



Financial Statements
December 31, 2022 and 2021
Tungsten Village LLC

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Independent Auditor's Report

To the Members
Tungsten Village LLC
Boulder, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tungsten Village LLC, which comprise the balance sheets as of December 31, 2022 and 2021, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Tungsten Village LLC as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tungsten Village LLC 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 these 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 Tungsten Village LLC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities 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 auditor's 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 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, 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 Tungsten Village LLC'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 Tungsten Village LLC'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.

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 the 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.

Eide Bailly LLP

Fargo, North Dakota
March 1, 2023

Tungsten Village LLC
Balance Sheets
December 31, 2022 and 2021

	2022	2021
Assets		
Cash	\$ 159,551	\$ 178,403
Accounts receivable	1,470	1,999
Prepaid expenses	20,054	16,503
Tenant security deposits	7,895	7,895
Restricted cash	137,239	128,627
Property and equipment, at cost, less accumulated depreciation	8,397,220	8,687,137
Tax credit fees, net of accumulated amortization of \$23,341 in 2022 and \$14,005 in 2021	116,710	126,047
	\$ 8,840,139	\$ 9,146,611
Liabilities and Members' Equity		
Liabilities		
Accounts payable	\$ 9,767	\$ 13,233
Due to related party	47,842	65,935
Accrued expenses	173,032	100,381
Tenant security deposits payable	6,950	6,450
Long-term debt, net unamortized debt issuance costs	3,962,683	3,982,145
	4,200,274	4,168,144
Total liabilities	4,200,274	4,168,144
Members' Equity	4,639,865	4,978,467
	\$ 8,840,139	\$ 9,146,611

Tungsten Village LLC
Statements of Operations and Members' Equity
Years Ended December 31, 2022 and 2021

	2022	2021	
Operations			
Revenue			
Tenant rent	\$ 228,734	\$ 250,658	
Rental assistance payments	221,449	183,057	
Less vacancies	(26,338)	(13,949)	
Net rental income	423,845	419,766	
Tenant charges	1,475	750	
Interest income	338	3	
Insurance proceeds	12,959	-	
Contribution (Note 8)	55,000	-	
Other income	6,017	1,494	
Total revenue	499,634	422,013	
Expenses			
Maintenance and operating	101,411	64,962	
Utilities	68,384	62,007	
Administrative	84,571	62,232	
Insurance	38,164	33,016	
Interest	217,000	233,339	
Depreciation and amortization	311,333	311,199	
	820,863	766,755	
Loss Before Company Fees	(321,229)	(344,742)	
Company Administration Fee	12,068	11,716	
Investor Service Fee	5,305	6,400	
Net Loss	\$ (338,602)	\$ (362,858)	
Members' Equity			
	Managing Member	Investor Member	Total
Balance, December 31, 2020	\$ 81	\$ 1,157,880	\$ 1,157,961
Contributions	-	4,183,364	4,183,364
Net loss	(36)	(362,822)	(362,858)
Balance, December 31, 2021	45	4,978,422	4,978,467
Net loss	(34)	(338,568)	(338,602)
Balance, December 31, 2022	\$ 11	\$ 4,639,854	\$ 4,639,865

Tungsten Village LLC
Statements of Cash Flows – page 1
Years Ended December 31, 2022 and 2021

	2022	2021
Operating Activities		
Net loss	\$ (338,602)	\$ (362,858)
Adjustments to reconcile net loss to net cash from (used for) operating activities		
Depreciation	301,996	301,862
Amortization	9,337	9,337
Interest expense attributable to amortization of debt issuance costs	12,658	9,494
Changes in operating assets and liabilities		
Accounts receivable	529	(1,999)
Prepaid expenses	(3,551)	(3,019)
Accounts payable	(3,465)	3,115
Prepaid rent	-	(1,823)
Due to related party	(18,093)	2,789
Accrued expenses	72,651	(22,011)
Tenant security deposits payable	500	(1,450)
Net Cash from (used for) Operating Activities	33,960	(66,563)
Net Cash used for Investing Activity		
Purchase of property and equipment	(12,080)	(15,100)
Financing Activities		
Proceeds from construction note payable	-	67,876
Principal payments on construction note payable	-	(3,131,622)
Principal payments on long-term debt	(32,120)	(304,817)
Payment for developer's fee	-	(556,660)
Equity contributions	-	4,183,364
Net Cash (used for) from Financing Activities	(32,120)	258,141
Net Change in Cash, Tenant Security Deposits, and Restricted Cash	(10,240)	176,478
Cash, Tenant Security Deposits, and Restricted Cash, Beginning of Year	314,925	138,447
Cash, Tenant Security Deposits, and Restricted Cash, End of Year	\$ 304,685	\$ 314,925
Cash	\$ 159,551	\$ 178,403
Tenant Security Deposits	7,895	7,895
Restricted Cash	137,239	128,627
Total cash, tenant security deposits, and restricted cash	\$ 304,685	\$ 314,925

	<u>2022</u>	<u>2021</u>
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	<u>\$ 143,759</u>	<u>\$ 251,151</u>
Supplemental Disclosure of Noncash Investing and Financing Activities		
Construction note payable converted to permanent financing	<u>\$ -</u>	<u>\$ 2,880,000</u>

Note 1 - Principal Business Activity and Significant Accounting Policies

Principal Business Activity, Risks, and Uncertainty

Tungsten Village LLC (Company) was formed November 12, 2018, 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 26-unit multi-family housing complex located in Nederland, Colorado. Substantially all of the Company's income is derived from the rental of its apartment units. The Company began operations in August 2020.

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 members. 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

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	15 years
Buildings and improvements	5 - 40 years
Equipment and furnishings	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, 2022 and 2021.

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 \$9,340 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, 2022 and 2021, 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. Prepaid rent is recorded for rent or charges received in advance. Vacancy loss is recorded for any unrented units to arrive at net rental income.

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 1, 2023, the date which the financial statements were available to be issued.

Note 2 - Restricted Cash

Restricted cash at December 31, 2022 and 2021 consists of the following:

	2022	2021
Replacement Reserve	\$ 18,909	\$ 10,634
Operating Reserve	118,330	117,993
	\$ 137,239	\$ 128,627

Replacement Reserve

Pursuant to the operating agreement, the Company is to establish a replacement reserve to fund major repairs, capital expenditures, and replacement of capital items. The Company is to deposit annually, \$300 per unit per year, increasing at a rate of three percent each year. Any withdrawals for capital expenditures over \$5,000 from the replacement reserve are to be made with the consent of the investor member. In addition, the mortgage agreement requires the Company to make monthly deposits of \$650.

Replacement reserve activity for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Balance, January 1	\$ 10,634	\$ 2,600
Deposits	8,275	67,034
Withdrawals	-	(59,000)
Balance, December 31	\$ 18,909	\$ 10,634

Operating Reserve

Pursuant to the operating agreement, the Company is to establish and maintain an operating reserve equal to \$118,000. The reserve is to be funded upon the third and fourth capital installments. The managing member shall fund the reserve to maintain the minimum balance as necessary. The managing member may make withdrawals subject to the investor member's approval. The reserve shall be maintained in an interest-bearing account in a bank approved by the investor member. The operating reserve was funded from capital contributions during 2021.

Insurance Escrow

The Company plans to establish an insurance escrow to pay insurance premiums. This account will be used to receive monthly deposits to pay the annual insurance premiums. As of December 31, 2022 and 2021, the insurance escrow has not been funded.

Lease-up Reserve

Pursuant to the terms of the operating agreement, the Company is to maintain a lease-up reserve of \$24,990 to be funded by the second capital installment. The reserve is to be used to pay operating expenses from completion date to stabilization date or loan conversion whichever is later. As of December 31, 2022 and 2021, the lease-up reserve has not been funded.

Note 3 - Property and Equipment

Property and equipment at December 31, 2022 and 2021 consists of the following:

	2022	2021
Land and Improvements	\$ 939,926	\$ 927,846
Buildings and Improvements	7,939,813	7,939,813
Equipment and Furnishings	247,116	247,116
	9,126,855	9,114,775
Accumulated depreciation	(729,635)	(427,638)
	\$ 8,397,220	\$ 8,687,137

Note 4 - Accrued Expenses

Accrued expenses at December 31, 2022 and 2021 consists of the following:

	2022	2021
Interest		
FirstBank	\$ 13,063	\$ 13,063
BCHA 6% - \$500,000	33,721	2,811
BCHA 3% - \$400,000	43,892	30,963
BCHA 1% - \$260,000	11,113	8,429
BCHA 3% - \$440,000	42,720	28,660
Company Administration Fee (Note 8)	28,523	16,455
	\$ 173,032	\$ 100,381

Note 5 - Construction Note Payable

The Company financed the construction of the project in part with a construction note payable with FirstBank, in an amount up to \$7,127,134. The note accrues interest at a rate of 5%. Monthly payments of interest are to be made through the expected conversion date. During 2021, the construction note payable converted to permanent financing (Note 6). During 2021, the Company incurred interest of \$63,575 on the construction note payable. The note was secured by a security agreement, assignment of rent, and fixture financing statement.

Note 6 - Long-Term Debt

Long-term debt as of December 31, 2022 and 2021 consists of:

	2022	2021
Non Related Party		
5.0% \$2,880,000 note payable to FirstBank, monthly payments of principal and interest in the amount of \$14,656, due June 2037, secured by deed of trust, security agreement, fixture filing and assignment of leases and rents	\$ 2,818,169	\$ 2,850,289
Unamortized debt issuance costs, based upon an effective interest rate of 5.94%	(180,380)	(193,038)
	2,637,789	2,657,251
Related Party		
6.0%, \$500,000 note payable to Boulder County Housing Authority (BCHA), payments are to be made from available cash flow, unpaid principal and interest due December 2054, secured by a deed of trust on the property	224,894	224,894
3.0%, \$400,000 note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due December 2054, secured by a deed of trust on the property	400,000	400,000
1.0%, \$260,000 note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due December 2054, secured by a deed of trust on the property	260,000	260,000
3.0%, \$440,000 note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due December 2054, secured by a deed of trust on the property	440,000	440,000
Total long-term debt, net of unamortized debt issuance costs	\$ 3,962,683	\$ 3,982,145

Future maturities of long-term debt are as follows:

Year Ended December 31,	Amount
2023	\$ 33,550
2024	34,889
2025	37,101
2026	39,027
2027	41,052
Thereafter	3,957,444
Unamortized debt issuance costs	(180,380)
	\$ 3,962,683

The Company has loan agreements containing certain covenants related to, among other matters, the maintenance of debt coverage ratios.

Note 7 - Property Taxes

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

Note 8 - Related Party Transactions

Developer Fees

The Company has entered into a development agreement with 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 \$793,735, which has been capitalized as part of the building. Developer fees are expected to be paid from various capital installments. During 2021, the Company paid the remaining \$556,660 to BCHA for developer fees.

Mortgage Notes and Accrued Interest

The Company has entered into multiple loan agreements with BCHA (Note 6). During 2022 and 2021, the Company incurred total interest of \$60,583 and \$45,009, respectively, on the BCHA mortgage notes payable. As of December 31, 2022 and 2021, the Company owes BCHA \$131,446 and \$70,863, respectively, for accrued interest (Note 4).

Contribution

During 2022 and 2021, BCHA made a contribution of \$55,000 and \$0, respectively, to the Company to cover operating costs and meet the debt coverage ratio (Note 6).

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 \$10,000 annually. During 2022 and 2021, the Company incurred management fees of \$10,000 to BCHA.

BCHA is periodically reimbursed for various office expenses, payroll and other operating expenses incidental to the operations of the project. During 2022 and 2021, the Company reimbursed BCHA approximately \$8,000 and \$0, respectively. As of December 31, 2022 and 2021, the Company owed BCHA \$47,842 and \$65,935, respectively, for the various costs paid on behalf of the project.

Investor Service Fee

Pursuant to the operating agreement, the Company is to pay the investor member a cumulative fee equal to \$5,000 annually, commencing on the later of the year 2020 or the first calendar year the Company receives rental income. The fee is for services provided for the review of the operations of the Company and shall be payable from cash flow. The fee is to increase by 3% annually. During 2022 and 2021, the Company incurred and paid \$5,305 and \$6,400, respectively, for investor service fees.

Company Administration Fee

Pursuant to the operating agreement, the Company is to pay the managing member a cumulative fee equal to \$11,375 annually, commencing on the later of the year 2020 or the first calendar year the Company receives rental income. The fee is for services provided in the administration of the project and shall be payable from cash flow. The fee is to increase by 3% annually. During 2022 and 2021, the Company incurred \$12,068 and \$11,716, respectively, for company administration fees. As of December 31, 2022 and 2021, the Company owed the managing member \$28,523 and \$16,455, respectively, for accrued company administration fees.

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 \$234,000, shall bear no interest, and shall be repayable solely from net cash flow as allowed in the operating agreement.

Distributions of Cash Flow

Pursuant to the operating agreement, net cash flow shall be distributed to the members in the following order and priority after payment of the priority distribution to the investor member and any development costs.

1. First, to the Investor Member in an amount equal to the credit deficiency;
2. Second, to the Investor Member in the amount of the maximum federal corporate income tax liability that would be imposed on the Investor Member and its partners from the transaction giving rise to sale or refinancing proceeds;
3. Third, to the Investor Member in the amount of any unpaid investor services fee;
4. Fourth, from and after the fourth installment of the Investor Member's capital contribution to fund the operating reserve up to the operating reserve amount;
5. Fifth, to pay any deferred portion of the property management fee in accordance with the property management agreement;
6. Sixth, to pay the deferred development fee;
7. Seventh, to the Managing Member to repay any operating deficit contribution;
8. Eighth, to pay the company administration fee;
9. Ninth, to pay the seller carryback loan until it is paid in full, thereafter, to pay the BCHA CDOH loan until it is paid in full, thereafter, to pay the BCHA worth cause loan until it is paid in full, and thereafter, to pay the BCHA development Loan until it is paid off;
10. Any remaining cash flow shall constitute net cash flow which is distributable to the members in accordance with Section 8.01 of the operating agreement.

Note 9 - Members' Equity

Members	Profit and Loss Percentages
Managing Tungsten GP, LLC	0.01%
Investor Enterprise FB Housing Fund I, LLLP	99.99%
	100.00%

Pursuant to the operating agreement, the investor member is to make capital contributions in the amount of \$5,570,542. During 2022 and 2021, the investor member made capital contributions of \$0 and \$4,183,364, respectively to the Company and paid \$40,000 of syndication costs in 2020. As of December 31, 2022 and 2021, the investor member has made total contributions of \$5,570,542 with an upward adjustment of \$5,457, respectively, to the Company.

Profit or loss is allocated to the members in accordance with the operating agreement. The members have certain rights and obligations as outlined in the operating agreement.



Supplementary Information
December 31, 2022 and 2021
Tungsten Village LLC

Tungsten Village LLC

Schedules of Maintenance and Operating, Utilities, Administrative, Insurance, and Interest Expenses
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Maintenance and Operating		
Reimbursed salaries and benefits	\$ 44,372	\$ 29,740
Snow removal	25,950	19,232
Supplies	13,988	5,178
Contracted services	13,649	10,812
Other maintenance and operating	3,452	-
	<u>\$ 101,411</u>	<u>\$ 64,962</u>
Utilities		
Electricity	\$ 27,675	\$ 24,728
Trash removal	9,734	8,062
Water and sewer	30,975	29,217
	<u>\$ 68,384</u>	<u>\$ 62,007</u>
Administrative		
Reimbursed management salaries and benefits	\$ 54,789	\$ 44,725
Management fees	10,000	10,000
Other administrative	3,585	4,286
Audit and accounting	8,920	2,565
Legal	-	120
Bad debt	7,277	536
	<u>\$ 84,571</u>	<u>\$ 62,232</u>
Insurance		
Insurance	\$ 30,827	\$ 28,014
Other taxes, licenses, permits, and financial	7,337	5,002
	<u>\$ 38,164</u>	<u>\$ 33,016</u>
Interest		
Construction note	\$ -	\$ 63,575
FirstBank note	156,417	124,755
BCHA notes	60,583	45,009
	<u>\$ 217,000</u>	<u>\$ 233,339</u>