



Financial Statements
December 31, 2019 and 2018
Aspinwall, LLC

Independent Auditor’s Report	1
Financial Statements	
Balance Sheets	3
Statements of Operations and Members’ Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	7
Supplementary Information	
Schedules of Maintenance and Operating, Utilities, Administrative, Insurance, and Interest Expenses.....	16



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, 2019 and 2018, 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, 2019 and 2018, 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.

Change in Accounting Principle

As discussed in Note 10 to the financial statements, the Company has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Accordingly, the December 31, 2018 statement of cash flows has been restated to adopt this standard. Our opinion is not modified with respect to this matter.

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.



Fargo, North Dakota
March 26, 2020

Aspinwall, LLC
Balance Sheets
December 31, 2019 and 2018

	2019	2018
Assets		
Cash		
General operating	\$ 650,243	\$ 790,197
Accounts receivable		
Tenant	11,070	16,932
Insurance proceeds	9,552	-
	20,622	16,932
Prepaid expenses	5,814	896
Tenant security deposits	56,705	56,705
Restricted cash	1,170,445	1,098,964
Property and equipment, at cost, less accumulated depreciation	31,999,503	33,141,320
Tax credit fees, net of accumulated amortization of \$40,487 in 2019 and \$33,013 in 2018	71,632	79,106
	\$ 33,974,964	\$ 35,184,120
Liabilities and Members' Equity		
Liabilities		
Accounts payable	\$ 69,418	\$ 35,179
Due to related party	36,409	26,239
Prepaid rent	19,506	12,948
Accrued expenses	2,290,577	1,916,729
Tenant security deposits payable	54,192	56,111
Developer fee payable	-	264,557
Long-term debt, net of unamortized debt issuance costs	26,659,511	26,911,470
Total liabilities	29,129,613	29,223,233
Members' Equity	4,845,351	5,960,887
	\$ 33,974,964	\$ 35,184,120

Aspinwall, LLC
Statements of Operations and Members' Equity
Years Ended December 31, 2019 and 2018

	2019	2018	
Operations			
Revenue			
Tenant rent	\$ 1,356,487	\$ 1,234,466	
Rental assistance payments	1,065,331	1,025,866	
Less vacancies	(122,211)	(91,728)	
Net rental income	2,299,607	2,168,604	
Tenant charges	19,654	15,413	
Laundry	796	1,032	
Interest income	13,400	10,332	
Other income	176	132	
Total revenue	2,333,633	2,195,513	
Expenses			
Maintenance and operating	404,725	330,069	
Utilities	305,918	297,017	
Administrative	283,098	242,639	
Insurance	100,306	94,800	
Interest	965,557	970,153	
Depreciation and amortization	1,206,351	1,329,721	
Total expenses	3,265,955	3,264,399	
Loss before Other (Income) Expenses	(932,322)	(1,068,886)	
Gain on Involuntary Conversion of Property and Equipment	(1,857)	-	
Disposal of Property and Equipment	179,101	-	
Asset Management Fee	5,970	5,797	
Net Loss	\$ (1,115,536)	\$ (1,074,683)	
Members' Equity			
	Managing Member	Investor and Special Members	Total
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
Net loss	(100)	(1,115,436)	(1,115,536)
Balance (Deficit), December 31, 2019	\$ (439)	\$ 4,845,790	\$ 4,845,351

Aspinwall, LLC
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018 (As Restated)
Operating Activities		
Net loss	\$ (1,115,536)	\$ (1,074,683)
Adjustments to reconcile net loss to net cash from operating activities		
Depreciation	1,198,877	1,322,245
Amortization	7,474	7,475
Disposal of property and equipment	179,101	-
Gain on disposal of property and equipment	(1,857)	-
Interest expense attributable to amortization of debt issuance costs	18,410	18,410
Long-term accrued interest	373,185	370,032
Changes in operating assets and liabilities		
Accounts receivable	(3,690)	(1,163)
Due to related party	10,170	(54,050)
Prepaid expenses	(4,918)	(96)
Accounts payable	34,239	(13,908)
Prepaid rent	6,558	3,486
Accrued expenses	663	(709)
Tenant security deposits payable	(1,919)	1,025
Net Cash from Operating Activities	700,757	578,064
Investing Activities		
Purchase of property and equipment	(244,417)	(14,699)
Insurance proceeds received	10,113	17,189
Net Cash (used for) from Investing Activities	(234,304)	2,490
Financing Activities		
Principal payments on long-term debt	(270,369)	(248,655)
Payment on developer fee payable	(264,557)	(280,582)
Net Cash used for Financing Activities	(534,926)	(529,237)
Net Change in Cash, Tenant Security Deposits, and Restricted Cash	(68,473)	51,317
Cash, Tenant Security Deposits, and Restricted Cash, Beginning of Year	1,945,866	1,894,549
Cash, Tenant Security Deposits, and Restricted Cash, End of Year	\$ 1,877,393	\$ 1,945,866

Aspinwall, LLC
Statement of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018 (As Restated)
Cash	\$ 650,243	\$ 790,197
Tenant Security Deposits	56,705	56,705
Restricted Cash	1,170,445	1,098,964
Total cash, tenant security deposits, and restricted cash	\$ 1,877,393	\$ 1,945,866
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	\$ 573,471	\$ 582,589

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 Company 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.

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
Buildings 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, 2019 and 2018.

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 \$7,475 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, 2019 and 2018, 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. Any rent received prior to the month of occupancy is reported as prepaid rent. Tenant rent plus rental assistance 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.

Change in Accounting Policy

As of January 1, 2019, the Company adopted the provisions of Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents, by including amounts generally described as restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Retrospective application of the amendment is required. The Company has adopted this standard as management believes this presentation eliminates a diversity in practice in the presentation of restricted cash and restricted cash equivalents in the statement of cash flows.

Subsequent Events

The Company has evaluated subsequent events through March 26, 2020, the date which the financial statements were available to be issued.

Note 2 - Restricted Cash

	2019	2018
Replacement reserve	\$ 328,986	\$ 267,995
Operating reserve	841,459	830,969
	\$ 1,170,445	\$ 1,098,964

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, 2019 and 2018 is as follows:

	2019	2018
Balance, January 1	\$ 267,995	\$ 155,109
Deposits	58,080	111,179
Interest	2,911	1,707
Balance, December 31	\$ 328,986	\$ 267,995

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, 2019 and 2018 consists of the following:

	2019	2018
Land and improvements	\$ 6,125,941	\$ 6,125,941
Buildings and improvements	30,552,345	30,530,113
Equipment and furnishings	503,477	503,477
Geothermal equipment	1,856,997	1,856,997
	39,038,760	39,016,528
Accumulated depreciation	(7,039,257)	(5,875,208)
	\$ 31,999,503	\$ 33,141,320

Note 4 - Accrued Expenses

Accrued expenses at December 31, 2019 and 2018 consists of the following:

	2019	2018
Interest - related party - Note 7	\$ 2,236,899	\$ 1,863,714
Interest - non-related party	47,709	47,218
Asset management fees - Note 7	5,969	5,797
	\$ 2,290,577	\$ 1,916,729

Note 5 - Long-Term Debt

Long-term debt as of December 31, 2019 and 2018 consists of:

	2019	2018
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 notes 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

	2019	2018
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 (A)	\$ 12,205,774	\$ 12,465,707
Unamortized debt issuance costs, based on an effective interest rate of 4.47%	(213,244)	(231,654)
	11,992,530	12,234,053
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	633,655	637,792
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	731,220	737,519
	13,357,405	13,609,364
	\$ 26,659,511	\$ 26,911,470

(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
2020	\$ 305,837	\$ 672,641	\$ 978,478
2021	293,415	537,829	831,244
2022	306,105	525,139	831,244
2023	319,348	511,896	831,244
2024	333,167	498,077	831,244
Thereafter	25,314,883	36,019,332	61,334,215
Unamortized debt issuance costs	(213,244)	-	(213,244)
	\$ 26,659,511	\$ 38,764,914	\$ 65,424,425

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. During 2019 and 2018, the Company paid \$264,557 and \$280,582, respectively, for developer fees. As of December 31, 2019 and 2018, the Company owes BCHA \$0 and \$264,557, respectively, for developer fees.

Mortgage Notes and Accrued Interest

The Company has entered into multiple loan agreements with BCHA (Note 5). During 2019 and 2018, the Company incurred interest of \$380,907 and \$370,068, respectively, to BCHA on these mortgage notes payable. As of December 31, 2019 and 2018, the Company owes BCHA \$2,236,899 and \$1,863,714, respectively, for accrued interest (Note 4).

Due to Related Party

As of December 31, 2019 and 2018, the Company owed BCHA, the sole member of the managing member, \$36,409 and \$26,239, 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 2019 and 2018, the Company incurred management fees of \$80,160.

Reimbursement of Expenses

During 2019 and 2018, the Company reimbursed BCHA approximately \$271,500 and \$306,300, 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 2019 and 2018, the Company incurred \$5,970 and \$5,797, respectively, for asset management fees. As of December 31, 2019 and 2018, the Company owed the special member \$5,969 and \$5,797, 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 - Homeowner’s Association Special Assessment

During 2019, the Company paid special assessment fees of \$25,000 for the purpose of repairing roof damage that was the result of a hail and wind storm. Roof repairs are expected to be completed in 2020.

Note 9 - 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.

Note 10 - Restatement Resulting from Change in Accounting Policy

As discussed in Note 1 to the financial statements, the Company has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Accordingly, the December 31, 2018 statement of cash flows has been restated to adopt this standard. Following is a summary of the effects of the change in accounting policy in the Company’s December 31, 2018 statement of cash flows.

	<u>As Previously Reported</u>	<u>Adoption of ASU 2016-18</u>	<u>As Adjusted</u>
Net Deposits to Restricted Cash	\$ (121,510)	\$ 121,510	\$ -
Net Cash (used for) from Investing Activities	(119,020)	121,510	2,490
Net Change in Cash, Tenant Security Deposits, and Restricted Cash	(70,193)	121,510	51,317
Cash, Tenant Security Deposits, and Restricted Cash, Beginning of Year	860,390	1,034,159	1,894,549
Cash, Tenant Security Deposits, and Restricted Cash, End of Year	790,197	1,155,669	1,945,866



Supplementary Information
December 31, 2019 and 2018
Aspinwall, LLC

Schedules of Maintenance and Operating, Utilities, Administrative, Insurance, and Interest Expenses
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Maintenance and Operating		
Reimbursed salaries and benefits	\$ 111,362	\$ 101,363
General repairs	3,155	2,578
Supplies	52,897	56,418
Grounds	20,806	43,596
Other contracted services	47,958	31,519
Painting	15,970	3,215
Trash removal	42,058	38,543
Snow removal	110,519	52,837
	<u>\$ 404,725</u>	<u>\$ 330,069</u>
Utilities		
Electricity	\$ 137,745	\$ 131,988
Water and sewer	120,711	121,586
Gas and oil	29,702	31,960
Other utilities	17,760	11,483
	<u>\$ 305,918</u>	<u>\$ 297,017</u>
Administrative		
Reimbursed salaries and benefits	\$ 94,706	\$ 84,856
Management fees	80,160	80,160
Homeowners association fees	33,810	32,592
Additional homeowners association costs	25,000	-
Audit and accounting	7,955	6,680
Other administrative	17,553	10,996
Bad debt	23,594	27,247
Office supplies	21	58
Legal	299	50
	<u>\$ 283,098</u>	<u>\$ 242,639</u>
Insurance	<u>\$ 100,306</u>	<u>\$ 94,800</u>
Interest		
BCHA	\$ 380,907	\$ 370,068
FirstBank permanent loan	541,749	556,910
Mile High Community loan	42,901	43,175
	<u>\$ 965,557</u>	<u>\$ 970,153</u>