Financial Statements
December 31, 2018 and 2017

Kestrel I, LLC

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Independent Auditor's Report

To the Members
Kestrel I, LLC
Boulder, Colorado

Report on the Financial Statements
We have audited the accompanying financial statements of Kestrel I, 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 Kestrel I, 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 Expense 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.

Eide Bailly LLP

Fargo, North Dakota
April 17, 2019

Kestrel I, LLC
Balance Sheets
December 31, 2018 and 2017

	2018	2017
Assets		
Cash		
General operating	$ 1,730,424	$ 361,633
Construction	-	22,494,991
	1,730,424	22,856,624
Accounts receivable	9,447	3,805
Prepaid expenses	37,523	19,504
Tenant security deposits	63,904	24,690
Restricted deposits and funded reserves	914,515	-
Property and equipment, at cost, less accumulated depreciation	69,092,929	71,691,713
Other assets	-	689,638
Tax credit fees, net of accumulated amortization of $16,319 in 2018 and $4,300 in 2017	240,478	150,491
	$ 72,089,220	$ 95,436,465
Liabilities and Members' Equity		
Liabilities		
Accounts payable	$ 26,517	$ 16,991
Accounts payable - construction	-	3,312,260
Due to related party	34,444	551,763
Prepaid rent	21,547	5,810
Accrued expenses	779,387	436,086
Tenant security deposits payable	56,663	24,690
Deferred revenue	15,667	17,667
Construction note payable	-	46,921,959
Developer fee payable	4,766,936	5,441,976
Long-term debt, net of unamortized debt issuance costs	38,475,924	13,151,609
Total liabilities	44,177,085	69,880,811
Members' Equity	27,912,135	25,555,654
	$ 72,089,220	$ 95,436,465

	2018	2017
Operations		
Revenue		
Tenant rent	$ 2,061,762	$ 829,589
Rental assistance payments	803,066	128,092
Less vacancies	(272,621)	(532,158)
Net rental income	2,592,207	425,523
Tenant charges	22,755	4,444
Interest income	-	3,515
Other income	96,054	3,382
Total revenue	2,711,016	436,864
Expenses		
Maintenance and operating	307,795	48,570
Utilities	305,236	60,594
Administrative	280,619	290,442
Taxes and insurance	127,802	25,696
Interest	1,302,829	510,048
Depreciation and amortization	3,213,252	1,562,445
	5,537,533	2,497,795
Loss before Asset Management Fee	(2,826,517)	(2,060,931)
Asset Management Fee	7,010	13,460
Net Loss	$ (2,833,527)	$ (2,074,391)

Members' Equity

	Managing Member	Investor and Special Members	Total
Balance, December 31, 2016	$ -	$ 5,140,008	$ 5,140,008
Contributions	-	22,490,037	22,490,037
Net loss	(187)	(2,074,204)	(2,074,391)
Balance (Deficit), December 31, 2017	(187)	25,555,841	25,555,654
Contributions	-	5,190,008	5,190,008
Net loss	(255)	(2,833,272)	(2,833,527)
Balance, December 31, 2018	$ (442)	$ 27,912,577	$ 27,912,135

	2018	2017
Operating Activities		
Net loss	$ (2,833,527)	$ (2,074,391)
Adjustments to reconcile net loss to net cash from (used for) operating activities		
Depreciation	3,201,233	1,558,145
Amortization	12,019	4,300
Interest expense attributable to amortization of debt issuance costs	8,066	-
Changes in operating assets and liabilities		
Accounts receivable	(5,642)	(3,805)
Prepaid expenses	(18,019)	(19,504)
Tenant security deposits	(39,214)	(24,690)
Accounts payable	9,526	16,991
Prepaid rent	15,737	5,810
Accrued expenses	343,301	7,210
Tenant security deposits payable	31,973	24,690
Deferred rent	(2,000)	17,667
Net Cash from (used for) Operating Activities	723,453	(487,577)
Investing Activities		
Purchase of property and equipment	(3,914,709)	(25,372,239)
Net deposits to restricted deposits and funded reserves	(914,515)	-
Net Cash used for Investing Activities	(4,829,224)	(25,372,239)
Financing Activities		
Proceeds from construction note payable	5,169,281	26,359,258
Principal payment on construction note payable	(26,791,240)	-
Proceeds from long-term debt	812,723	-
Payments on long-term debt	(50,409)	-
Payment for other assets	(56,427)	(72,855)
Payment for tax credit fees	(102,006)	(60,000)
Payment on developer fee payable	(675,040)	-
Payment on due to related party	(517,319)	-
Equity contributions	5,190,008	22,490,037
Net Cash (used for) from Financing Activities	(17,020,429)	48,716,440
Net Change in Cash	(21,126,200)	22,856,624
Cash at Beginning of Year	22,856,624	-
Cash at End of Year	$ 1,730,424	$ 22,856,624

	2018	2017
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest, net of capitalized interest	$ 951,679	$ 81,172
Supplemental Disclosure of Noncash Investing and Financing Activities		
Increase in property and equipment from accounts payable - construction	$ -	$ 3,312,260
Increase in property and equipment from accrued interest	$ -	$ 428,876
Increase in property and equipment from due to related party	$ -	$ 551,763
Increase in property and equipment from developer fee payable	$ -	$ 5,441,976
Conversion of construction note payable to permanent financing	$ 25,300,000	$ -

Note 1 - Principal Business Activity and Significant Accounting Policies

Principal Business Activity, Risks, and Uncertainty

Kestrel I, LLC (Company) was formed March 5, 2014, 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 200 unit multi-family and senior housing complex. Substantially all of the Company's income is derived from the rental of its apartment units. Units were placed in service throughout 2017 as construction was completed in various phases.

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 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	20 years
Buildings and improvements	5 - 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.

Other Assets

Other assets consisted of prepaid debt issuance costs in 2017. During 2018, the Company closed on their permanent financing and the debt issuance costs are included within long-term debt.

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 $17,120 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.

Prepaid Rent

Prepaid rent is recorded for rent or charges received in advance.

Advertising and Marketing

Advertising and marketing costs are expensed as incurred.

Organizational Costs

During 2018 and 2017, organizational costs of $0 and $39,900, respectively, were incurred for the organization of the Company and were expensed.

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.

Capitalized Interest

During 2018 and 2017, interest of $0 and $1,122,216, respectively, was capitalized as part of the building.

Subsequent Events

The Company has evaluated subsequent events through April 17, 2019, the date which the financial statements were available to be issued.

Note 2 - Restricted Deposits and Funded Reserves

	2018	2017
Replacement reserve	$ 10,000	$ -
Operating reserve	783,304	-
Insurance escrow	121,211	-
	$ 914,515	$ -

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. Any disbursements from the replacement reserve are to be made with the consent of the special investor member.

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

	2018	2017
Balance, January 1	$ -	$ -
Deposits	10,000	-
Balance, December 31	$ 10,000	$ -

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 $783,304 from capital contributions and proceeds of project loans, no later than the special investor member's third capital contribution. The managing member may make withdrawals subject to the special investor member's approval. If the balance falls below the required amount, the reserve is to be replenished from net cash flow of the project.

Insurance Escrow

Pursuant to the terms of the operating agreement, the Company is to maintain an insurance escrow to pay insurance premiums. This account is used to receive monthly deposits to pay the annual insurance premiums.

Note 3 - Property and Equipment

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

	2018	2017
Land and improvements	$ 9,152,606	$ 7,688,846
Buildings and improvements	63,028,633	58,864,081
Equipment and furnishings	1,671,068	6,392,854
Construction in progress	-	304,077
	73,852,307	73,249,858
Accumulated depreciation	(4,759,378)	(1,558,145)
	$ 69,092,929	$ 71,691,713

Note 4 - Accrued Expenses

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

	2018	2017
Interest		
First mortgage (Note 9)	$ 83,324	$ -
Boulder County Housing Authority (BCHA) notes payable (Note 9)	688,636	428,876
Asset management fee	7,427	7,210
	$ 779,387	$ 436,086

Note 5 - Deferred Revenue

The Company assumed a service agreement with CenturyLink Sales Solutions, Inc. The agreement required a one-time payment from CenturyLink in the amount of $20,000 for an easement on providing the project with cable services. The contract expires in 2026. As of December 31, 2018 and 2017, deferred revenue is $15,667 and $17,667, respectively.

Note 6 - Construction Note Payable

The Company financed the construction of the project in part with a construction note payable with CitiBank N.A., in an amount up to $53,500,000. The note bears interest at the one-month LIBOR rate plus 1.85%. Monthly payments of interest were made through the conversion date. During 2018, the construction note payable was paid off with capital contributions and proceeds from permanent financing. As of December 31, 2017, the balance of the construction note payable was $46,921,959. During 2018 and 2017, the Company paid interest of $770,868 and $1,074,004, respectively, of which $769,554 was capitalized as part of the buildings costs in 2017. The note was secured by a deed of trust on the property, assignment of rent, security agreement, and fixture filing.

Note 7 - Long-Term Debt

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

	2018	2017
Unrelated		
3.96% note payable to a commercial bank, due in monthly payments of $108,653, including interest, through maturity in March 2034, secured by a deed of trust on the property	$ 25,249,591	$ -
Unamortized debt issuance costs based upon effective interest rate of 4.25%	(737,999)	-
	24,511,592	-
0.0%, $3,712,431 note payable to the State of Colorado, payments are to be made from available cash flow beginning in June 2019 through maturity in March 2051, secured by a deed of trust on the property	3,712,431	3,712,431

	2018	2017
Related Party		
1.0%. $1,450,000 note payable to BCHA, due in annual interest only payments of $14,779 until June 2029 when annual principal and and interest payments of $304,511 are due through maturity April 2034, secured by a deed of trust on the property	$ 1,450,000	$ 1,450,000
2.0%, $1,000,000 note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due March 2066, secured by a deed of trust on the property	1,000,000	1,000,000
2.0%, $350,000 note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due March 2066, secured by a deed of trust on the property	350,000	350,000
2.0%, $580,297 note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due March 2066, secured by a deed of trust on the property	580,297	580,297
2.0%, $2,600,000 note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due March 2066, secured by a deed of trust on the property	2,600,000	2,600,000
2.0%, $1,045,002 note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due March 2066, secured by a deed of trust on the property	1,045,002	558,881
4.0%, $4,200,000 note payable to BCHA, payments are to be made from available cash flow, unpaid principal and interest due March 2066, note may be drawn to a maximum of $4,200,000, secured by a deed of trust on the property	3,226,602	2,900,000
	10,251,901	9,439,178
Long-term debt, net of unamortized debt issuance costs	$ 38,475,924	$ 13,151,609

Future maturities of long-term debt are as follows:

Year Ended December 31,	Amount
2019	$ 309,529
2020	322,011
2021	334,997
2022	348,506
2023	362,560
Thereafter	37,536,320
Unamortized debt issuance costs	(737,999)
	$ 38,475,924

Note 8 - Property Taxes

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

Note 9 - Related Party Transactions

Developer Fees

The Company has entered into a development agreement with 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 $6,091,976, which has been capitalized as part of the building. Developer fees are expected to be paid from future capital contributions and net cash flow. The unpaid developer fees are to bear interest at a rate of 5%, compounding annually, commencing at the time of the fourth capital contribution. The fee is to be paid in full by the thirteenth year. During 2018 and 2017, the Company paid $675,040 and $0, respectively, for developer fees. As of December 31, 2018 and 2017, the Company owes BCHA $4,766,936 and $5,441,976, respectively, for developer fees.

Mortgage Notes and Accrued Interest

The Company has entered into multiple loan agreements with BCHA (Note 7). During 2018 and 2017, the Company incurred interest of $259,760 and $428,876 to BCHA on these mortgage notes payable, of which $352,662 was capitalized as part of the building costs in 2017. As of December 31, 2018 and 2017, the Company owes BCHA $688,636 and $428,876, respectively, for accrued interest (Note 4).

Due to Related Party

As of December 31, 2018 and 2017, the Company owed BCHA $34,444 and $551,763, respectively, for various costs paid on behalf of the project by BCHA during construction and payroll reimbursements.

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 4.5% of gross collected rents. During 2018 and 2017, the Company incurred management fees of $116,651 and $19,149, respectively, to BCHA.

Reimbursement of Expenses

During 2018 and 2017, the Company reimbursed BCHA approximately $449,000 and $95,500, respectively, for payroll, reimbursements of construction costs, and other operating expenses.

Asset Management Fee

Pursuant to the operating agreement, the Company is to pay the special investor member a cumulative fee equal to $7,000 annually, commencing on March 1, 2017, 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 $7,010 and $13,460, respectively, for asset management fees. During 2017, the fee was comprised of amounts for 2016 and 2017. As of December 31, 2018 and 2017, the Company owed the special investor member $7,427 and $7,210, respectively, for this fee (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 $1,200,000, shall bear no interest, and shall be repayable solely from net cash flow as allowed in the operating agreement.

Note 10 - Members' Equity

Members	Profit and Loss Percentages
Managing	
Kestrel Manager, LLC	0.009%
Investor	
Red Stone Kestrel, LLC	99.99%
Special	
Red Stone Equity Manager 2, LLC	0.001%
	100.00%

Pursuant to the operating agreement, the investor member is to make capital contributions in the amount of $34,600,056. During 2018 and 2017, the investor member made capital contributions of $5,190,008 and $22,490,037, respectively, to the Company. As of December 31, 2018, the investor member has contributed $32,870,052 to the Company, which includes syndication costs of $50,000.

Pursuant to the operating agreement, the managing member is to make capital contributions in the amount of $100. During 2018 and 2017, the managing member made capital contributions of $0 to the Company. As of December 31, 2018, the managing member has contributed $0 to the Company.

Profit or loss will be allocated as allocated in the operating agreement. The members have certain rights and obligations as outlined in the operating agreement.

Supplementary Information
December 31, 2018 and 2017

Kestrel I, LLC

	2018	2017
Maintenance and Operating		
Reimbursed salaries and benefits	$ 84,006	$ 27,600
Supplies	46,943	12,865
Grounds maintenance	867	-
Trash removal	23,478	5,235
Exterminating	1,491	330
Contracted services	43,092	2,363
Other maintenance and operating	37,649	177
Snow removal	70,269	-
	$ 307,795	$ 48,570
Utilities		
Electricity	$ 189,949	$ 31,595
Water and sewer	81,104	7,521
Other utilities	34,183	21,478
	$ 305,236	$ 60,594
Administrative		
Audit and accounting	$ 11,052	$ -
Advertising and marketing	3,839	5,405
Reimbursed management salaries and benefits	126,579	204,270
Legal	5,046	-
Office supplies	3,650	2,757
Management fee	116,651	19,149
Organizational expenses	-	39,900
Bad debt	2,424	-
Other administrative	11,378	18,961
	$ 280,619	$ 290,442
Insurance		
Insurance	$ 127,802	$ 25,696
Interest		
First mortgage	$ 272,201	$ -
BCHA notes	259,760	76,215
Construction note	770,868	433,833
	$ 1,302,829	$ 510,048