated area in Santa Cruz County known as Aptos, California. The Partnership qualified for federal low income tax credits under section 42 of the Internal Revenue Code. Such Partnerships are regulated under terms of a regulatory agreement including rent charges, operating methods and other matters. The Partnership is in the extended use period.

Merrill Road Housing Corporation ("MRHC"), a California nonprofit public benefit corporation, is the managing general partner. In September, 2011, the Housing Authority of the County of Santa Cruz (the "Authority"), a California public body, corporate and politic, was admitted as the new limited partner, replacing the original investor limited partner.

The officers and directors of Merrill Road Housing Corporation are the same as the members of the Authority's Board of Commissioners and as such, the Authority considers the Partnership to be a blended component unit of the Authority for financial reporting purposes.

The Partnership has executed a management agreement with the Authority to manage the property.

**B. Basis of Accounting / Financial Statement Presentation**

The Partnership is considered a government entity for the purpose of applying accounting and financial reporting standards and as such the Governmental Accounting Standards Board ("GASB") has jurisdiction over the Partnership's accounting standards. The Partnership's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The Partnership's funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, and losses from assets and liabilities are recognized when the exchange takes place.



**MERRILL ROAD ASSOCIATES**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**JUNE 30, 2024 AND 2023**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Use of Management Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, accrued expenses and other liabilities, depreciable lives of properties and equipment, and contingencies. Actual results could differ significantly from these estimates.

**D. Cash and Cash Equivalents**

The Department of Housing and Urban Development ("HUD") requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment.

HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Partnership or with an unaffiliated bank or trust company for the account of the Partnership.

For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase.

It is the Authority's policy to maintain collateralization for the Partnership in accordance with HUD requirements.

**E. Accounts Receivable**

Rents are due from tenants on the first day of each month. As a result, tenants receivable balances primarily consist of rents past due and vacated tenants. An allowance for doubtful accounts is established to provide for all accounts, which may not be collected in the future for any reason. Collection losses on accounts receivable are charged against the allowance for doubtful accounts.

**F. Allowance for Doubtful Accounts**

The Partnership periodically reviews all accounts receivable to determine the amount, if any, that may be uncollectable. If it is determined that an account or accounts may be uncollectable, the Partnership prepares an analysis of such accounts and records an appropriate allowance against such amounts.

**G. Prepaid Expenses**

Prepaid expenses represent amounts paid as of year-end that will benefit future operations.

**MERRILL ROAD ASSOCIATES**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**JUNE 30, 2024 AND 2023**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Capital Assets, Net**

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of capital assets, the cost and related accumulated depreciation are eliminated from the accounts and any related gain or loss is reflected in the Statements of Revenues, Expenses and Changes in Net Position. Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

- |                              |            |
|------------------------------|------------|
| • Modernization of buildings | 7-10 Years |
| • Furniture and equipment    | 12 Years   |
| • Buildings                  | 40 Years   |

The Partnership has established a capitalization threshold of \$5,000.

**I. Impairment of Long Lived Assets**

The Partnership evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Partnership determines that a capital asset is impaired, and that the impairment is significant and other-than-temporary, then an impairment loss will be recorded in the Partnership's financial statements. There were no impairment losses recognized during the years ended June 30, 2024 and 2023.

**J. Accounts Payable and Accrued Liabilities**

The Partnership recognizes a liability for goods and services received but not paid for as of year-end. The Partnership recognizes a liability for wages and fringe benefits related to services performed at year-end but not yet paid to employees or taxing authorities.

**K. Compensated Absences**

Compensated absences represent amounts to which employees are entitled based on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees are provided with ten vacation days after one year of service, and 20 days after 15 years of service. Annual vacation time may be accumulated and rolled over up to a maximum of ten days. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service at the current salary for a maximum of ten days. Employees are provided with up to 15 days per year of sick time. Employees may not be compensated for accrued unused sick leave.

**L. Prepaid Rent**

The Partnership's prepaid rent primarily consists of the prepayment of rent by residents applicable to future periods.

**MERRILL ROAD ASSOCIATES**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**JUNE 30, 2024 AND 2023**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**M. Net Position Classifications**

Net position is classified in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of resources with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other resources that do not meet the definition of "restricted" or "net investment (deficit) in capital assets."

**N. Use of Restricted Assets**

When both restricted and unrestricted resources are available for a particular restricted use, it is the Partnership's policy to use restricted resources first, and then unrestricted resources as needed.

**O. Operating Revenues and Expenses**

The Partnership defines its operating revenues as income derived from charges to residents and others for services provided as well as government subsidies and grants used for operating purposes. Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Partnership classifies all other revenues and expenses as non-operating.

**P. Taxes**

Income taxes on Partnership income are levied on the partners at the partner level. Accordingly, all profits and losses of the Partnership are recognized by each member on its respective tax return.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Partnership to report information regarding its exposure to various tax positions taken by the Partnership. Management has determined whether any tax positions have met the recognition threshold and has measured the Partnership's exposure to those tax positions. Management believes that the Partnership has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Partnership are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

**MERRILL ROAD ASSOCIATES**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**JUNE 30, 2024 AND 2023**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Q. Regulated Leases**

The Partnership is a lessor of residential dwelling units under regulated leases as defined by GASB 87 and as such recognizes rental revenue in accordance with the terms of the lease contract. The leases which are twelve months in length are regulated by HUD as to rent, unit size, household composition and tenant income. For the years ended June 30, 2024 and 2023, rental revenue earned by the Partnership under the aforementioned leases totaled \$622,289 and \$181,396, respectively.

**R. Regulatory Agreement**

On September 29, 1995, the Partnership entered into a Rental Housing Construction Program ("RHCP") Regulatory Agreement, Loan Number 91-RHCP-087. Under this agreement, the State of California, Department of Housing and Community Development ("HCD") provided funding for the development of 15 residential housing units, all of which were to be occupied by very-low income households, located in Aptos, California. The Partnership is required to maintain cash reserves for operations and for replacements. All rent increases must be approved by HCD. The Partnership's annual budget must be approved by HCD. This agreement expires September 1, 2036.

**S. Subsidized Rent Income**

The Partnership is subject to a Housing Assistance Payment ("HAP") agreement with the Authority. The Authority agreed to pay the owner the difference between the contract rent, as defined in the HAP agreement, and that portion of such rent payable by qualified tenants. Subsidy revenue included in rental income on the statements of operations for the years ended June 30, 2024 and 2023 is \$473,296 and \$0, respectively.

**NOTE 2. CASH AND CASH EQUIVALENTS**

The Partnership had funds on deposit in checking, savings, and money market accounts. As of June 30, 2024 and 2023, the carrying amount of the Partnership's cash and cash equivalents (including restricted cash) was \$612,228 and \$200,661, respectively, and the bank balances were \$612,228 and \$195,261, respectively.

The bank balances of \$250,000 and \$195,261, respectively, were covered by federal depository insurance as of June 30, 2024 and 2023 and the remaining \$362,228 and \$5,400, respectively, were collateralized with the pledging financial institution.

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Partnership does not have a formal policy for custodial credit risk. As of June 30, 2024 and 2023, the Partnership's bank balances were not exposed to custodial credit risk.

**MERRILL ROAD ASSOCIATES**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**JUNE 30, 2024 AND 2023**

**NOTE 3. ACCOUNTS RECEIVABLE**

As of June 30, 2024 and 2023, accounts receivable consisted of tenant accounts receivable totaling \$1,432 and \$3,340, respectively. Tenant accounts receivable represents amounts owed to the Partnership by tenants for outstanding rent. The Partnership considers these amounts fully collectable and accordingly, has made no allowance for doubtful accounts.

**NOTE 4. RESTRICTED DEPOSITS**

As of June 30, 2024 and 2023, restricted deposits consisted of the following:

<u>Description</u>	<u>2024</u>	<u>2023</u>
Tenant security deposits	\$ 18,881	\$ 14,344
Reserve for replacements	115,857	111,649
Operating reserves	<u>74,848</u>	<u>72,130</u>
Total restricted deposits	<u>\$ 209,586</u>	<u>\$ 198,123</u>

Tenant security deposits represent amounts held by the Partnership on behalf of tenants. Upon termination from the Partnership, the tenant is due amounts deposited plus interest earned less any amounts charged for damage to the unit.

Reserve for replacements represents funds that are restricted for repairs and replacements of buildings and equipment as required by the HCD.

Operating reserves represent funds that are restricted in the case that the Partnership encounters an operating deficit as required by the HCD.

**MERRILL ROAD ASSOCIATES**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**JUNE 30, 2024 AND 2023**

**NOTE 5. CAPITAL ASSETS, NET**

The following is a summary of the changes in capital assets during the years ended June 30, 2024 and 2023:

Description	June 30, 2023	Additions	Dispositions	June 30, 2024
<u>Non-depreciable capital assets:</u>				
Land	\$ <u>1,039,931</u>	\$ _____	\$ _____	\$ <u>1,039,931</u>
<u>Depreciable capital assets:</u>				
Buildings	2,829,930	7,275	-	2,837,205
Furniture and equipment	<u>26,200</u>	<u>-</u>	<u>-</u>	<u>26,200</u>
Subtotal	<u>2,856,130</u>	<u>7,275</u>	<u>-</u>	<u>2,863,405</u>
Less: accumulated depreciation	<u>1,882,810</u>	<u>75,906</u>	<u>-</u>	<u>1,958,716</u>
Net capital assets	<u>\$ 2,013,251</u>	<u>\$ (68,631)</u>	<u>\$ -</u>	<u>\$ 1,944,620</u>

Depreciation expense for the years ended June 30, 2024 amounted to \$75,906.

Description	June 30, 2022	Additions	Dispositions	June 30, 2023
<u>Non-depreciable capital assets:</u>				
Land	\$ <u>1,039,931</u>	\$ _____	\$ _____	\$ <u>1,039,931</u>
<u>Depreciable capital assets:</u>				
Buildings	2,759,034	70,895	-	2,829,929
Furniture and equipment	<u>26,200</u>	<u>-</u>	<u>-</u>	<u>26,200</u>
Subtotal	<u>2,785,234</u>	<u>70,895</u>	<u>-</u>	<u>2,856,129</u>
Less: accumulated depreciation	<u>1,812,472</u>	<u>70,337</u>	<u>-</u>	<u>1,882,809</u>
Net capital assets	<u>\$ 2,012,693</u>	<u>\$ 558</u>	<u>\$ -</u>	<u>\$ 2,013,251</u>

Depreciation expense for the year ended June 30, 2023 amounted to \$70,337.

**NOTE 6. RELATED PARTY TRANSACTIONS**

The Partnership has executed a management agreement with the general partner to manage the property for a flat fee of \$1,000 per month. For both years ended June 30, 2024 and 2023, partnership fees totaled \$12,000.

The Partnership also pays the general partner a Per Unit Per Month Fee ("PUPM") of \$57.97 per month as approved by the State of California Department of Housing and Community Development. For the years ended June 30, 2024 and 2023, the PUPM management fee totaled \$14,580 for both years.

Related party payable represents unpaid Partnership fees owed to the general partner. The fees are paid in arrears to the extent of surplus cash generated by the Partnership. As of June 30, 2024 and 2023, \$24,000 and \$12,000, respectively, remain payable.

**MERRILL ROAD ASSOCIATES**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**JUNE 30, 2024 AND 2023**

**NOTE 7. LOANS PAYABLE**

Loans payable consisted of the following as of June 30, 2024 and 2023:

<u>Description</u>	<u>2024</u>	<u>2023</u>
<p>On September 15, 1995, the Partnership entered into a promissory note with the State of California, Department of Housing and Community Development, Rental Housing Construction Program ("RHCP"). The note, for \$1,195,167, is secured by a deed of trust on the property, bears simple interest at a rate of 3% per annum, and is due September 1, 2036. Payments are due annually on this loan only to the extent of surplus cash earned by the Partnership. Accrued interest on this note as of June 30, 2024 and 2023 totaled \$992,753 and \$956,898, respectively. Management does not consider any portion of this loan, nor the interest accrued on this loan, to be current.</p>	\$ 1,195,167	\$ 1,195,167
<p>In September 1996, the Partnership received a \$300,000 loan from the Santa Cruz County Redevelopment Agency ("RDA"). This loan is unsecured, bears simple interest at a rate of 8% per annum, and was intended to be forgiven if the Authority exercised the option to purchase the property after 20 years and maintained the units according to the RHCP loan provisions for an additional 20 years. The option to purchase was exercised in 2011. The loan will remain in good standing and no interest will accrue as long as the Partnership maintains compliance with RHCP loan provisions.</p>	300,000	300,000
<p>During the development of the property, the Authority provided gap funding in the amount of \$451,509. The loan bears no interest and is due September 15, 2035. Principal payments are due annually, but only to the extent of surplus cash generated by the Partnership.</p>	451,509	451,509
<p>During the development of the property, the Authority transferred land to the Partnership with a value in the amount of \$252,763. The land loan bears simple interest at a rate of 3% per annum. The loan was due on September 15, 2022 but was subsequently extended until September 15, 2032. Principal and interest payments are due annually, but only to the extent of surplus cash generated by the Partnership. Accrued interest on this loan as of June 30, 2024 and 2023 totaled \$138,495 and \$130,912, respectively. Management does not consider any portion of this loan, nor the interest accrued on this loan, to be current.</p>	<u>252,763</u>	<u>252,763</u>
<p>Total loans payable</p>	<u>\$ 2,199,439</u>	<u>\$ 2,199,439</u>

**MERRILL ROAD ASSOCIATES**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**JUNE 30, 2024 AND 2023**

**NOTE 7. LOANS PAYABLE (continued)**

Future annual debt service over the next five years and in five year increments is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ -	\$ 35,855	\$ 35,855
2026	-	35,855	35,855
2027	-	35,855	35,855
2028	-	35,855	35,855
2029	-	35,855	35,855
2030 - 2034	252,763	179,275	432,038
2035 - 2036	<u>1,946,676</u>	<u>71,710</u>	<u>2,018,386</u>
	<u>\$ 2,199,439</u>	<u>\$ 430,260</u>	<u>\$ 2,629,699</u>

**NOTE 8. RESTRICTED NET POSITION**

Restricted net position consisted of the following as of June 30, 2024 and 2023:

<u>Description</u>	<u>2024</u>	<u>2023</u>
Replacement Reserves	\$ 115,857	\$ 111,649
Operating reserves	<u>74,848</u>	<u>72,130</u>
Total restricted net position	<u>\$ 190,705</u>	<u>\$ 183,779</u>

Reserve for replacements represents funds that are restricted for repairs and replacements of buildings and equipment as required by the HCD.

Operating reserves represent funds that are restricted in the case that the Partnership encounters an operating deficit as required by the HCD.

**NOTE 9. RISK MANAGEMENT**

The Partnership is exposed to various risks related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs and there have been no significant reductions in insurance coverage. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, the amount of the loss can be reasonably estimated, and said amount exceeds insurance coverage. Settlement amounts have not exceeded insurance coverage for the last three years.

**NOTE 10. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

The Partnership's major asset is a fifteen (15) unit housing complex. The Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD and HCD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD or HCD. 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.



**MERRILL ROAD ASSOCIATES**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**JUNE 30, 2024 AND 2023**

**NOTE 11.      COMMITMENTS AND CONTINGENCIES**

In connection with the financing received from HCD through its Rental Housing Construction Program, limits are placed on the occupancy of the Partnership's 15 units. Only individuals and families that meet various income and age standards may be aided.

The Partnership qualified for a federal-low income housing tax credit under Section 42 of the Internal Revenue Code. The ten year tax credit period ended in 2006 and the fifteen year tax credit compliance period ended 2011. The Partnership continues to operate under restrictions and compliance requirements of the HCD, RHCP loan and regulatory agreement.

**NOTE 12.      SUBSEQUENT EVENTS**

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Partnership through January 30, 2025 (the date the financial statements were available to be issued) and management concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

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

To the Board of Directors  
Merrill Road Housing Corporation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Merrill Road Associates (the "Partnership") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Partnership's financial statements, and have issued our report thereon dated January 30, 2025.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Partnership's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

***Report on Compliance and Other Matters***

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

***Purpose of this Report***

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

*Novogradac & Company LLP*

January 30, 2025  
Toms River, New Jersey

**SUPPORTING INFORMATION REQUIRED BY HCD**

**MERRILL ROAD ASSOCIATES**  
**LOAN NUMBER 91-RHCP-087**  
**SUPPLEMENTARY INFORMATION REQUIRED BY HCD**

Account Number	<u>Schedule of Operating Revenue for year ended</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>
	<b>Rent Revenue</b>		
5120	Rent revenue	\$ 148,993	\$ 181,396
5121	Tenant assistance payments	<u>473,296</u>	<u>-</u>
5100T	Total rent revenue	<u>622,289</u>	<u>181,396</u>
	<b>Vacancies</b>		
5220	Apartments	<u>-</u>	<u>-</u>
5220T	Total vacancies	<u>-</u>	<u>-</u>
5152	Net Rental Revenue (Rent Revenue Less Vacancies)	<u>622,289</u>	<u>181,396</u>
	<b>Financial Revenue</b>		
5410	Interest on Partnership operations	7,177	254
5440	Interest on replacement reserves	4,208	446
5490	Interest on operating reserves	<u>2,718</u>	<u>862</u>
	Total financial revenue	<u>14,103</u>	<u>1,562</u>
	<b>Other Revenue</b>		
5920	Tenant charges (damages & cleaning fees)	<u>126</u>	<u>315</u>
	Total other revenue	<u>126</u>	<u>315</u>
5000T	Total revenue	<u>\$ 636,518</u>	<u>\$ 183,273</u>
	 <b><u>Schedule of Operating Expenses for year ended</u></b>	 <b><u>June 30, 2024</u></b>	 <b><u>June 30, 2023</u></b>
	<b>Administrative Expenses</b>		
6210	Office salaries	\$ 43,840	\$ 34,420
6250	Office expenses	156	137
6310	Management fees	14,580	14,580
6330	Legal expense	-	3,326
6340	Audit expense	7,759	7,200
6350	Accounting fees	3,650	3,500
6351	Bad debt	645	6,891
6390	Miscellaneous administrative	<u>288</u>	<u>707</u>
6263T	Total administrative expenses	<u>70,918</u>	<u>70,761</u>
	<b>Utilities Expense</b>		
6420	Electricity	887	734
6450	Water	11,796	9,668
6452	Gas	-	7
6453	Sewer	<u>12,920</u>	<u>12,184</u>
6400T	Total utilities expense	<u>25,603</u>	<u>22,593</u>

**MERRILL ROAD ASSOCIATES**  
**LOAN NUMBER 91-RHCP-087**  
**SUPPLEMENTARY INFORMATION REQUIRED BY HCD (continued)**

		<b><u>June 30, 2024</u></b>	<b><u>June 30, 2023</u></b>
	<b>Operating and Maintenance Expenses</b>		
6510	Payroll	10,548	5,813
6515	Supplies - general	5,302	15,192
6520	Contracts	41,397	68,345
6525	Garbage and trash removal	29,996	28,438
6590	Miscellaneous operating and maintenance - tenant relocation	3,289	15,588
6590	Miscellaneous operating and maintenance - maintenance travel & training	<u>483</u>	<u>871</u>
6500T	Total operating and maintenance expenses	<u><u>91,015</u></u>	<u><u>134,247</u></u>
	<b>Taxes and Insurance</b>		
6720	Property and liability insurance	12,965	11,268
6722	Workmen's compensation	2,469	2,241
6723	Health insurance and other benefits	2,691	4,229
6790	Miscellaneous, taxes, licenses, permits and insurance	<u>1,149</u>	<u>1,178</u>
6700T	Total taxes and insurance	<u><u>19,274</u></u>	<u><u>18,916</u></u>
	<b>Financial Expenses</b>		
6820	Interest on mortgage (or bonds) payable	<u>43,438</u>	<u>43,438</u>
6800T	Total financial expenses	<u><u>43,438</u></u>	<u><u>43,438</u></u>
6000	Total cost of operations before depreciation	<u><u>250,248</u></u>	<u><u>289,955</u></u>
5060T	Profit (loss) before depreciation	386,270	(106,682)
	<b>Depreciation and Amortization Expenses</b>		
6600	Depreciation expense	<u>75,906</u>	<u>70,337</u>
5060N	Operating loss	<u><u>310,364</u></u>	<u><u>(177,019)</u></u>
	<b>Net Entity Expenses</b>		
7190	Partnership management fee	<u>12,000</u>	<u>12,000</u>
7100T	Change in total net assets from operations	<u><u>12,000</u></u>	<u><u>12,000</u></u>
3250	Change in total net assets from operations	<u><u>\$ 298,364</u></u>	<u><u>\$ (189,019)</u></u>

**MERRILL ROAD ASSOCIATES**  
**LOAN NUMBER 91-RHCP-087**  
**SUPPLEMENTARY INFORMATION REQUIRED BY HCD (continued)**

<b>Operating Cash Flow/Surplus Cash Computation - per HCD/ CalHFA Regulatory Agreements</b>	<b><u>June 30, 2024</u></b>	<b><u>June 30, 2023</u></b>
Operating Cash Flow/Surplus Cash will be distributed according to the HCD method:		
Operating income		
Total income	\$ 636,518	\$ 183,273
Interest earned on restricted reserve accounts	<u>(6,926)</u>	<u>(1,308)</u>
Adjusted operating income	629,592	181,965
Operating expenses - excludes financial expenses	<u>(206,810)</u>	<u>(246,517)</u>
Adjusted net income	<u>422,782</u>	<u>(64,552)</u>
Other Activity:		
Capital asset purchases	<u>(7,275)</u>	<u>-</u>
Operating cash flow/surplus cash	<u>\$ 415,507</u>	<u>\$ (64,552)</u>
<b><u>Distribution of operating cash flow/surplus cash:</u></b>	<b><u>June 30, 2024</u></b>	<b><u>June 30, 2023</u></b>
Borrower distributions (up to a maximum amount of \$43,669 and \$17,137, respectively)		
Partnership management fees	\$ 24,000	\$ -
Housing Authority of the County of Santa Cruz:		
Land loan	19,669	-
Department loan accrued interest and interest payable	<u>371,838</u>	<u>-</u>
Total cash available for distributions (net cash flow)	<u>\$ 415,507</u>	<u>\$ -</u>

**MERRILL ROAD ASSOCIATES**  
**LOAN NUMBER 91-RHCP-087**  
**SUPPLEMENTARY INFORMATION REQUIRED BY HCD (continued)**

**Cash on Hand and in Banks**

See Note 2

<b><u>Reserve for Replacements and Operating Expenses</u></b>	<b><u>Replacement Reserves</u></b>	<b><u>Operating Reserves</u></b>
Balance at June 30, 2022	\$ 200,344	\$ 97,109
Approved withdrawals	(89,141)	(25,841)
Interest	<u>446</u>	<u>862</u>
Balance at June 30, 2023	111,649	72,130
Interest income	<u>4,208</u>	<u>2,718</u>
Balance at June 30, 2024	<u>\$ 115,857</u>	<u>\$ 74,848</u>

**Property and Equipment**

See Note 5

**Accounts Payable and Accrued Expenses** **June 30, 2024** **June 30, 2023**

Accounts payable and accrued expenses are being paid on a current bases. Details are as follows:

Accounts payable - trade	\$ 5,004	\$ 23,806
Accrued liabilities salaries	2,547	2,339
Accrued liabilities short-term and compensated absences	<u>2,755</u>	<u>1,812</u>
Total accounts payable and accrued expenses	<u>\$ 10,306</u>	<u>\$ 27,957</u>

**Tenant Security Deposits**

Tenant security deposits were fully funded as of June 30, 2024 and 2023.

<b><u>Gross Potential Rents</u></b>	<b><u>June 30, 2024</u></b>	<b><u>June 30, 2023</u></b>
Tenant rental payments	\$ 148,993	\$ 181,396
Vacancy Loss	<u>-</u>	<u>-</u>
	<u>\$ 148,993</u>	<u>\$ 181,396</u>

**Management Fee**

For the years ended June 30, 2024 and 2023, property management fees of \$14,580 for both years, were incurred for property management services provided by the Authority.



**MERRILL ROAD ASSOCIATES  
LOAN NUMBER 91-RHCP-087  
STATUS OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2024**

The audit report for the year ended June 30, 2023, contained no audit findings.

**MERRILL ROAD ASSOCIATES  
LOAN NUMBER 91-RHCP-087  
MANAGEMENT AGENT'S CERTIFICATION  
FOR THE YEAR ENDED JUNE 30, 2024**

I hereby certify that we have examined the accompanying financial statements, notes, and supplementary information of Merrill Road Associates as of and for the year ended June 30, 2024, and, to the best of my knowledge and belief, these financial statements, notes, and supplementary information are complete and accurate.



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Jenny Panetta, Secretary  
Merrill Road Associates  
January 30, 2025

**MERRILL ROAD ASSOCIATES  
LOAN NUMBER 91-RHCP-087  
CERTIFICATION OF OFFICERS  
FOR THE YEAR ENDED JUNE 30, 2024**

We, as officers of Merrill Road Housing Corporation, the managing general partner of Merrill Road Associated (A California limited partnership), hereby certify that we have examined the accompanying financial statements, notes, and supplementary information of Merrill Road Associates as of and for the year ended June 30, 2024, and to the best of our knowledge and belief, these financial statements, notes, and supplementary information are complete and accurate.

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Providence Martinez Alaniz, Chairperson  
Merrill Road Associates  
January 30, 2025