Consolidated Financial Statements and Supplementary Information

Housing Partnership Equity Trust REIT I, LLC and Subsidiaries
(A Delaware Limited Liability Company)
Years Ended December 31, 2018 and 2017
With Report of Independent Auditors

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Contents

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Report of Independent Auditors

The Members
Housing Partnership Equity Trust REIT I, LLC and Subsidiaries

We have audited the accompanying consolidated financial statements of Housing Partnership Equity Trust REIT I, LLC and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 consolidated financial position of Housing Partnership Equity Trust REIT I, LLC and Subsidiaries at December 31, 2018 and 2017, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is 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 supplementary information has been subjected to the auditing procedures applied in the audit 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. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst + Young LLP

April 5, 2019

Housing Partnership Equity Trust REIT I, LLC and Subsidiaries
(A Delaware Limited Liability Company)

Consolidated Balance Sheets
As of December 31, 2018 and 2017

	2018	2017
Assets		
Cash	$ 1,770,074	$ 1,609,788
Reserves - REIT:		
Dividend reserve	770,894	624,964
Operating reserve	1,804,279	1,798,148
Total reserves - REIT	2,575,173	2,423,112
Reserves - TRS		
Income tax reserve	1,320	1,620
Reserves - Project Entities:		
Capital expenditure reserve	2,063,945	2,043,752
Operating reserve	5,461,069	5,279,433
Total reserves - Project Entities	7,525,014	7,323,185
Total reserves	10,101,507	9,747,917
Investment in Project Entities	50,624,573	46,541,855
Prepaid expenses	22,476	18,630
Due from HPET LLC	69,425	37,625
Other assets	11,700	-
Total assets	$ 62,599,755	$ 57,955,815

See notes to consolidated financial statements.

Housing Partnership Equity Trust REIT I, LLC and Subsidiaries

(A Delaware Limited Liability Company)

Consolidated Balance Sheets

As of December 31, 2018 and 2017

	2018	2017
Liabilities and members' equity		
Accounts payable and accrued expenses	$ 562,727	$ 404,397
Dividends payable	767,959	580,592
Termination fees payable	487,500	600,000
HPN loan payable	1,136,364	2,272,727
Reserves due to Project Entities	7,525,014	7,323,185
Total liabilities	10,479,564	11,180,901
Members' equity		
Preferred stock, Class A $100,000 par value; 170 shares authorized, issued and outstanding at December 31, 2018	17,000,000	17,000,000
Preferred stock, Class C $500 par value; 125 shares authorized, issued and outstanding at December 31, 2018	62,500	62,500
Preferred stock, Class D $100,000 par value; 500 shares authorized, issued and outstanding at December 31, 2018	50,000,000	40,000,000
Common stock, Class B $178,000 par value; 100 shares authorized, issued and outstanding at December 31, 2018	17,800,000	17,800,000
Common stock, Class B $.01 par value; 11 shares authorized, issued and outstanding at December 31, 2018	-	-
Common stock, Class B $250,000 par value; 1 share authorized, issued and outstanding at December 31, 2018	250,000	-
Accumulated deficit	(32,992,309)	(28,087,586)
Total members’ equity	52,120,191	46,774,914
Total liabilities and members’ equity	$ 62,599,755	$ 57,955,815

See notes to consolidated financial statements.

Housing Partnership Equity Trust REIT I, LLC and Subsidiaries
(A Delaware Limited Liability Company)

Consolidated Statements of Operations
Years Ended December 31, 2018 and 2017

	2018	2017
Revenues:		
Acquisition fee	$ 240,000	$ 153,000
Other revenue	9,895	7,907
Total revenues	$ 249,895	$ 160,907
Expenses:		
Operating expense	1,815,344	1,770,775
Interest expense	57,797	92,172
General and administrative expense	1,250,583	1,636,203
Acquisition, development, and other pursuit costs, net of recoveries	-	54,049
Total expenses	3,123,724	3,553,199
Other income (expense):		
Equity in income/(losses) of Project Entities	856,118	(2,040,178)
Loan extension fee	(8,523)	-
Total other income (expense)	847,595	(2,040,178)
Loss before taxes	(2,026,234)	(5,432,470)
Income tax benefit (expense)	-	16,141
Net loss	$ (2,026,234)	$ (5,416,329)

See notes to consolidated financial statements.

Housing Partnership Equity Trust REIT I, LLC and Subsidiaries
(A Delaware Limited Liability Company)

Consolidated Statements of Members' Equity

	Common Unit Holders	Preferred Unit Holders	Accumulated Deficit	Total Members' Equity
Balance, December 31, 2016	$ 17,800,000	$ 50,498,672	$ (20,138,193)	$ 48,160,479
Preferred unit subscriptions received	-	6,563,828	-	6,563,828
Common unit subscriptions received	250,000	-	-	250,000
Common unit subscription receivable	(250,000)	-	-	(250,000)
Preferred unit distributions	-	-	(2,308,697)	(2,308,697)
Common unit distributions	-	-	(224,946)	(224,946)
Offering costs	-	-	579	579
Net loss	-	-	(5,416,329)	(5,416,329)
Balance, December 31, 2017	$ 17,800,000	$ 57,062,500	$ (28,087,586)	$ 46,774,914
Preferred unit subscriptions received	–	10,000,000	–	10,000,000
Common unit subscriptions received	250,000	–	–	250,000
Preferred unit distributions	–	–	(2,845,202)	(2,845,202)
Offering costs	–	–	(33,287)	(33,287)
Net loss	–	–	(2,026,234)	(2,026,234)
Balance, December 31, 2018	$ 18,050,000	$ 67,062,500	$ (32,992,309)	$ 52,120,191

See notes to consolidated financial statements.

Housing Partnership Equity Trust REIT I, LLC and Subsidiaries
(A Delaware Limited Liability Company)

Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Operating activities:		
Net loss	$ (2,026,234)	$ (5,416,329)
Adjustments to reconcile net loss to net cash used in operating activities:		
Equity in losses (income) of project entities	(856,118)	2,040,178
Return on investment	1,107,539	318,820
Changes in assets and liabilities:		
Prepaid expenses and other assets	(15,546)	(37,615)
Due from HPET LLC	(31,800)	-
Operating reserves - REIT	(6,131)	(1,080,661)
Reserves - TRS	300	698,380
Accounts payable and accrued expenses	158,330	(173,449)
Termination fees payable	(112,500)	600,000
Net cash used in operating activities	(1,782,160)	(3,050,676)
Investing activities:		
Contributions to project entities	(8,061,813)	(4,650,590)
Return of capital	3,727,674	4,229,717
Net change in reserves deposits - project entities	(201,829)	(1,421,318)
Net change in reserves due to project entities	201,829	1,421,318
Net cash used in investing activities	(4,334,139)	(420,873)
Financing activities:		
Paydown of HPN loan	(1,136,363)	-
Capital subscriptions received	10,250,000	6,563,828
Distributions paid	(2,657,835)	(2,635,927)
Funding of dividend reserves - REIT	(145,930)	(46,579)
Offering costs	(33,287)	579
Net cash provided by financing activities	6,276,585	3,881,901
Net increase in cash	160,286	410,352
Cash, beginning of the period	1,609,788	1,199,436
Cash, end of the period	$ 1,770,074	$ 1,609,788
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 47,633	$ 92,172
Cash paid for income taxes	$ -	$ 252,859
Supplemental schedule of non-cash investing and financing activities		
Distributions declared but unpaid	$ 767,959	$ 580,592

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

Housing Partnership Equity Trust REIT I, LLC (HPET REIT) and Subsidiaries (REIT or Company) was formed as a Delaware limited liability company on January 22, 2013, and was organized for the object and purpose of (i) providing relief of the poor and distressed or of the underprivileged; (ii) promoting social welfare by lessening neighborhood tensions, eliminating prejudice and discrimination, or combating community deterioration; and (iii) lessening the burdens of government. The real estate investment trust (REIT) is specifically authorized to own membership interests in the Subsidiaries that acquire ownership interests in the Projects directly (Project Entities). The Company will continue into perpetuity. The REIT is managed by its Board of Directors, who are elected by the Class B unit holders.

Eden Woodside Court HPET GP, LLC (HPET GP) is a wholly owned subsidiary of the REIT. The HPET GP is a pass-through entity that holds a 0.01% investment in and is a co-general partner of Eden Woodside Court, L.P. All contributions, distributions, and equity in income from the Project Entity is passed through to the REIT.

Savannah HPET GP, LLC (Savannah HPET GP) is a wholly owned subsidiary of the REIT. The Savannah HPET GP is a pass-through entity that holds a 0.01% investment in and is a co-general partner of Southport Yolo, L.P. All contributions, distributions, and equity in income from the Project Entity is passed through to the REIT.

HPET TRS, LLC (TRS) is a wholly owned subsidiary of the REIT. TRS was formed to absorb income that would be non-customary for the REIT. All contributions, distributions, and equity in income from the Project Entity is passed through to TRS and in turn passed through to the REIT.

Housing Partnership Equity Trust, LLC (HPET) is a member of the REIT and holds 90.2% of the Class B Units. Both HPET and the REIT were established by the Housing Partnership Network (HPN) along with other nonprofit investors and HPN is an investor in HPET today. HPN provides certain services to the REIT pursuant to contracts with the REIT. These services have included meeting support, finder’s fee, office sharing and information technology services.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents. There were no cash equivalents as of December 31, 2018 and 2017.

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Principles of Consolidation

Included in the Company's consolidated financial statements are the accounts of its wholly owned subsidiaries, HPET GP, Savannah HPET GP and the TRS. All intercompany balances and transactions are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

2. Summary of Significant Accounting Policies (continued)

Concentrations of Risk

The Company maintains its cash balances in several accounts with two banks. At times, these balances may exceed the federal insurance limits; however, the Company has not experienced any losses with respect to its bank balances in excess of government-provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2018 and 2017.

Concentrations of market, interest rate and credit risk may exist with respect to the REIT's investments and its other assets and liabilities. Market risk is a potential loss the REIT may incur as a result of changes in the fair value of its investments. The REIT may also be subject to risk associated with concentrations of investments in geographic regions and industries. Interest rate risk includes the risk associated with changes in prevailing interest rates. Credit risk includes the possibility that a loss may occur from the failure of counterparties or issuers to make payments according to the terms of a contract.

The REIT's investments are also subject to valuation and liquidity risk, financing risk, development financing risk and diversification risk.

The real estate market is cyclical in nature. Investment values are affected by, among other things, the availability of capital, vacancy rates, rental rates, interest rates, and inflation rates. Determining real estate values involves many assumptions that may be subjective. As a result, amounts ultimately realized from the real estate investments may vary significantly from the estimates presented and the differences could be material to the financial statements.

Restricted Cash

Pursuant to the terms of various operating agreements, the Company is required to escrow funds on behalf of the Project Entities for the funding of operating deficits and capital expenditures, which are reported as Reserves – Project Entities on the consolidated balance sheets. The Company is required to fund reserves for Company operating deficits and distributions to preferred members, which are reported as Reserves – REIT on the accompanying consolidated balance sheets. The Company also has reserves for income taxes, which are reported as Reserves – TRS on the accompanying consolidated balance sheets.

2. Summary of Significant Accounting Policies (continued)

Investment in Project Entities

We determined that all of the Company's investments in the Project Entities are Variable Interest Entities (VIEs) under accounting principles generally accepted in the United States of America primarily based on the fact that the entities are structured with non-substantive voting rights. However, the Company has determined not to consolidate the VIEs, as it is not the primary beneficiary and instead shares equal voting rights, therefore not meeting the power criterion. Both the carrying amount and the maximum exposure to loss comprise the Company's current investment in the Project Entities. The Company may be subject to additional losses to the extent of any financial support that the Company voluntarily provides to the Project Entities in the future.

The Company records its initial investment at cost, recognizes its share of each Project Entity's income or loss, increases its investment for capital contributions, and reduces its investment balance by any distributions received.

Cash distributions that the Company receives in excess of the carrying amount of its investment are recorded as income (if certain criteria are met), and the equity method of accounting is suspended. The Company would record future equity method earnings only after its share of cumulative earnings during the suspended period exceeds the income recognized for the excess cash distributions.

The Company's investments in Project Entities are periodically reviewed for impairment. The Company records an impairment charge when events or circumstances change indicating that a decline in fair value below carrying value has occurred and such decline is other than temporary. As of December 31, 2018 and 2017, no impairment on Project Entities has been reported.

Acquisition Fees

Acquisition fees are earned for selecting, evaluating, structuring, negotiating and closing the investments in Project Entities. The fee is recognized as revenue, provided that various criteria relating to the terms of the transaction and any subsequent involvement in the Project Entities by the Company are met. Revenue relating to transactions that do not meet the established criteria is deferred and recognized when the criteria are met.

2. Summary of Significant Accounting Policies (continued)

Income Taxes

The REIT has made an election to qualify, and is operating so as to qualify, as a real estate investment trust under Sections 856-860 of the Internal Revenue Code for federal income tax purposes. As a result, the Company generally is not subject to federal or state income taxation at the corporate level to the extent it distributes at least 90% of its REIT taxable income to its shareholders annually, and satisfies certain other requirements. We have considered the provisions of the Tax Cuts and Jobs Act (the TCJA), which was signed into law on December 22, 2017 and which took effect for taxable years beginning on or after January 1, 2018, and which did not have a material impact on our ability to continue to qualify as REIT.

For the years ended December 31, 2018 and 2017, the REIT has met all the REIT requirements, and accordingly, has not made a provision for federal income taxes in the accompanying consolidated financial statements. The REIT's tax returns are subject to examination by federal, state and local taxing authorities. Because many types of transactions are susceptible to varying interpretation under federal, state and local income tax laws and regulations, the amounts reported in the accompanying consolidated financial statements may be subject to change at a later date upon final determination by the respective taxing authorities. Income tax returns filed by the Company are subject to examination by the Internal Revenue Service for a period of three years. The 2015–2017 tax years remain subject to examination.

Eden Woodside Courts HPET GP, LLC and Savannah HPET GP, LLC (collectively HPET GPs) are organized as single member limited liability companies, which are disregarded entities for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by the REIT on its income tax return. Accordingly, the HPET GPs are not required to file an income tax return with the Internal Revenue Service but do file with state taxing authorities. These consolidated financial statements do not reflect a provision for income taxes.

TRS is subject to corporate federal and state income taxes. For the years ended December 31, 2018 and 2017, TRS made a provision for federal and state income taxes in the amount of $0. No income tax returns for TRS are currently being examined by the Internal Revenue Service, and tax years since inception, 2015, remain open.

2. Summary of Significant Accounting Policies (continued)

We can recognize a tax benefit only if it is more likely than not that a particular tax position will be sustained upon examination or audit, including resolution of any related appeals or litigation processes, based on the technical merits of the position. To the extent that the "more likely than not" standard has been satisfied, the benefit associated with a tax position is measured as the largest amount that is greater than 50% likely of being recognized upon settlement. There are no uncertain tax positions recorded as of December 31, 2018 and 2017.

3. Investments in Project Entities

The REIT's investments consist of equity investments in the following Project Entities:

Investment	Location	Acquisition Date	Ownership Percentage	Economic Interest	Capital Contributed
2000 Illinois Aurora, LLC (2000 Illinois Apartments) (a 128-unit multifamily apartment building)	Aurora, IL	4/25/2013	95.00%	85.00%	$ 6,985,406
Eden Woodside Court, LP (Woodside Court Apartments) (a 129-unit multifamily apartment buildings)	Fairfield, CA	7/12/2013	84.13%	84.14%	3,430,871
Eden Woodside Court, LP (Woodside Court Apartments) (a 129-unit multifamily apartment buildings)			0.01%*		408
Woodmere Trace, LLC (Woodmere Trace Apartments) (a 300-unit multifamily apartment buildings)	Norfolk, VA	9/10/2013	95.00%	85.00%	19,679,954
HHDC – Mallard Point, LLC (Mallard Point Apartments) (a 173-unit multifamily apartment buildings)	Channahon, IL	9/9/2014	86.50%	85.00%	5,277,829
AHC Woodleaf, LLC (Birches Apartments) (a 228-unit multifamily apartment buildings)	Silver Spring, MD	12/19/2014	86.50%	85.00%	7,428,989
Homes for Hagerstown, LLC (Bradford Apartments) (a 418-unit multifamily apartment buildings)	Hagerstown, MD	1/29/2015	86.50%	85.00%	8,488,744
HHDC – Mallard Point II, LLC **	Channahon, IL	9/8/2015	86.50%	85.00%	–

3. Investments in Project Entities (continued)

Investment	Location	Acquisition Date	Ownership Percentage	Economic Interest	Capital Contributed
AHC Dunfield EO, LLC (Dunfield Townhomes) (a 312-unit multifamily apartment buildings)	Nottingham, MD	12/10/2015	86.50%	85.00%	$ 9,391,151
Southport Yolo, LP (Savannah at Southport Townhomes) (a 228-unit multifamily apartment buildings)	West Sacramento, CA	12/11/2015	85.80%	85.00%	7,304,729
Southport Yolo, LP (Savannah at Southport Townhomes) (a 228-unit multifamily apartment buildings)			0.01%***		853
Dove Landing LLC (Dove Landing Portfolio) (318-unit multifamily apartment buildings)	Virginia Beach, VA	1/14/2016	86.50%	85.00%	7,429,475
Golden Sun Preservation LLC (Goldenstar and Sun Place) (139-unit multifamily apartment buildings)	Maplewood and Roseville, MN	6/7/2016	86.50%	85.00%	3,005,176
Meadow Ridge LV LLC (Meadow Ridge Apartments) (232-unit multifamily apartment buildings)	Las Vegas, NV	8/10/2016	86.50%	85.00%	6,726,612
Courtyard at Encanto LLC (Courtyard at Encanto) (160-unit multifamily apartment buildings)	Phoenix, AZ	10/17/2017	86.50%	85.00%	2,645,435
Pacific Villas LP (Pacific Villas) (86-unit multifamily apartment buildings)	Stockton, CA	12/12/2017	86.50%	85.00%	2,005,155
Quail Run Alameda County LP (Quail Run) (104-unit multifamily apartment buildings)	San Leandro, CA	03/20/2018	75.49%	75.49%	7,470,507
Quail Run Alameda County LP (Quail Run) (104-unit multifamily apartment buildings)			0.01%****		990
Total capital contributed					$ 97,727,284

* Held through the REIT's 100% investment in Eden Woodside Court HPET GP, LLC
** Land acquired September 8, 2015, held for future development
*** Held through the REIT's 100% investment in Savannah HPET GP, LLC
**** Held through the REIT's 100% investment in Quail Run HPET GP, LLC

3. Investments in Project Entities (continued)

Distributions and allocation of earnings and losses are accounted for using the economic interest of the investment, in accordance with the respective limited liability company agreements.
A summary of the REIT's investment in Project Entities is as follows:

Investment in Project Entities at December 31, 2016	$ 48,479,980
Capital contributions paid	4,650,590
Distributions from net cash flow	(4,548,537)
Equity in loss of Project Entities	(2,040,178)
Investment in Project Entities at December 31, 2017	$ 46,541,855
Capital contributions paid	8,061,813
Distributions from net cash flow	(4,835,213)
Equity in income of Project Entities	856,118
Investment in Project Entities at December 31, 2018	$ 50,624,573

Summary financial information of the Project Entities as of December 31, 2018 and 2017, is as follows:

The Combined balance sheets for the year ended December 31 are as follows:

	2018	**2017**
Assets		
Cash	$ 2,826,849	$ 2,367,046
Receivables	436,192	549,311
Prepaid expenses	1,000,121	1,036,075
Restricted Deposit	13,093,403	13,588,217
Property and equipment, net	277,514,067	256,965,132
Due from affiliates	4,260	36,408
Other assets	11,704	15,090
Total assets	294,886,596	274,557,279

3. Investments in Project Entities (continued)

	2018	2017
Liabilities and Partners' capital /Members' equity		
Accounts payable and accrued expenses	828,753	660,940
Related-party payable	193,344	163,329
Other liabilities	701,079	1,022,598
Tenant security deposits	1,445,525	1,244,055
Mortgages and notes payable	230,389,448	216,171,928
Total liabilities	233,558,149	219,262,850
Partners' capital /Members' equity		
Partners' capital/members' equity – HPET	50,729,975	46,570,818
Other partners' capital/members' equity	10,627,435	8,752,574
Syndication costs	(28,963)	(28,963)
Total partners' capital/members' equity	61,328,447	55,294,429
Total liabilities and partners' capital/members' equity	$ 294,886,596	$ 274,557,279

The combined statements of operations for the period ended December 31 are as follows:

	2018	2017
Revenue:		
Rental income, net	$ 33,729,796	$ 28,663,759
Other operating income	2,927,187	2,769,988
Total revenue	36,656,983	31,433,747
Operating expenses:		
Salaries and employee benefits	3,973,170	3,233,103
Repairs and maintenance	4,058,124	3,754,917
Utilities	2,832,031	2,235,822
Property management fee	1,310,588	1,066,694
Taxes and insurance	3,466,223	3,474,082
Administrative expenses	2,129,793	2,300,571
Total operating expenses	17,769,929	16,065,189

3. Investments in Project Entities (continued)

	2018	2017
Other income (expense):		
Interest income	2,296	809
Interest expense	(9,861,234)	(8,922,439)
Depreciation and amortization	(7,761,689)	(6,898,500)
Asset management fee	(225,354)	(162,542)
Other financing fees	(15,000)	(15,000)
Miscellaneous other income (expenses)	11,778	498,188
Loss on disposal of fixed assets	(37,711)	(16,891)
Capital expenses	(161,876)	-
Closing and acquisition costs	(467)	(196,154)
Other related party fees and expenses	(26,496)	(22,151)
Total other expense	(18,075,753)	(15,734,680)
Net income/(loss)	$ 811,301	$ (366,122)
Company's share of net income/(loss), 2017 includes $1.8 million of losses related to prior years	$ 856,118	$ (2,040,178)

4. Loan Payable

On October 20, 2014, HPN agreed to make available to the REIT a $2,272,727 loan, on a revolving basis, with a maturity date of October 20, 2015. The loan accrues interest at a rate of 4.0% per annum. Effective March 1, 2018, the loan was amended and the maturity date extended to June 1, 2021 and the interest rate was lowered to 3.50%. The Company paid a loan extension fee of $8,523. On May 4, 2018, the Company paid the principal down by $1,136,363 in accordance with the Seventh Amendment to Loan Documents. Commencing January 20, 2016 through May 4, 2018, a non-utilization fee of .50% per annum accrued on the amount by which the average daily principal amount outstanding is less than the Maximum Loan Amount, as defined. As of December 31, 2018 and 2017, $1,136,364 and $2,272,727, respectively, remain payable.

4. Loan Payable (continued)

During the years ended December 31, 2018 and 2017, interest expense incurred was $57,797 and $92,172, respectively. Accrued interest at December 31, 2018 and 2017 were 10,164 and $0, respectively, and are included as a liability in the accompanying consolidated balance sheets.

5. Related Party Transactions

Acquisition Fees

In connection with its efforts in selecting, evaluating, structuring, negotiating and closing the investment in Project Entities, the REIT earns a fee in an amount specified in the underwriting model of the respective Project Entity. For the years ended December 31, 2018 and 2017, acquisition fees of $240,000 and $153,000, respectively, were earned. No amounts remain receivable as of December 31, 2018 and 2017.

Contract Fees

In 2015, the REIT entered into a Contracted Services Agreement (CSA) with HPN to procure certain services, including office and information technology, communications, and member outreach services for $180,841 annually, and to provide for the payment of an annual Sponsor Fee of $250,000. The Sponsor Fee is paid quarterly though December 31, 2019. The contract was renewable annually with the consent of both parties. The CSA was amended in April 2017 to include additional services for capital raise strategy and planning for a total fee of $420,000 for services through 2018. On December 29, 2017, HPN and the REIT terminated the CSA, pursuant to a Termination Agreement and agreed that the REIT would pay a termination fee of $600,000, payable in quarterly installments of $37,500 beginning in 2018 through 2021.

The REIT then entered into a Services and Space Sharing Agreement with HPN, effective December 29, 2017, for the period January 1 through December 31, 2019, for meeting support, finder’s services, office sharing, and information technology services provided by HPN for a total annual fee of $315,841. Meeting support services and finder’s services terminated in December 31, 2018.This agreement is renewable annually with the consent of the parties.

During the years ended December 31, 2018 and 2017, the REIT incurred $0 and $540,839, respectively, under the CSA agreement, and $315,841 and $0, respectively, under the Termination and Services and Space Sharing Agreements, which are included in general and administrative expense in the accompanying consolidated statements of operations. As of December 31, 2018 and 2017, $12,987 and $0, respectively, in services and space sharing fees remain payable. As of December 31, 2018 and 2017, Termination Fees of $487,500 and $600,000, respectively, are included as a liability on the accompanying consolidated balance sheets.

5. Related Party Transactions (continued)

Reserves Due to Project Entities

During the years ended December 31, 2018 and 2017, the REIT held reserves on behalf of the Project Entities. These reserves are to fund capital expenditures and supplement operations of Project Entities and are not available for use by the REIT. The REIT recorded a payable to the Project Entities for the balance of the reserves. At December 31, 2018 and 2017, $7,525,014 and $7,323,185, respectively, of the reserves remain payable to the Project Entities.

Investment in Project Entities

The REIT's investments in Project Entities are managed and co-owned by holders of common units of HPET, LLC and Subsidiary.

Due from HPET LLC

The REIT paid certain general and administrative expenses on behalf of HPET. At December 31, 2018 and 2017, $69,425 and $37,625, respectively, are included on the accompanying consolidated balance sheets.

6. Professional Employer Organization agreement

Effective June 1, 2015, the REIT entered into a Professional Employer Organization (PEO) agreement with Insperity PEO Services, L.P. to provide for payroll services, health benefit plans, HR services and a 401(k) plan. The agreement remains in effect until terminated by either party. During the years ended December 31, 2018 and 2017, the total service fee (which include the procurement of benefits) incurred under this contract were $136,889 and $136,821, respectively, which is included in operating expenses on the accompanying consolidated statements of operations. As of December 31, 2018 and 2017, $4,192 and $3,761, respectively, remain payable and is included in accrued expenses on the accompanying consolidated balance sheets.

7. Members' Equity

Contributions (Subscriptions)

Pursuant to the Amended and Restated Limited Liability Company Agreement of the REIT (the Amended and Restated Agreement) effective January 6, 2014, Housing Partnership Equity Trust, LLC and Subsidiary (HPET) made a capital commitment of $17,800,000. On December 21, 2017, HPET purchased one Class B Common Unit for $250,000. As of December 31, 2018 and 2017, contributions of $17,800,000 and $17,800,000, respectively, have been funded by HPET. As of December 31, 2018 and 2017, $0 and $250,000, respectively, remain receivable.

Pursuant to the Second Amended and Restated Limited Liability Company Agreement of the REIT (the Second Amended and Restated Agreement) effective December 18, 2014, The Prudential Insurance Company of America (Prudential) increased its share of Class A Preferred Units from 100 to 170, increasing their Mandatory Capital Contributions by $7,000,000. In connection with the Second Amended and Restated Agreement, Prudential was granted warrants to purchase 10% of any new Class B Common units to be issued and outstanding at a purchase price of $0.01 per Class B Unit (the Warrants). The Warrants were exercised on March 29, 2016, with a Distribution Effective Date of December 15, 2015. As a result, Prudential owns 11 Class B units. As of December 31, 2018 and 2017, $17,000,000 and $17,000,000, respectively, has been funded by Prudential and there is no remaining commitment outstanding. Prudential's Class A Preferred Units have no voting rights and its Class B Common Units are entitled to one vote per unit. Cumulative dividends on the Class A Preferred Units accrue at an annual rate of 4.50% on the unrecovered capital contributions, compounded quarterly. On October 1, 2016, Prudential transferred its 170 Class A Preferred Units and 11 Class B Common Units to Prudential Impact Investments Private Equity LLC, a wholly owned subsidiary.

On June 24, 2015, the REIT amended and restated its limited liability company agreement (the Third Amended and Restated Limited Liability Company Agreement) to admit Citibank, N.A. (Citi) and Morgan Stanley Bank, N.A. (Morgan Stanley) each as a Member. Citi's capital commitment is $20,000,000, in exchange for 200 Class D Preferred Units. As of December 31, 2018 and 2017, $20,000,000 and 20,000,000, respectively, have been funded by Citi and no commitments remain outstanding. Morgan Stanley's capital commitment is $20,000,000, in exchange for 200 Class D Preferred Units. As of December 31, 2018 and 2017, $20,000,000 and 20,000,000, respectively, have been funded by Morgan Stanley and no commitments remain outstanding. Cumulative dividends on the Class D Preferred Units accrue at an annual rate of 4.5% on the unrecovered capital contributions, compounded quarterly.

7. Members' Equity (continued)

On April 21, 2016, the REIT amended its limited liability company agreement (the Amendment to the Third Amended and Restated Limited Liability Company Agreement) to admit Charles Schwab Bank (Schwab) as a Member. Schwab's capital commitment is $10,000,000, in exchange for 100 Class D Preferred Units. As of December 31, 2018 and 2017, $10,000,000 and $0, respectively, have been funded by Schwab and $0 and $10,000,000, respectively, of commitments remain outstanding from Schwab. Cumulative dividends on the Class D Preferred Units accrue at an annual rate of 4.5% on the unrecovered capital contributions, compounded quarterly.

Pursuant to a confidential private placement memorandum dated January 2014, 125 Class C Preferred Units were offered to a limited number of sophisticated, prospective investors. These units do not have an ownership interest or voting rights and are non-convertible. Holders of these units are entitled to receive cumulative distributions semi annually at a per annum rate of 12.5%. The liquidation value of each unit is $500. As of December 31, 2018 and 2017, no Class C Preferred Unit capital subscriptions remain receivable.

The table below summarizes the Members' Capital Contributions at December 31, 2018 and 2017:

Member	REIT Units	2018	2017
Prudential Impact Investments Private Equity LLC	170 Class A Units	$17,000,000	$ 17,000,000
Prudential Impact Investments Private Equity LLC	11 Class B Units	–	–
Housing Partnership Equity Trust, LLC	100 Class B Units	17,800,000	17,800,000
Citibank, N.A.	200 Class D Units	20,000,000	20,000,000
Morgan Stanley Bank, N.A.	200 Class D Units	20,000,000	20,000,000
Charles Schwab Bank	100 Class D Units	10,000,000	–
Individual investors	125 Class C Units	62,500	62,500
Total		$ 84,862,500	$ 74,862,500

7. Members' Equity (continued)

The Class A Preferred Unit Holder has the right to require the REIT to purchase all of the Class A Units held by the initial Class A Holder (Prudential). The date of notice shall be within 150 days of the 10th anniversary of December 18, 2014. The Put Right shall be exercised within 120 days of notice to exercise. The purchase price for such Class A Units shall equal the Initial Class A Unit Holder's Unrecovered Capital Contributions plus any amounts accrued and unpaid pursuant to section 5.2(a)(ii) of the Third Amended and Restated Operating Agreement. The Initial Class D Preferred Unit Holders have the right to require the REIT to purchase all of the Class D Units held by the initial Class D Holders, beginning on the 10th anniversary of June 24, 2015. The Put Right shall be exercised within 90 days of notice to exercise. The purchase price for such Class D Units shall equal to the Initial Class D Unit Holders' Unrecovered Capital Contributions plus any amounts accrued and unpaid pursuant to Section 5.2(a)(ii) of the Third Amended and Restated Operating Agreement.

Effective June 24, 2015, the REIT and HPET entered into a standby unit purchase agreement with the John D. and Catherine T. MacArthur Foundation (the Foundation) to provide the REIT with a liquidity facility, as called, to redeem a portion of the REIT's Class D Units, pursuant to section 5.2(a)(ii) of the Third Amended and Restated Limited Liability Company Operating Agreement. The Foundation has agreed to purchase up to the dollar amount of Eligible Units, as defined in the agreement, at a price of $100,000 per Eligible Unit.

Distributions

Effective June 25, 2015, in accordance with the Third Amended and Restated Agreement, distributable cash, defined as all net operating income and net investment proceeds, together with any additional amounts required to fund the distributions set in (i) and (ii) below, will be made in accordance with the following:

(i) First, to the Class C Unit Holders; then

(ii) Second, one hundred percent (100%) to the Class A Unit Holders pro rata in accordance with their Class A Percentage Interests, and Class D Unit Holders, pro rata in accordance with their Class D Percentage Interests, on a pari passu basis, until there shall have been distributed under this section 5.2(a)(ii) an amount equal to four and one-half percent (4.5%) per annum of such Class A Unit Holder's and Class D Unit Holder's Unrecovered

7. Members' Equity (continued)

Capital Contributions, as applicable, compounded quarterly; provided, that the number "four and a one-half percent (4.5%)" above shall instead be "eight and one-half percent (8.5%)" with respect to distributions to the Initial Class A Unit Holder and the Initial Class D Unit Holders for each quarter in which a distribution is not made following the first time the REIT fails to make a distribution pursuant to section 5.2(a)(ii) to the Initial Class A Unit Holder and the Initial Class D Unit Holders for two consecutive quarters (including, without limitation, for the avoidance of debt, the two consecutive quarters in which a distribution was not made); then

(iii) Third, all remaining Distributable Cash (or such lesser amount as the Company may determine in its sole discretion) to the Class B Unit Holders pro rata in accordance with their Class B Percentage Interests.

During the years ended December 31, 2018 and 2017, preferred unit distributions of $2,657,835 and $2,298,510, respectively, were paid. During the years ended December 31, 2018 and 2017, common unit distributions of $0 and $337,419, respectively, were paid. As of December 31, 2018 and 2017, $767,959 and $580,592 of distributions remain payable and are included in liabilities on the consolidated balance sheets.

8. Reserves

The REIT maintains the following reserves for the benefit of its operations:

Dividend Reserve

The REIT holds in reserve an amount sufficient to pay next quarter's expected preferred dividends due to Class A and D Preferred Unit Holders. As of December 31, 2018 and 2017, the balance is $770,894 and $624,964, respectively.

Operating Reserve

The REIT holds in reserve an amount no less than three months and no more than six months of the annual operating budget. As of December 31, 2018 and 2017, the balance is $1,804,279 and $1,798,148, respectively.

Income Tax Reserve

TRS held an income tax reserve in 2016 for the sale of its interest in Damen Court. As of December 31, 2018 and 2017, the balance is $1,320 and $1,620, respectively.

8. Reserves (continued)

The REIT maintains the following reserves on behalf of the Project Entities:

Capital Expenditure Reserves

The Project Entities are required to establish reserves to fund the planned rehabilitation of the Project Entities. As of December 31, 2018 and 2017, the aggregate balance is $2,063,945 and $2,043,752, respectively.

Operating Reserves

The Project Entities are required to establish reserves to fund any operating deficits of the Project Entities. As of December 31, 2018 and 2017, the aggregate balance is $5,461,069 and $5,279,433, respectively.

9. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance (except revenue in the scope of other accounting standards, including standards related to leasing). The standard clarifies the required factors that an entity must consider when recognizing revenue and requires additional disclosures concerning contracts with customers, judgments concerning revenue recognition, and assets recognized for the costs to obtain or fulfill a contract. The standard also provides guidance regarding the measurement of gains and losses relative to the sale of certain nonfinancial assets, including real estate. ASU 2014-09 is effective for the Company beginning January 1, 2019. The Company is evaluating the impact ASU 2014-09 will have on its financial position and is still assessing the approach it will take once implemented. The Company is currently evaluating the specific implementation requirements for allocating the consideration within its contracts in accordance with ASU 2014-09 as well as other transactions subject to ASU 2014-09. The Company does not expect the new standard to have a material impact on the measurement and recognition of revenue from project entities.

9. Recent Accounting Pronouncements (continued)

In February 2016, the FASB issued ASU 2016-02, *Leases*, amending the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. The guidance will be effective in the first quarter of 2020 and allows for early adoption. The new standard requires a modified retrospective transition approach for all leases existing at the date of initial application, with an option to use certain transition relief. ASU 2016-02 provides for transition relief, which includes not electing to (i) reassess whether any expired or existing contract is a lease or contains a lease, (ii) reassess the lease classification for any expired or existing leases and (iii) expense any capitalized initial direct costs for any existing leases. The Company does not expect the new standard to have a material impact on the financial statements; however, is currently assessing the impact of the new standard.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments* (ASU 2016-15). ASU 2016-15 intends to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. For non-public companies, ASU 2016-15 is effective for annual periods beginning after December 15, 2019. Early adoption is permitted, provided that all amendments are adopted in the same period. The guidance requires application using a retrospective transition method. The Company is currently assessing the impact of the adoption of ASU 2016-15.

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash*, which requires statements of cash flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period total amounts shown on the statement of cash flows. The new standard requires a retrospective approach. The guidance will be effective the first quarter of 2019 and allows for early adoption. The Company does not expect the new standard to have a material impact on the financial statements; however, will continue to assess the impact of the new standard.

10. Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activities of the group through April 5, 2019 (the date the financial statements were issued) and concluded that subsequent events have occurred:

10. Subsequent Events (continued)

Effective January 1, 2019, the Company amended the distribution waterfall for all but one of its Project Entities. One-hundred percent of cash distributions will go to the Company until December 31, 2021, subject to two one-year extensions.

Effective January 1, 2019, the Company amended the terms of the Termination Agreement with HPN. Annual termination fee payments of $150,000 for 2019, 2020 and 2021 will be reduced to $75,000. Total deferred fees of $225,000 will be paid in 2022.

On January 15, 2019, the Company paid dividends of $767,959 to its Class A and Class D Preferred Unit Holders of record as of the close of business September 30, 2018.

On January 31, 2019, the Company received $750,000 in exchange for three Class E Common Units. The Members that own Class E Units shall be entitled to participate in distributions made to Common Unit Holders pursuant to section 5.2 and section 11.2 of the LLC Agreement. The Class E Unit Holders shall have no voting, consent or approval rights on any matter related to the REIT other than with regard to certain mergers or sales, REIT elections and changes in the REIT limited liability company agreement. The Class E Unit Holders shall be entitled to one vote per Class E Common Unit, voting together as a single class on all matters submitted to the Class E Unit Holders, if any.

On March 19, 2019, the Company signed an Eighth Amendment to Loan Documents to include a loan paydown of $250,000 due on the date of HPN's purchase of voting common units of HPET for a purchase price equal to $250,000 and HPET's purchase of voting common unit(s) in the REIT for a purchase price equal to $250,000. Additional principal payments of $500,000 will be due on June 1, 2019 and $386,363.50 on June 1, 2020 (Maturity Date). The non-utilization fee was deleted in its entirety as of May 4, 2018.

Supplementary Information

Housing Partnership Equity Trust REIT I, LLC and Subsidiaries

(A Delaware Limited Liability Company)

Combining Balance Sheets of the Project Entities

December 31, 2018

	2000 Illinois Aurora LLC	Eden Woodside Court, LP	Woodmere Trace LLC	HHDC - Mallard Point, LLC	AHC Woodleaf LLC	Homes for Hagerstown, LLC	HHDC - Mallard Point II, LLC	AHC Dunfield EO LLC
Cash	$ 181,375	$ 88,103	$ 47,309	$ 307,706	$ 241,849	$ 327,109	$ 121	$ 303,383
Receivables	9,880	1,766	7,277	1,051	61,239	34,501	-	115,118
Prepaid expenses	13,685	11,856	-	83,317	192,651	301,304	-	316,849
Restricted deposits	697,895	317,303	1,100,292	1,155,605	953,581	1,543,150	-	1,168,659
Property and equipment, net	6,298,832	10,711,541	18,019,532	17,560,834	30,542,181	24,442,769	511,190	48,998,794
Due from affiliates	-	-	-	-	-	-	-	4,260
Other assets	-	-	1,166	390	8,808	-	-	-
Total assets	$ 7,201,667	$ 11,130,569	$ 19,175,576	$ 19,108,903	$ 32,000,309	$ 26,648,833	$ 511,311	$ 50,907,063
Accounts payable and accrued expenses	$ 48,852	$ 41,427	$ 30,357	$ 30,627	$ 58,535	$ 158,293	$ 10,077	$ 72,738
Related party payable	16,500	3,896	8,899	-	11,924	-	-	-
Other liabilities	187,724	342	6,190	375,054	12,172	56,867	-	5,003
Tenant security deposits	42,600	63,275	89,728	106,374	163,820	185,549	-	155,750
Mortgages and notes payable	4,690,544	8,141,994	16,903,139	15,009,097	27,278,950	20,994,592	-	45,830,552
Total liabilities	4,986,220	8,250,934	17,038,313	15,521,152	27,525,401	21,395,301	10,077	46,064,043
Partners' capital/Members' equity								
Partners' capital/members' equity - HPET	1,883,130	2,430,629	1,816,674	3,049,588	3,803,672	4,465,502	-	4,116,567
Other partners' capital/members' equity	332,317	462,469	320,589	538,163	671,236	788,030	501,234	726,453
Syndication costs	-	(13,463)	-	-	-	-	-	-
Total partners' capital/members' equity	2,215,447	2,879,635	2,137,263	3,587,751	4,474,908	5,253,532	501,234	4,843,020
Total liabilities and partners' capital/members' equity	$ 7,201,667	$ 11,130,569	$ 19,175,576	$ 19,108,903	$ 32,000,309	$ 26,648,833	$ 511,311	$ 50,907,063

	Southport Yolo LP	Dove Landing LLC	Golden Sun Preservation LLC	Meadow Ridge LV LLC	Courtyard at Encanto, LLC	Pacific Villas, LP	Quail Run Alameda County LP	Total
Cash	$ 317,993	$ 153,650	$ 113,279	$ 142,962	$ 206,774	$ 45,189	$ 350,047	$ 2,826,849
Receivables	7,072	64,550	21,681	68,565	20,256	8,908	14,328	436,192
Prepaid expenses	10,909	9,749	4,285	29,346	18,798	2,852	4,520	1,000,121
Restricted deposits	736,383	1,259,701	837,200	793,549	581,280	641,066	1,307,739	13,093,403
Property and equipment, net	27,129,356	21,529,487	9,605,808	22,081,969	9,112,384	6,433,632	24,535,758	277,514,067
Due from affiliates	-	-	-	-	-	-	-	4,260
Other assets	-	-	1,340	-	-	-	-	11,704
Total assets	$ 28,201,713	$ 23,017,137	$ 10,583,593	$ 23,116,391	$ 9,939,492	$ 7,131,647	$ 26,212,392	$ 294,886,596
Accounts payable and accrued expenses	$ 81,942	$ 35,585	$ 65,486	$ 38,959	$ 61,608	$ 6,377	$ 87,890	$ 828,753
Related party payable	1,000	6,859	117,630	5,524	-	16,052	5,060	193,344
Other liabilities	3,974	-	17,500	12,884	21,223	1,249	897	701,079
Tenant security deposits	123,838	109,004	94,822	70,904	54,396	79,380	106,085	1,445,525
Mortgages and notes payable	23,201,798	15,216,387	8,214,502	16,697,727	6,935,918	4,977,744	16,296,504	230,389,448
Total liabilities	23,412,552	15,367,835	8,509,940	16,825,998	7,073,145	5,080,802	16,496,436	233,558,149
Partners' capital/Members' equity								
Partners' capital/members' equity - HPET	4,086,287	6,501,907	1,762,605	5,346,834	2,436,395	1,743,218	7,286,967	50,729,975
Other partners' capital/members' equity	718,374	1,147,395	311,048	943,559	429,952	307,627	2,428,989	10,627,435
Syndication costs	(15,500)	-	-	-	-	-	-	(28,963)
Total partners' capital/members' equity	4,789,161	7,649,302	2,073,653	6,290,393	2,866,347	2,050,845	9,715,956	61,328,447
Total liabilities and partners' capital/members' equity	$ 28,201,713	$ 23,017,137	$ 10,583,593	$ 23,116,391	$ 9,939,492	$ 7,131,647	$ 26,212,392	$ 294,886,596

Housing Partnership Equity Trust REIT I, LLC and Subsidiaries

(A Delaware Limited Liability Company)

Combining Balance Sheets of the Project Entities

December 31, 2017

	2000 Illinois Aurora LLC	Eden Woodside Court, LP	Woodmere Trace LLC	HHDC - Mallard Point, LLC	HHDC - Mallard Point II, LLC	AHC Woodleaf LLC	Homes for Hagerstown, LLC	AHC Dunfield EO LLC	Southport Yolo LP	Dove Landing LLC	Golden Sun Preservation LLC	Meadow Ridge LV LLC	Courtyard at Encanto, LLC	Pacific Villas, LP	Total
Cash	$ 100,121	$ 99,041	$ 88,916	$ 291,351	$ 32	$ 286,246	$ 273,001	$ 418,472	$ 196,807	$ 145,586	$ 92,035	$ 198,113	$ 78,558	$ 98,767	$ 2,367,046
Receivables	21,126	14,974	12,779	11,740	-	76,774	23,373	210,651	52,396	27,257	10,484	68,415	18,965	377	549,311
Prepaid expenses	14,536	17,622	-	82,248	-	269,422	274,929	298,585	9,727	-	-	27,869	19,673	21,464	1,036,075
Restricted deposits	716,907	310,493	1,084,948	1,307,713	-	870,192	1,862,147	1,363,823	701,636	2,144,736	841,327	973,074	827,124	584,097	13,588,217
Property and equipment, net	6,473,020	10,965,971	18,351,700	17,887,555	511,190	31,431,785	23,910,095	50,329,344	28,119,273	21,168,992	9,843,097	22,348,748	9,124,362	6,500,000	256,965,132
Due from affiliates	6,000	-	-	-	-	-	-	4,260	-	-	26,148	-	-	-	36,408
Other assets	-	-	-	390	-	7,200	-	-	-	-	-	-	7,500	-	15,090
Total assets	$ 7,331,710	$ 11,408,101	$ 19,538,343	$ 19,580,997	$ 511,222	$ 32,941,619	$ 26,343,545	$ 52,625,135	$ 29,079,839	$ 23,486,571	$ 10,813,091	$ 23,616,219	$ 10,076,182	$ 7,204,705	$ 274,557,279
Accounts payable and accrued expenses	$ 41,626	$ 55,647	$ 22,585	$ 25,212	$ 9,462	$ 64,707	$ 75,842	$ 160,414	$ 65,164	$ 30,141	$ 31,629	$ 35,432	$ 43,079	$ -	$ 660,940
Related party payable	19,574	3,968	8,658	6,518	-	1,735	-	-	1,787	5,966	109,750	5,373	-	-	163,329
Other liabilities	179,200	7,689	8,961	345,579	-	5,904	32,183	13,501	20,917	379,987	12,560	7,841	8,276	-	1,022,598
Tenant security deposits	37,860	63,324	80,377	110,764	-	144,538	163,555	167,951	126,681	100,562	77,463	55,264	34,220	81,496	1,244,055
Mortgages and notes payable	4,760,287	8,266,747	17,180,063	15,247,556	-	27,685,888	21,273,180	46,293,668	23,176,169	15,396,331	8,249,268	16,745,334	6,920,693	4,976,744	216,171,928
Total liabilities	5,038,547	8,397,375	17,300,644	15,735,629	9,462	27,902,772	21,544,760	46,635,534	23,390,718	15,912,987	8,480,670	16,849,244	7,006,268	5,058,240	219,262,850
Partners' capital/Members' equity															
Partners' capital/members' equity - HPET	1,949,189	2,540,666	1,902,044	3,268,563	-	4,283,020	4,078,967	5,091,161	4,851,253	6,437,546	1,982,558	5,751,929	2,609,427	1,824,495	46,570,818
Other partners' capital/members' equity	343,974	483,523	335,655	576,805	501,760	755,827	719,818	898,440	853,368	1,136,038	349,863	1,015,046	460,487	321,970	8,752,574
Syndication costs	-	(13,463)	-	-	-	-	-	-	(15,500)	-	-	-	-	-	(28,963)
Total partners' capital/members' equity	2,293,163	3,010,726	2,237,699	3,845,368	501,760	5,038,847	4,798,785	5,989,601	5,689,121	7,573,584	2,332,421	6,766,975	3,069,914	2,146,465	55,294,429
Total liabilities and partners' capital/members' equity	$ 7,331,710	$ 11,408,101	$ 19,538,343	$ 19,580,997	$ 511,222	$ 32,941,619	$ 26,343,545	$ 52,625,135	$ 29,079,839	$ 23,486,571	$ 10,813,091	$ 23,616,219	$ 10,076,182	$ 7,204,705	$ 274,557,279

Housing Partnership Equity Trust REIT I, LLC and Subsidiaries
(A Delaware Limited Liability Company)

Combining Statements of Operations of the Project Entities
Year ended December 31, 2018

	2000 Illinois Aurora LLC	Eden Woodside Court, LP	Woodmere Trace LLC	HHDC - Mallard Point, LLC	AHC Woodleaf LLC	Homes for Hagerstown, LLC	HHDC - Mallard Point II, LLC	AHC Dunfield EO LLC	Southport Yolo LP	Dove Landing LLC	Golden Sun Preservation LLC	Meadow Ridge LV LLC	Courtyard at Encanto, LLC	Pacific Villas, LP	Quail Run Alameda County LP	Total
Revenue																
Rental income, net	$ 1,251,274	$ 1,626,168	$ 3,120,992	$ 2,368,482	$ 3,577,788	$ 4,049,968	$ -	$ 4,503,391	$ 2,754,354	$ 2,983,353	$ 1,392,780	$ 2,274,045	$ 1,420,131	$ 806,691	$ 1,600,379	$ 33,729,796
Other operating income	24,986	33,397	635,969	196,851	167,566	236,360	9,983	293,228	114,738	742,263	67,690	332,088	7,546	53,311	11,211	2,927,187
Total revenue	1,276,260	1,659,565	3,756,961	2,565,333	3,745,354	4,286,328	9,983	4,796,619	2,869,092	3,725,616	1,460,470	2,606,133	1,427,677	860,002	1,611,590	36,656,983
Operating expenses																
Salaries and employee benefits	171,187	132,651	430,947	282,326	310,608	661,383	-	459,277	262,410	387,274	95,763	325,677	194,069	93,211	166,387	3,973,170
Repairs and maintenance	126,247	198,293	599,793	298,445	259,077	690,525	-	294,560	278,914	487,062	317,621	179,523	109,007	42,117	176,940	4,058,124
Utilities	161,446	139,108	280,602	131,774	222,764	354,375	-	247,316	216,431	390,821	126,738	169,617	205,523	96,181	89,335	2,832,031
Property management fee	51,442	80,953	142,448	90,492	143,339	147,904	-	158,732	89,517	141,167	55,501	104,106	56,976	-	48,011	1,310,588
Taxes and insurance	190,478	39,928	269,987	441,087	451,269	557,699	10,398	501,569	98,651	296,017	194,738	192,046	88,931	96,634	36,791	3,466,223
Administrative expenses	97,929	186,721	305,810	101,184	134,608	250,950	111	122,636	156,620	378,869	88,937	104,297	85,532	68,773	46,816	2,129,793
Total operating expenses	798,729	777,654	2,029,587	1,345,308	1,521,665	2,662,836	10,509	1,784,090	1,102,543	2,081,210	879,298	1,075,266	740,038	396,916	564,280	17,769,929
Total operating income	477,531	881,911	1,727,374	1,220,025	2,223,689	1,623,492	(526)	3,012,529	1,766,549	1,644,406	581,172	1,530,867	687,639	463,086	1,047,310	18,887,054
Other income (expense)																
Interest income	31	11	92	852	527	124	-	-	50	-	552	35	-	-	22	2,296
Interest expense	(237,486)	(474,295)	(809,829)	(669,640)	(1,141,059)	(846,865)	-	(1,901,854)	(973,139)	(720,454)	(342,694)	(646,434)	(316,773)	(213,969)	(566,743)	(9,861,234)
Depreciation and amortization	(192,052)	(272,104)	(416,161)	(527,134)	(1,015,207)	(653,493)	-	(1,690,784)	(992,173)	(422,631)	(272,681)	(524,864)	(304,818)	(150,551)	(327,036)	(7,761,689)
Asset management fee	(13,357)	(1,000)	(35,612)	(22,620)	(28,020)	(21,110)	-	(24,996)	(1,000)	-	(13,368)	(22,152)	(21,067)	(16,052)	(5,000)	(225,354)
Other financing fees	-	(15,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	(15,000)
Other miscellaneous expense	(197)	-	-	-	-	-	-	914	-	11,061	-	-	-	-	-	11,778
Loss on disposal of fixed assets	-	(24,366)	-	-	-	-	-	-	(1,228)	-	-	-	-	-	(12,117)	(37,711)
Capital expenses	-	-	-	-	-	-	-	-	-	-	(72,563)	-	-	(89,313)	-	(161,876)
Other related party fees and payables	-	-	-	-	-	-	-	-	-	(26,496)	-	-	-	-	-	(26,496)
Closing and acquisition costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(467)	(467)
Total other income (expense)	(443,061)	(786,754)	(1,261,510)	(1,218,542)	(2,183,759)	(1,521,344)	-	(3,616,720)	(1,967,490)	(1,158,520)	(700,754)	(1,193,415)	(642,658)	(469,885)	(911,341)	(18,075,753)
Net income (loss)	$ 34,470	$ 95,157	$ 465,864	$ 1,483	$ 39,930	$ 102,148	$ (526)	$ (604,191)	$ (200,941)	$ 485,886	$ (119,582)	$ 337,452	$ 44,981	$ (6,799)	$ 135,969	$ 811,301

Housing Partnership Equity Trust REIT I, LLC and Subsidiaries
(A Delaware Limited Liability Company)

Combining Statements of Operations of the Project Entities
Year ended December 31, 2017

	2000 Illinois Aurora LLC	Eden Woodside Court, LP	Woodmere Trace LLC	HHDC - Mallard Point, LLC	HHDC - Mallard Point II, LLC	AHC Woodleaf LLC	Homes for Hagerstown, LLC	AHC Dunfield EO LLC	Southport Yolo LP	Dove Landing LLC	Golden Sun Preservation LLC	Meadow Ridge LV LLC	Courtyard at Encanto, LLC	Pacific Villas, LP	Total
Revenue															
Rental income, net	$ 1,222,839	$ 1,548,421	$ 2,874,995	$ 2,376,274	$ -	$ 3,485,339	$ 3,955,806	$ 4,357,194	$ 2,614,988	$ 2,577,731	$ 1,274,102	$ 2,109,430	$ 226,006	$ 40,634	$ 28,663,759
Other operating income	24,505	33,004	749,697	191,754	-	179,682	245,804	309,442	66,782	580,397	42,027	311,936	34,958	-	2,769,988
Total revenue	1,247,344	1,581,425	3,624,692	2,568,028	-	3,665,021	4,201,610	4,666,636	2,681,770	3,158,128	1,316,129	2,421,366	260,964	40,634	31,433,747
Operating expenses															
Salaries and employee benefits	154,421	77,059	361,604	340,015	-	319,678	629,547	236,323	263,861	325,601	184,293	299,166	41,535	-	3,233,103
Repairs and maintenance	109,624	176,408	910,323	196,776	-	261,164	507,035	509,892	285,128	368,925	234,345	166,825	28,472	-	3,754,917
Utilities	147,211	134,759	264,407	128,559	-	133,796	352,432	119,200	197,849	425,613	123,095	170,427	38,474	-	2,235,822
Property management fee	48,609	78,122	128,437	90,492	-	130,429	145,503	88,456	87,069	112,265	50,321	96,552	10,439	-	1,066,694
Taxes and insurance	184,566	83,333	305,415	475,391	9,804	445,784	520,531	644,591	96,525	268,518	231,643	187,664	17,104	3,213	3,474,082
Administrative expenses	101,952	162,684	401,679	114,171	107	209,873	202,612	362,153	178,170	368,047	77,021	98,463	23,639	-	2,300,571
Total operating expenses	746,383	712,365	2,371,865	1,345,404	9,911	1,500,724	2,357,660	1,960,615	1,108,602	1,868,969	900,718	1,019,097	159,663	3,213	16,065,189
Total operating income	500,961	869,060	1,252,827	1,222,624	(9,911)	2,164,297	1,843,950	2,706,021	1,573,168	1,289,159	415,411	1,402,269	101,301	37,421	15,368,558
Other income (expense)															
Interest income	16	6	49	464	-	-	39	-	13	-	195	27	-	-	809
Interest expense	(241,279)	(482,170)	(822,357)	(680,073)	-	(1,173,745)	(850,442)	(1,959,614)	(968,868)	(725,878)	(319,545)	(646,905)	(39,246)	(12,317)	(8,922,439)
Depreciation and amortization	(191,308)	(270,305)	(410,124)	(509,149)	-	(1,010,490)	(653,494)	(1,661,072)	(990,193)	(358,092)	(284,778)	(509,048)	(50,447)	-	(6,898,500)
Asset management fee	(13,425)	(1,000)	(32,109)	(22,620)	-	(27,000)	(20,823)	(20,736)	(1,000)	-	(3,247)	(20,582)	-	-	(162,542)
Other financing fees	-	(15,000)	-	-	-	-	-	-	-	-	-	-	-	-	(15,000)
Other miscellaneous expense	-	-	-	-	9,286	(1,836)	(5,000)	527,874	-	(26,316)	(5,820)	-	-	-	498,188
Loss on disposal of fixed assets	-	(6,692)	-	-	-	-	-	-	(10,199)	-	-	-	-	-	(16,891)
Closing and acquisition costs	-	-	-	-	-	-	-	-	-	-	-	-	(196,154)	-	(196,154)
Other related party fees and payables	-	-	-	-	-	-	-	-	-	(22,151)	-	-	-	-	(22,151)
Total other income (expense)	(445,996)	(775,161)	(1,264,541)	(1,211,378)	9,286	(2,213,071)	(1,529,720)	(3,113,548)	(1,970,247)	(1,132,437)	(613,195)	(1,176,508)	(285,847)	(12,317)	(15,734,680)
Net income (loss)	$ 54,965	$ 93,899	$ (11,714)	$ 11,246	$ (625)	$ (48,774)	$ 314,230	$ (407,527)	$ (397,079)	$ 156,722	$ (197,784)	$ 225,761	$ (184,546)	$ 25,104	$ (366,122)