



Financial Statements
December 31, 2018 and 2017
Aspinwall, LLC

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Independent Auditor's Report

To the Members
Aspinwall, LLC
Boulder, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Aspinwall, LLC, which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aspinwall, LLC as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Maintenance and Operating, Utilities, Administrative, Insurance, and Interest Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Fargo, North Dakota
March 12, 2019

Aspinwall, LLC
Balance Sheets
December 31, 2018 and 2017

	2018	2017
Assets		
Cash		
General operating	\$ 790,197	\$ 860,390
Accounts receivable		
Tenant	16,932	15,769
Insurance proceeds	-	17,189
	16,932	32,958
Prepaid expenses	896	800
Tenant security deposits	56,705	56,705
Restricted deposits and funded reserves	1,098,964	977,454
Property and equipment, at cost, less accumulated depreciation	33,141,320	34,448,867
Tax credit fees, net of accumulated amortization of \$33,013 in 2018 and \$25,538 in 2017	79,106	86,581
	\$ 35,184,120	\$ 36,463,755
Liabilities and Members' Equity		
Liabilities		
Accounts payable	\$ 35,179	\$ 49,088
Due to related party	26,239	80,289
Prepaid rent	12,948	9,462
Accrued expenses	1,916,729	1,547,406
Tenant security deposits payable	56,111	55,086
Developer fee payable	264,557	545,139
Long-term debt, net of unamortized debt issuance costs	26,911,470	27,141,715
Total liabilities	29,223,233	29,428,185
Members' Equity	5,960,887	7,035,570
	\$ 35,184,120	\$ 36,463,755

Aspinwall, LLC
Statements of Operations and Members' Equity
Years Ended December 31, 2018 and 2017

	2018	2017	
Operations			
Revenue			
Tenant rent	\$ 1,234,466	\$ 1,120,838	
Rental assistance payments	1,025,866	1,039,251	
Less vacancies	(91,728)	(68,947)	
Net rental income	2,168,604	2,091,142	
Tenant charges	15,413	13,335	
Laundry	1,032	891	
Interest income	10,332	1,221	
Other income	132	933	
Total revenue	2,195,513	2,107,522	
Expenses			
Maintenance and operating	330,069	322,063	
Utilities	297,017	284,816	
Administrative	242,639	209,353	
Insurance	94,800	88,602	
Interest	970,153	962,902	
Depreciation and amortization	1,329,721	1,329,713	
Total expenses	3,264,399	3,197,449	
Loss before Gain on Involuntary Conversion of Equipment and Asset Management Fee	(1,068,886)	(1,089,927)	
Gain on Involuntary Conversion of Equipment	-	(910)	
Asset Management Fee	5,797	5,628	
Net Loss	\$ (1,074,683)	\$ (1,094,645)	
Members' Equity			
	Managing Member	Investor and Special Members	Total
Balance (Deficit), December 31, 2016	\$ (143)	\$ 8,130,358	\$ 8,130,215
Net loss	(99)	(1,094,546)	(1,094,645)
Balance (Deficit), December 31, 2017	(242)	7,035,812	7,035,570
Net loss	(97)	(1,074,586)	(1,074,683)
Balance (Deficit), December 31, 2018	\$ (339)	\$ 5,961,226	\$ 5,960,887

Aspinwall, LLC
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Operating Activities		
Net loss	\$ (1,074,683)	\$ (1,094,645)
Adjustments to reconcile net loss to net cash from operating activities		
Depreciation	1,322,245	1,322,238
Amortization	7,475	7,475
Gain on involuntary conversion of equipment	-	(910)
Interest expense attributable to amortization of debt issuance costs	18,410	18,410
Long-term accrued interest	370,032	355,098
Changes in operating assets and liabilities		
Accounts receivable	(1,163)	(30,462)
Prepaid expenses	(96)	617
Accounts payable	(13,908)	37,449
Prepaid rent	3,486	4,727
Accrued expenses	(709)	(687)
Tenant security deposits payable	1,025	750
Net Cash from Operating Activities	632,114	620,060
Investing Activities		
Purchase of property and equipment	(14,699)	(5,789)
Insurance proceeds received	17,189	5,789
Net deposits to restricted deposits and funded reserves	(121,510)	(54,327)
Net Cash used for Investing Activities	(119,020)	(54,327)
Financing Activities		
Principal payments on long-term debt	(248,655)	(240,999)
(Payments to) advances from related party	(54,050)	36,731
Payment on developer fee payable	(280,582)	(418,575)
Net Cash used for Financing Activities	(583,287)	(622,843)
Net Change in Cash	(70,193)	(57,110)
Cash at Beginning of Year	860,390	917,500
Cash at End of Year	\$ 790,197	\$ 860,390
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	\$ 582,589	\$ 590,245

Note 1 - Principal Business Activity and Significant Accounting Policies

Principal Business Activity, Risks, and Uncertainty

Aspinwall, LLC (Company) was formed June 16, 2011, as a limited liability company under the laws of the State of Colorado and shall continue in perpetual existence, unless dissolved or terminated at an earlier date. The Company was formed for the purpose to develop, construct, rehabilitate, own, maintain, and operate a 167 unit multi-family complex. The project is to include 95 scattered site rehabilitated units and 72 new construction units in Lafayette, Colorado. Substantially all of the Company's income is derived from the rental of its apartment units. The project purchased the scattered sites in August 2013 and began operations. Units were placed in service throughout 2014 as construction was completed.

The Company has qualified and been allocated low-income housing tax credits pursuant to the Internal Revenue Code Section 42, which regulates the use of the complex as to occupant eligibility and unit gross rent, among other requirements. The project must meet the provisions of these regulations during each of 15 consecutive years in order to continue to qualify to receive the tax credits. Failure to comply with occupant eligibility and unit gross rent or to correct noncompliance within a specified time period could result in recapture of the previously taken low-income housing tax credits plus interest. Such potential noncompliance may require an adjustment to the contributed capital by the investor member. All units within this project are subject to rent restrictions and qualified tenant restrictions as required by the Low Income Housing Tax Credit Program.

Concentrations of Credit Risk

The Company maintains its cash accounts in various deposit accounts, the balances of which are periodically in excess of federally insured limits.

Receivables and Credit Policy

Accounts receivable are rents and charges currently due from residential tenants. Payments on accounts receivable are applied to specific months. Management reviews accounts receivable monthly and charges operations with those considered collectible.

Property and Equipment

The initial purchase of the property and equipment was recorded at fair value on the date of acquisition. As such, the property acquired is stated at fair value as of the acquisition date less accumulated depreciation. The Company accounted for its property acquisition by allocating the purchase price of the property to the property's assets based on management's estimates of their fair value. Techniques used to estimate the fair value include an appraisal of the property by a certified independent appraiser at the time of the acquisition. Costs incurred in connection with the acquisition are expensed.

Property and equipment is recorded at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income.

Depreciation is computed principally by the straight-line method over the following estimated useful lives:

Land improvements	20 years
Building and improvements	40 years
Equipment and furnishings	10 years
Geothermal equipment	5 years

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment at December 31, 2018 and 2017.

Tax Credit Fees

Tax credit fees are being amortized over a 15-year life using the straight-line method of amortization. Amortization is expected to be approximately \$7,500 for each of the next five years.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method, which is a reasonable estimate of the effective interest method. Debt issuance costs are included within long-term debt on the balance sheet. Amortization of debt issuance costs is included in interest expense in the accompanying financial statements.

Income Taxes

As a limited liability company, the Company's taxable income or loss is allocated to members in accordance with the operating agreement. Therefore, no provision for income taxes has been included in the financial statements.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2018 and 2017, the unrecognized tax benefit accrual was zero. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Rental Income

Housing units are rented under operating lease agreements with terms of one year or less. Rent income from tenants and rental assistance payments are recognized in the month in which it is earned rather than received. Tenant rent represents gross rent for all units in the project. Vacancy loss is recorded for any unrented units to arrive at net rental income.

Advertising and Marketing

Advertising and marketing costs are expensed as incurred.

Estimates

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

Subsequent Events

The Company has evaluated subsequent events through March 12, 2019, the date which the financial statements were available to be issued.

Note 2 - Restricted Deposits and Funded Reserves

	2018	2017
Replacement reserve	\$ 267,995	\$ 155,109
Operating reserve	830,969	822,345
	\$ 1,098,964	\$ 977,454

Replacement Reserve

Pursuant to the operating agreement, the Company is to establish a replacement reserve to provide for working capital needs, improvements and replacements relating to the project, commencing upon final closing. The Company is to deposit annually, \$300 per unit, increasing at a rate of three percent each year.

Replacement reserve activity for the years ended December 31, 2018 and 2017 is as follows:

	2018	2017
Balance, January 1	\$ 155,109	\$ 101,816
Deposits	111,179	53,106
Interest	1,707	187
Balance, December 31	\$ 267,995	\$ 155,109

Operating Reserve

Pursuant to the operating agreement, the Company is to establish and maintain an operating reserve to meet operating expenses and debt service of the Company which exceed operating revenues. The reserve is to be funded in the amount of \$820,058 no later than limited partner's third capital contribution. The managing member may make withdrawals subject to the special member's approval.

Note 3 - Property and Equipment

Property and equipment at December 31, 2018 and 2017 consists of the following:

	2018	2017
Land and improvements	\$ 6,125,941	\$ 6,125,941
Buildings and improvements	30,530,113	30,515,414
Equipment and furnishings	503,477	503,477
Geothermal equipment	1,856,997	1,856,997
	39,016,528	39,001,829
Accumulated depreciation	(5,875,208)	(4,552,962)
	\$ 33,141,320	\$ 34,448,867

Note 4 - Accrued Expenses

Accrued expenses at December 31, 2018 and 2017 consists of the following:

	2018	2017
Interest - related party - Note 7	\$ 1,863,714	\$ 1,493,682
Interest - non-related party	47,218	48,096
Asset management fees - Note 7	5,797	5,628
	\$ 1,916,729	\$ 1,547,406

Note 5 - Long-Term Debt

Long-term debt as of December 31, 2018 and 2017 consists of:

	2018	2017
Related Party (Note 7)		
1.80% \$270,000 note payable to BCHA (Boulder County Housing Authority), payments are to be made from available cash flow unpaid principal and interest due July 2063, secured by a deed of trust on the property	\$ 270,000	\$ 270,000
2.80% \$442,035 note payable to BCHA, payments are to be made from available cash flow unpaid principal and interest due July 2063, secured by a deed of trust on the property	442,035	442,035
2.80% \$430,000 note payable to BCHA, payments are to be made from available cash flow unpaid principal and interest due July 2063, secured by a deed of trust on the property	430,000	430,000
1.80% \$368,938, \$95,000, and \$159,085 HOME loan note payable to BCHA, payments are to be made from available cash flow unpaid principal and interest due July 2063, secured by a deed of trust on the property	623,023	623,023
1.80% \$464,754 note payable to BCHA, payments are to be made from available cash flow unpaid principal and interest due July 2063, secured by a deed of trust on the property	464,754	464,754
2.80% \$5,289,998 note payable to BCHA, payments are to be made from available cash flow unpaid principal and interest due July 2063, secured by a deed of trust on the property	5,289,998	5,289,998
2.80% \$3,020,000 note payable to BCHA, payments are to be made from available cash flow unpaid principal and interest due July 2063, secured by a deed of trust on the property	3,020,000	3,020,000
1.80% \$2,762,296 combo sub loan payable to BCHA, payments are to be made from available cash flow unpaid principal and interest due July 2063, secured by a deed of trust on the property	2,762,296	2,762,296
	13,302,106	13,302,106

	2018	2017
Unrelated		
4.2% \$13,300,000 note payable to FirstBank, monthly payments of \$65,348, including interest, through maturity, August 2031, secured by a deed of trust	\$ 12,465,707	\$ 12,710,493
Unamortized debt issuance costs, based on an effective interest rate of 4.47%	(231,654)	(250,063)
	12,234,053	12,460,430
6.75% \$650,000 note payable to Mile High Community Loan Fund, Inc., monthly payments of principal and interest are to be made through maturity in 2031, secured by a deed of trust on the property	637,792	641,660
0% \$737,519 note payable to the State of Colorado, due in annual payments from available cash flow in the amount of \$24,584, beginning April 2016, unpaid principal due August 2045, secured by a deed of trust	737,519	737,519
	13,609,364	13,839,609
	\$ 26,911,470	\$ 27,141,715

(A) The Company has covenants related to, among other matters, the maintenance of debt coverage ratios and invested cash balance requirements.

Future maturities of long-term debt are as follows:

Year Ended December 31,	Principal	Interest	Total
2019	\$ 269,835	\$ 561,408	\$ 831,243
2020	281,500	549,744	831,244
2021	293,672	537,572	831,244
2022	306,373	524,870	831,243
2023	319,628	511,616	831,244
Thereafter	25,672,116	36,514,824	62,186,940
Unamortized debt issuance costs	(231,654)	-	(231,654)
	\$ 26,911,470	\$ 39,200,034	\$ 66,111,504

Note 6 - Property Taxes

The Company is exempt from property taxes under C.R.S 29-4-507 through Aspinwall Manager, LLC. Currently there is no expiration date on the property tax exemption for so long as Aspinwall Manager, LLC owns interest in the Company.

Note 7 - Related Party Transactions

Developer Fees

The Company has entered into a development agreement with the Boulder County Housing Authority (BCHA), the sole member of the managing member, for the services provided in connection with the development and construction of the project in the amount of \$3,725,541. During 2014, this amount was reduced to \$3,400,442. Developer fees of \$3,400,442 have been incurred and capitalized as part of the building. During 2018 and 2017, the Company paid \$280,582 and \$418,575, respectively, for developer fees. Developer fees are expected to be paid from net cash flow. As of December 31, 2018 and 2017, the Company owes BCHA \$264,557 and \$545,139, respectively, for developer fees.

Mortgage Notes and Accrued Interest

The Company has entered into multiple loan agreements with BCHA (Note 5). During 2018 and 2017, the Company incurred interest of \$370,068 and \$355,098, respectively, to BCHA on these mortgage notes payable. As of December 31, 2018 and 2017, the Company owes BCHA \$1,863,714 and \$1,493,682, respectively, for accrued interest (Note 4).

Due to Related Party

As of December 31, 2018 and 2017, the Company owed BCHA, the sole member of the managing member, \$26,239 and \$80,289, respectively, for costs paid on behalf of the project by BCHA, including construction costs, accrued wages and benefits.

Management Fees

The Company has entered into a management agreement with BCHA, to provide management services for the project. Under the terms of the agreement, the Company is to pay management fees equal to the lesser of \$480 per unit or 5.5% of effective gross income. During 2018 and 2017, the Company incurred management fees of \$80,160.

Reimbursement of Expenses

During 2018 and 2017, the Company reimbursed BCHA approximately \$306,300 and \$205,900, respectively, for payroll and other expenses.

Asset Management Fee

Pursuant to the operating agreement, the Company is to pay the special member a cumulative fee equal to \$5,000 annually, commencing in 2014, for services for the review of the operations of the Company. The fee is to increase by 3% annually. During 2018 and 2017, the Company incurred \$5,797 and \$5,628, respectively, for asset management fees. As of December 31, 2018 and 2017, the Company owed the special member \$5,797 and \$5,628, respectively, for these fees (Note 4).

Operating Deficit Guaranty

Pursuant to the operating agreement, the managing manager is required to fund operating deficits during the period beginning upon the date that stabilized operations is achieved and for five years thereafter as defined in the agreement. The managing manager shall be obligated to provide funds in the form of a loan, not to exceed \$910,000, shall bear no interest and shall be repayable solely from net cash flow as allowed in the operating agreement.

Note 8 - Members' Equity

Members	Profit and Loss Percentages
Managing Aspinwall Manager, LLC	0.009%
Investor Red Stone - 2013 National Fund, L.P.	99.99%
Special Red Stone Equity Manager, LLC	0.001%
	100%

The members have certain rights and obligations as outlined in the operating agreement.



Supplementary Information
December 31, 2018 and 2017
Aspinwall, LLC

Aspinwall, LLC

Schedules of Maintenance and Operating, Utilities, Administrative, Insurance, and Interest Expenses
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Maintenance and Operating		
Reimbursed salaries and benefits	\$ 101,363	\$ 114,322
General repairs	2,578	13,077
Supplies	56,418	44,559
Grounds	43,596	42,909
Other contracted services	31,519	57,031
Painting	3,215	13,035
Trash removal	38,543	33,525
Snow removal	52,837	3,605
	<u>\$ 330,069</u>	<u>\$ 322,063</u>
Utilities		
Electricity	\$ 131,988	\$ 131,330
Water and sewer	121,586	114,680
Gas and oil	31,960	30,630
Other utilities	11,483	8,176
	<u>\$ 297,017</u>	<u>\$ 284,816</u>
Administrative		
Reimbursed salaries and benefits	\$ 84,856	\$ 73,725
Management fees	80,160	80,160
Homeowners association fees	32,592	28,913
Audit and accounting	6,680	7,097
Other administrative	10,996	9,355
Bad debt	27,247	8,048
Office supplies	58	11
Legal	50	2,044
	<u>\$ 242,639</u>	<u>\$ 209,353</u>
Insurance	<u>\$ 94,800</u>	<u>\$ 88,602</u>
Interest		
BCHA	\$ 370,068	\$ 355,098
FirstBank permanent loan	556,910	564,358
Mile High Community loan	43,175	43,446
	<u>\$ 970,153</u>	<u>\$ 962,902</u>