



Financial Statements
December 31, 2023 and 2022
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, 2023 and 2022, 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, 2023 and 2022, 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 audits.

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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed text.

Fargo, North Dakota
March 14, 2024

Tungsten Village LLC
Balance Sheets
December 31, 2023 and 2022

	2023	2022
Assets		
Cash	\$ 192,266	\$ 159,551
Accounts receivable	2,846	1,470
Prepaid expenses	20,066	20,054
Tenant security deposits	7,895	7,895
Restricted cash	147,397	137,239
Property and equipment, at cost, less accumulated depreciation	8,094,553	8,397,220
Tax credit fees, net of accumulated amortization of \$32,678 in 2023 and \$23,341 in 2022	107,374	116,710
	\$ 8,572,397	\$ 8,840,139
Liabilities and Members' Equity		
Liabilities		
Accounts payable	\$ 1,237	\$ 9,767
Due to related party	83,593	47,842
Accrued expenses	221,424	173,032
Tenant security deposits payable	7,250	6,950
Long-term debt, net of unamortized debt issuance costs	3,941,559	3,962,683
Total liabilities	4,255,063	4,200,274
Members' Equity	4,317,334	4,639,865
	\$ 8,572,397	\$ 8,840,139

Tungsten Village LLC
Statements of Operations and Members' Equity
Years Ended December 31, 2023 and 2022

	2023	2022	
Operations			
Revenue			
Tenant rent	\$ 237,754	\$ 228,734	
Rental assistance payments	234,708	221,449	
Less vacancies	(14,553)	(26,338)	
Net rental income	457,909	423,845	
Tenant charges	1,000	1,475	
Interest income	2,123	338	
Insurance proceeds	-	12,959	
Contribution (Note 8)	-	55,000	
Other income	5,650	6,017	
Total revenue	466,682	499,634	
Expenses			
Maintenance and operating	83,718	101,411	
Utilities	68,865	68,384	
Administrative	80,037	84,571	
Insurance	41,442	38,164	
Interest	185,253	217,000	
Depreciation and amortization	312,004	311,333	
	771,319	820,863	
Loss Before Company Administration Fee and Investor Service Fee	(304,637)	(321,229)	
Company Administration Fee	12,430	12,068	
Investor Service Fee	5,464	5,305	
Net Loss	\$ (322,531)	\$ (338,602)	
Members' Equity			
	Managing Member	Investor Member	Total
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
Net loss	(32)	(322,499)	(322,531)
Balance (Deficit), December 31, 2023	\$ (21)	\$ 4,317,355	\$ 4,317,334

Tungsten Village LLC
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Activities		
Net loss	\$ (322,531)	\$ (338,602)
Adjustments to reconcile net loss to net cash from operating activities		
Depreciation	302,667	301,996
Amortization	9,337	9,337
Interest expense attributable to amortization of debt issuance costs	12,659	12,658
Changes in operating assets and liabilities		
Accounts receivable	(1,376)	529
Prepaid expenses	(12)	(3,551)
Accounts payable	(8,530)	(3,465)
Due to related party	35,751	(18,093)
Accrued expenses	48,392	72,651
Tenant security deposits payable	300	500
Net Cash from Operating Activities	76,657	33,960
Net Cash used for Investing Activity		
Purchase of property and equipment	-	(12,080)
Net Cash used for Financing Activity		
Principal payments on long-term debt	(33,784)	(32,120)
Net Change in Cash, Tenant Security Deposits, and Restricted Cash	42,873	(10,240)
Cash, Tenant Security Deposits, and Restricted Cash, Beginning of Year	304,685	314,925
Cash, Tenant Security Deposits, and Restricted Cash, End of Year	\$ 347,558	\$ 304,685
Cash	\$ 192,266	\$ 159,551
Tenant Security Deposits	7,895	7,895
Restricted Cash	147,397	137,239
Total cash, tenant security deposits, and restricted cash	\$ 347,558	\$ 304,685
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	\$ 142,095	\$ 143,759

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 in bank deposit accounts which may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2023 and 2022, the Company had approximately \$100,900 and \$58,300, respectively, in excess of FDIC-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, 2023 and 2022.

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 sheets. 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, 2023 and 2022, 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.

The future cash flows from operating lease payments to be received as of December 31, 2023 in 2024 are approximately \$71,000.

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 14, 2024, the date which the financial statements were available to be issued.

Note 2 - Restricted Cash

Restricted cash at December 31, 2023 and 2022 consists of the following:

	2023	2022
Replacement Reserve	\$ 26,943	\$ 18,909
Operating Reserve	120,454	118,330
	\$ 147,397	\$ 137,239

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, 2023 and 2022 is as follows:

	2023	2022
Balance, January 1	\$ 18,909	\$ 10,634
Deposits	8,034	8,275
Withdrawals	-	-
Balance, December 31	\$ 26,943	\$ 18,909

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.

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, 2023 and 2022, the insurance escrow has not been funded.

Note 3 - Tenant Security Deposits

Pursuant to management policy, the Company has set aside \$7,895 as of December 31, 2023 and 2022 to repay tenant security deposits after lease termination.

Note 4 - Property and Equipment

As disclosed in Note 1, the Partnership owns and operates a 26-unit low-income housing project in Nederland, Colorado. All of the Partnership's property and equipment is subject to operating leases with the residential tenants at December 31, 2023 and 2022. Property and equipment at December 31, 2023 and 2022, consist of the following:

	2023	2022
Land and Improvements	\$ 939,926	\$ 939,926
Buildings and Improvements	7,939,813	7,939,813
Equipment and Furnishings	247,116	247,116
	9,126,855	9,126,855
Accumulated depreciation	(1,032,302)	(729,635)
	\$ 8,094,553	\$ 8,397,220

Note 5 - Accrued Expenses

Accrued expenses at December 31, 2023 and 2022 consists of the following:

	2023	2022
Interest		
FirstBank	\$ 13,063	\$ 13,063
BCHA 6% - \$500,000	33,721	33,721
BCHA 3% - \$400,000	57,199	43,892
BCHA 1% - \$260,000	13,824	11,113
BCHA 3% - \$440,000	57,201	42,720
Company Administration Fee (Note 8)	40,952	28,523
Investor Service Fee (Note 8)	5,464	-
	\$ 221,424	\$ 173,032

Note 6 - Long-Term Debt

Long-term debt as of December 31, 2023 and 2022 consists of:

	2023	2022
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	\$ 2,784,386	\$ 2,818,169
Unamortized debt issuance costs, based upon an effective interest rate of 5.94%	(167,721)	(180,380)
	2,616,665	2,637,789
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

	2023	2022
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	\$ 3,941,559	\$ 3,962,683

Future maturities of long-term debt are as follows:

Year Ended December 31,	Amount
2024	\$ 34,889
2025	37,101
2026	39,027
2027	41,052
2028	42,802
Thereafter	3,914,409
Unamortized debt issuance costs	(167,721)
	\$ 3,941,559

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

Mortgage Notes and Accrued Interest

The Company has entered into multiple loan agreements with BCHA (Note 6), an entity related to the general partner. During 2023 and 2022, the Company incurred total interest of \$30,499 and \$60,583, respectively, on the BCHA mortgage notes payable. As of December 31, 2023 and 2022, the Company owes BCHA \$161,945 and \$131,446, respectively, for accrued interest (Note 5).

Contribution

During 2023 and 2022, BCHA made a contribution of \$0 and \$55,000, 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 2023 and 2022, 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 2023 and 2022, the Company reimbursed BCHA approximately \$101,200 and \$140,800, respectively. As of December 31, 2023 and 2022, the Company owed BCHA \$83,593 and \$47,842, 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 2023 and 2022, the Company incurred \$5,464 and \$5,305, respectively, for investor service fees. As of December 31, 2023 and 2022, the Company owes \$5,464 and \$0, 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 2023 and 2022, the Company incurred \$12,430 and \$12,068, respectively, for company administration fees. As of December 31, 2023 and 2022, the Company owed the managing member \$40,952 and \$28,523, 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 2023 and 2022, the investor member made capital contributions of \$0 to the Company and paid \$40,000 of syndication costs in 2020. As of December 31, 2023 and 2022, 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, 2023 and 2022
Tungsten Village LLC

Tungsten Village LLC

Schedules of Maintenance and Operating, Utilities, Administrative, Insurance, and Interest Expenses
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Maintenance and Operating		
Reimbursed salaries and benefits	\$ 65,072	\$ 44,372
Snow removal	-	25,950
Supplies	8,017	13,988
Contracted services	10,629	13,649
Other maintenance and operating	-	3,452
	<u>\$ 83,718</u>	<u>\$ 101,411</u>
Utilities		
Electricity	\$ 29,727	\$ 27,675
Trash removal	9,592	9,734
Water and sewer	29,546	30,975
	<u>\$ 68,865</u>	<u>\$ 68,384</u>
Administrative		
Reimbursed management salaries and benefits	\$ 60,749	\$ 54,789
Management fees	10,000	10,000
Other administrative	2,598	3,585
Audit and accounting	6,670	8,920
Legal	20	-
Bad debt	-	7,277
	<u>\$ 80,037</u>	<u>\$ 84,571</u>
Insurance		
Insurance	\$ 34,387	\$ 30,827
Other taxes, licenses, permits, and financial	7,055	7,337
	<u>\$ 41,442</u>	<u>\$ 38,164</u>
Interest		
FirstBank note	\$ 154,754	\$ 156,417
BCHA notes	30,499	60,583
	<u>\$ 185,253</u>	<u>\$ 217,000</u>