



Financial Statements  
December 31, 2020 and 2019  
**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, 2020 and 2019, 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, 2020 and 2019, 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".

Fargo, North Dakota  
March 19, 2021

Aspinwall, LLC  
Balance Sheets  
December 31, 2020 and 2019

	2020	2019
<b>Assets</b>		
Cash		
General operating	\$ 471,777	\$ 650,243
Accounts receivable		
Tenant	20,284	11,070
Insurance proceeds	20,644	9,552
Prepaid expenses	116,321	5,814
Tenant security deposits	56,705	56,705
Restricted cash	1,233,215	1,170,445
Property and equipment, at cost, less accumulated depreciation	31,074,055	31,999,503
Tax credit fees, net of accumulated amortization of \$47,962 in 2020 and \$40,487 in 2019	64,157	71,632
	\$ 33,057,158	\$ 33,974,964
<b>Liabilities and Members' Equity</b>		
<b>Liabilities</b>		
Accounts payable	\$ 79,672	\$ 69,418
Due to related party	93,822	36,409
Prepaid rent	-	19,506
Accrued expenses	2,680,053	2,290,577
Tenant security deposits payable	51,345	54,192
Long-term debt, net of unamortized debt issuance costs	26,356,221	26,659,511
Total liabilities	29,261,113	29,129,613
Members' Equity	3,796,045	4,845,351
	\$ 33,057,158	\$ 33,974,964

Aspinwall, LLC  
 Statements of Operations and Members' Equity  
 Years Ended December 31, 2020 and 2019

	2020	2019	
Operations			
Revenue			
Tenant rent	\$ 1,351,737	\$ 1,356,487	
Rental assistance payments	1,165,125	1,065,331	
Less vacancies	(146,885)	(122,211)	
Net rental income	2,369,977	2,299,607	
Tenant charges	4,958	19,654	
Laundry	1,159	796	
Interest income	2,949	13,400	
Other income	102	176	
Total revenue	2,379,145	2,333,633	
Expenses			
Maintenance and operating	803,933	404,725	
Utilities	323,378	305,918	
Administrative	262,758	283,098	
Insurance	104,213	100,306	
Interest	968,444	965,557	
Depreciation and amortization	959,577	1,206,351	
Total expenses	3,422,303	3,265,955	
Loss before Other (Income) Expenses	(1,043,158)	(932,322)	
Gain on Involuntary Conversion of Property and Equipment	-	(1,857)	
Disposal of Property and Equipment	-	179,101	
Asset Management Fee	6,148	5,970	
Net Loss	\$ (1,049,306)	\$ (1,115,536)	
Members' Equity			
	Managing Member	Investor and Special Members	Total
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
Net loss	(94)	(1,049,212)	(1,049,306)
Balance (Deficit), December 31, 2020	\$ (533)	\$ 3,796,578	\$ 3,796,045

See Notes to Financial Statements

Aspinwall, LLC  
Statements of Cash Flows – page 1  
Years Ended December 31, 2020 and 2019

	2020	2019
Operating Activities		
Net loss	\$ (1,049,306)	\$ (1,115,536)
Adjustments to reconcile net loss to net cash from operating activities		
Depreciation	952,103	1,198,877
Amortization	7,474	7,474
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
Changes in operating assets and liabilities		
Accounts receivable	(20,306)	(3,690)
Prepaid expenses	(110,507)	(4,918)
Accounts payable	10,255	34,239
Due to related party	57,413	10,170
Prepaid rent	(19,506)	6,558
Accrued expenses	389,476	373,848
Tenant security deposits payable	(2,847)	(1,919)
Net Cash from Operating Activities	232,659	700,757
Investing Activities		
Purchase of property and equipment	(26,655)	(244,417)
Insurance proceeds received	-	10,113
Net Cash used for Investing Activities	(26,655)	(234,304)
Financing Activities		
Principal payments on long-term debt	(321,700)	(270,369)
Payment on developer fee payable	-	(264,557)
Net Cash used for Financing Activities	(321,700)	(534,926)
Net Change in Cash, Tenant Security Deposits, and Restricted Cash	(115,696)	(68,473)
Cash, Tenant Security Deposits, and Restricted Cash, Beginning of Year	1,877,393	1,945,866
Cash, Tenant Security Deposits, and Restricted Cash, End of Year	\$ 1,761,697	\$ 1,877,393

Aspinwall, LLC  
Statements of Cash Flows – page 2  
Years Ended December 31, 2020 and 2019

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	<u>2020</u>	<u>2019</u>
Cash	\$ 471,777	\$ 650,243
Tenant Security Deposits	56,705	56,705
Restricted Cash	<u>1,233,215</u>	<u>1,170,445</u>
 Total cash, tenant security deposits, and restricted cash	 <u>\$ 1,761,697</u>	 <u>\$ 1,877,393</u>
 Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	<u>\$ 560,735</u>	<u>\$ 573,471</u>



## **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.

### **Receivables and Credit Policy**

Accounts receivable are rents and charges currently due from residential tenants and insurance proceeds due from the insurance company. Payments on accounts receivable are applied to specific months. Management reviews accounts receivable monthly and charges operations with those considered uncollectible. All remaining accounts are 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
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, 2020 and 2019.

#### **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, 2020 and 2019, 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.

### Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassification has no impact on net loss or members' equity.

### Subsequent Events

The Company has evaluated subsequent events through March 19, 2021, the date which the financial statements were available to be issued.

### Note 2 - Restricted Cash

	2020	2019
Replacement reserve	\$ 389,491	\$ 328,986
Operating reserve	843,724	841,459
	\$ 1,233,215	\$ 1,170,445

### 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 \$300 per unit per year, increasing at a rate of three percent each year, into the replacement reserve.

Replacement reserve activity for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
Balance, January 1	\$ 328,986	\$ 267,995
Deposits	59,822	58,080
Interest	683	2,911
Balance, December 31	\$ 389,491	\$ 328,986

### 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 the investor member'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, 2020 and 2019 consists of the following:

	2020	2019
Land and improvements	\$ 6,152,596	\$ 6,125,941
Buildings and improvements	30,552,345	30,552,345
Equipment and furnishings	503,477	503,477
Geothermal equipment	1,856,997	1,856,997
	39,065,415	39,038,760
Accumulated depreciation	(7,991,360)	(7,039,257)
	\$ 31,074,055	\$ 31,999,503

### Note 4 - Accrued Expenses

Accrued expenses at December 31, 2020 and 2019 consists of the following:

	2020	2019
Interest - related party - Note 7	\$ 2,626,198	\$ 2,236,899
Interest - non-related party	47,709	47,709
Asset management fees - Note 7	6,146	5,969
	\$ 2,680,053	\$ 2,290,577

**Note 5 - Long-Term Debt**

Long-term debt as of December 31, 2020 and 2019 consists of:

	2020	2019
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

	2020	2019
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)	\$ 11,936,151	\$ 12,205,774
Unamortized debt issuance costs, based on an effective interest rate of 4.47%	(194,834)	(213,244)
	11,741,317	11,992,530
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 July 2031, secured by a deed of trust on the property	628,847	633,655
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	683,951	731,220
	13,054,115	13,357,405
	\$ 26,356,221	\$ 26,659,511

(a) The Company has covenants related to, among other matters, the maintenance of debt coverage ratios and invested cash balance requirements. As of December 31, 2020, the Company did not meet the debt coverage ratio. The Company has obtained a waiver for the violation from the lender for the year ended December 31, 2020.

Future maturities of long-term debt are as follows:

Year Ended December 31,	Principal	Interest	Total
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
2025	347,587	483,656	831,243
Thereafter	24,951,433	36,019,332	60,970,765
Unamortized debt issuance costs	(194,834)	-	(194,834)
	\$ 26,356,221	\$ 38,575,929	\$ 64,932,150

#### 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 2020 and 2019, the Company paid \$0 and \$264,557, respectively, for developer fees. As of December 31, 2020 and 2019, the Company owes BCHA \$0 for developer fees.

### **Mortgage Notes and Accrued Interest**

The Company has entered into multiple loan agreements with BCHA (Note 5). During 2020 and 2019, the Company incurred interest of \$\$389,299 and \$380,907, respectively, to BCHA on these mortgage notes payable. As of December 31, 2020 and 2019, the Company owes BCHA \$2,626,198 and \$2,236,899, respectively, for accrued interest (Note 4).

### **Due to Related Party**

As of December 31, 2020 and 2019, the Company owed BCHA, the sole member of the managing member, \$93,822 and \$36,409, 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 2020 and 2019, the Company incurred management fees of \$80,160.

### **Reimbursement of Expenses**

During 2020 and 2019, the Company reimbursed BCHA approximately \$556,800 and \$271,500, 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 2020 and 2019, the Company incurred \$6,148 and \$5,970, respectively, for asset management fees. As of December 31, 2020 and 2019, the Company owed the special member \$6,146 and \$5,969, 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 windstorm. The roof repairs were 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.





Supplementary Information  
December 31, 2020 and 2019  
**Aspinwall, LLC**

Schedules of Maintenance and Operating, Utilities, Administrative, Insurance, and Interest Expenses  
Years Ended December 31, 2020 and 2019

	2020	2019
Maintenance and Operating		
Reimbursed salaries and benefits	\$ 264,575	\$ 111,362
General repairs	-	3,155
Supplies	78,480	52,897
Grounds	44,184	20,806
Other contracted services	297,833	47,958
Painting	12,500	15,970
Trash removal	48,040	42,058
Snow removal	58,321	110,519
	<u>\$ 803,933</u>	<u>\$ 404,725</u>
Utilities		
Electricity	\$ 142,827	\$ 137,745
Water and sewer	135,000	120,711
Gas and oil	25,657	29,702
Other utilities	19,894	17,760
	<u>\$ 323,378</u>	<u>\$ 305,918</u>
Administrative		
Reimbursed salaries and benefits	\$ 115,274	\$ 94,706
Management fees	80,160	80,160
Homeowners association fees	36,103	33,810
Additional homeowners association costs	-	25,000
Audit and accounting	8,225	7,955
Other administrative	12,702	17,553
Bad debt	4,370	23,594
Office supplies	-	21
Legal	5,924	299
	<u>\$ 262,758</u>	<u>\$ 283,098</u>
Insurance	<u>\$ 104,213</u>	<u>\$ 100,306</u>
Interest		
BCHA	\$ 389,299	\$ 380,907
FirstBank permanent loan	532,000	541,749
Mile High Community loan	47,145	42,901
	<u>\$ 968,444</u>	<u>\$ 965,557</u>