



CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

Housing Partnership Equity Trust REIT I, LLC and Subsidiaries
(A Delaware Limited Liability Company)
Years Ended December 31, 2020 and 2019
With Report of Independent Auditors

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

Consolidated Financial Statements and Supplementary Information
Years Ended December 31, 2020 and 2019

Contents

Report of Independent Auditors.....	3
Consolidated Financial Statements	
Consolidated Balance Sheets.....	5
Consolidated Statements of Operations.....	7
Consolidated Statements of Members' Equity	8
Consolidated Statements of Cash Flows.....	9
Notes to Consolidated Financial Statements	10
Supplementary Information	
Combining Balance Sheets of the Project entities.....	29
Combining Statements of Operations of the Project entities.....	35



Ernst & Young LLP
1775 Tysons Blvd.
Tysons, VA 22102

Tel: +703 747 1000
Fax: +703 747 0100
ey.com

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, 2020 and 2019, and the related consolidated statements of operations, members' equity (deficit), 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 consolidated 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 of America. 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, 2020 and 2019, 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 of America. 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

March 31, 2021

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

Consolidated Balance Sheets
As of December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 4,580,553	\$ 1,806,162
Restricted cash:		
Dividend reserve	785,579	780,149
Operating reserve	1,838,615	1,825,906
Total restricted cash	<u>2,624,194</u>	<u>2,606,055</u>
Total cash, cash equivalents and restricted cash	<u>7,204,747</u>	<u>4,412,217</u>
Reserves - REIT		
Dividend reserve	388	387
Operating reserve	941	940
Total reserves - REIT	<u>1,329</u>	<u>1,327</u>
Reserves - Project entities:		
Capital expenditure reserve	851,107	1,442,708
Operating reserve	5,029,472	5,434,565
Total reserves - Project entities	<u>5,880,579</u>	<u>6,877,273</u>
Total reserves	<u>5,881,908</u>	<u>6,878,600</u>
Investment in Project entities	42,676,387	46,396,775
Receivable due from Project entity	-	3,751,257
Prepaid expenses	28,167	24,208
Due from HPET LLC	141,272	71,371
Other assets	9,827	-
Total assets	<u>\$ 55,942,308</u>	<u>\$ 61,534,428</u>

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, 2020 and 2019

	2020	2019
Liabilities and members' equity		
Accounts payable and accrued expenses	\$ 415,591	\$ 493,652
Preferred Unit distributions payable	697,640	765,602
Termination fees payable	300,000	375,000
HPN loan payable	386,364	386,364
Reserves due to Managing Members/General Partners	487,014	548,013
Reserves due to Project entities	5,880,579	6,877,273
Deferred liabilities	15,858	-
Total liabilities	8,183,046	9,445,904
Members' equity		
Preferred Units, Class A \$100,000 per Unit; 170 Units authorized, issued and outstanding at December 31, 2020 and 2019	17,000,000	17,000,000
Preferred Units, Class C \$500 per Unit; 125 Units authorized, issued and outstanding at December 31, 2020 and 2019	62,500	62,500
Preferred Units, Class D \$100,000 per Unit; 492.51 Units authorized, issued and outstanding at December 31, 2020, 499.56 Units authorized, issued and outstanding at December 31, 2019	49,250,990	49,956,214
Common Units, Class B \$178,000 per Unit; 100 Units authorized, issued and outstanding at December 31, 2020 and 2019	17,800,000	17,800,000
Common Units, Class B \$.01 per Unit; 11 Units authorized, issued and outstanding at December 31, 2020 and 2019	-	-
Common Units, Class B \$250,000 per Unit; 2 Units authorized, issued and outstanding at December 31, 2020, and December 31, 2019	500,000	500,000
Common Units, Class E \$250,000 per Unit; 3 Units authorized, issued and outstanding at December 31, 2020 and December 31, 2019	750,000	750,000
Accumulated deficit	(37,604,228)	(33,980,190)
Total members' equity	47,759,262	52,088,524
Total liabilities and members' equity	\$ 55,942,308	\$ 61,534,428

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, 2020 and 2019

	2020	2019
Revenues:	\$ -	\$ -
Expenses:		
Operating expense	2,071,688	1,909,731
General and administrative expense	662,197	884,360
Total expenses	<u>2,733,885</u>	<u>2,794,091</u>
Other income (expense):		
Equity in income of Project entities	2,202,770	2,890,001
Gain on sale of investment in Project entity	-	1,970,059
Income from allocated expenses	232,492	-
Interest income	39,959	38,688
Interest expense	(13,748)	(24,283)
Total other income	<u>2,461,473</u>	<u>4,874,465</u>
Net income (loss)	<u>\$ (272,412)</u>	<u>\$ 2,080,374</u>

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

	December 31, 2020	December 31, 2019
Preferred Units		
Balance, beginning of period	\$ 67,018,714	\$ 67,062,500
Preferred Unit subscriptions	5,544,776	-
Preferred Unit redemptions	(6,250,000)	(43,786)
Balance, end of period	<u>\$ 66,313,490</u>	<u>\$ 67,018,714</u>
Common Units		
Balance, beginning of period	\$ 19,050,000	\$ 18,050,000
Common Unit subscriptions	-	1,000,000
Balance, end of period	<u>\$ 19,050,000</u>	<u>\$ 19,050,000</u>
Accumulated Deficit		
Balance, beginning of period	\$ (33,980,190)	\$ (32,992,309)
Preferred Unit distributions	(3,111,609)	(3,065,048)
Common Unit distributions	(232,000)	-
Offering costs	(8,017)	(3,207)
Net income (loss)	(272,412)	2,080,374
Balance, end of period	<u>\$ (37,604,228)</u>	<u>\$ (33,980,190)</u>
Total Members' Equity		
Balance, beginning of period	<u>\$ 52,088,524</u>	<u>\$ 52,120,191</u>
Balance, end of period	<u>\$ 47,759,262</u>	<u>\$ 52,088,524</u>

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, 2020 and 2019

	2020	2019
Operating activities:		
Net income (loss)	\$ (272,412)	\$ 2,080,374
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Equity in income of Project entities	(2,202,770)	(2,890,001)
Gain on sale of investment in Project entity	-	(1,970,059)
Return on investment	2,595,671	3,135,298
Interest income	(2)	(4,654)
Changes in assets and liabilities:		
Reserves - TRS	-	1,320
Prepaid expenses and other assets	(13,786)	9,968
Due from HPET LLC	(69,901)	(1,946)
Accounts payable and accrued expenses	(78,061)	(69,075)
Termination fees payable	(75,000)	(112,500)
Deferred liabilities	15,858	-
Net cash provided by (used) in operating activities	(100,403)	178,725
Investing activities:		
Proceeds from sale of investment in Project entity	3,751,257	-
Transfers to restricted cash	-	2,578,502
Contribution to Project entities	-	(73,113)
Return of capital	3,752,158	2,822,427
Net change in distributions reserve	(424,671)	(548,013)
Net change in reserves due to Managing Members/General Partners	(60,999)	548,013
Net change in reserve deposits – Project entities	996,694	647,741
Net change in reserves due to Project entities	(996,694)	(647,741)
Net cash provided by investing activities	7,017,745	5,327,816
Financing activities:		
Preferred unit subscriptions	5,544,776	-
Preferred unit redemptions	(6,250,000)	(43,786)
Preferred unit distributions	(3,179,571)	(3,067,405)
Common unit subscriptions	-	1,000,000
Common unit distributions	(232,000)	-
Paydown of HPN loan	-	(750,000)
Offering costs	(8,017)	(3,207)
Net cash used in financing activities	(4,124,812)	(2,864,398)
Net increase in cash, cash equivalents and restricted cash	2,792,530	2,642,143
Cash, cash equivalents and restricted cash, beginning of period	4,412,217	1,770,074
Cash, cash equivalents, and restricted cash, end of period	\$ 7,204,747	\$ 4,412,217
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 4,580,553	\$ 1,806,162
Restricted cash	2,624,194	2,606,055
Cash, cash equivalents and restricted cash	\$ 7,204,747	\$ 4,412,217
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 13,748	\$ 24,283
Supplemental schedule of non-cash investing and financing activities:		
Distributions declared but unpaid	\$ 697,640	\$ 765,602
Receivable from sale of investment in Project entity	-	\$ 3,751,257

See notes to consolidated financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

Housing Partnership Equity Trust REIT I, LLC (REIT) and Subsidiaries (HPET 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 until dissolved in accordance with its limited liability company agreement, including upon the dissolution of Housing Partnership Equity Trust, LLC (HPET LLC). HPET REIT is managed by its Board of Directors, who are elected by the Class B Common Unit Holders.

Eden Woodside Court HPET GP, LLC (Woodside HPET GP) is a wholly owned subsidiary of the REIT. The Woodside 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.

Quail Run HPET GP, LLC (Quail Run HPET GP) is a wholly owned subsidiary of the REIT. The Quail Run HPET GP is a pass-through entity that holds a 0.01% investment in and is a co-general partner of Quail Run Alameda County 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. TRS had no activity for the years ending December 31, 2020 and 2019.

Housing Partnership Equity Trust, LLC (HPET LLC) is a member of HPET REIT and holds 87.93% of the Common Units. Both HPET LLC and HPET REIT (collectively HPET) were established by The Housing Partnership Network, Inc. (HPN) along with other nonprofit investors and HPN is an investor in HPET LLC today. HPN provided certain services to the REIT pursuant to contracts with the REIT. In 2020 and 2019, these services consisted of office sharing and information technology services.

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

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. As of December 31, 2020 and 2019, the Company had cash equivalents of \$2,732,106 and \$0, respectively, included in the accompanying consolidated balance sheets.

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, Woodside HPET GP, Savannah HPET GP, Quail Run HPET GP (collectively HPET GPs), 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.

Concentrations of Risk

The Company maintains its cash balances in several accounts with one bank. 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, 2020 and 2019.

Concentrations of market, interest rate and credit risk may exist with respect to HPET REIT's investments and its other assets and liabilities. Market risk is a potential loss HPET REIT may incur as a result of changes in the fair value of its investments. HPET 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.

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

2. Summary of Significant Accounting Policies (continued)

HPET REIT's investments are also subject to valuation and liquidity risk, financing risk, capital requirements 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.

Impact of COVID-19 on Our Operations

Our operating results depend, in large part, on revenues derived from leasing apartment homes to residential tenants in the communities in which we invest. Those revenues are affected by the ability of the residents to earn sufficient income or to obtain replacement public assistance to pay their rents in a timely manner, the extent to which ownership is required or agrees to waive late and other customary fees associated with apartment rental, and the ability of property management and asset management to limit bad debt and maintain operating results utilizing the rights, remedies and strategies available. The market and economic challenges created by the COVID-19 pandemic, and governmental measures implemented to prevent its spread, already has, and may continue to put downward pressure on revenues, net income and NOI, returns on investment and profitability and, as a result, our ability to make distributions to our investors or to realize appreciation in the value of our investments.

Restricted Cash

Pursuant to the terms of various operating agreements, the Company is required to reserve 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 accompanying consolidated balance sheets. The Company is also required to fund reserves for Company operating deficits and distributions to Preferred Unit Holders, which are reported as Restricted cash and Reserves – REIT on the accompanying consolidated balance sheets. The Restricted cash is in a time deposit earning 0.19% in interest annually as of December 31, 2020 and requiring a 31-day notice before funds become available.

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

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 US GAAP 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 is 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. No impairment loss was recognized during the years ended December 31, 2020 and 2019.

Income Taxes

HPET 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 (the 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 Unit Holders 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, 2020 and 2019, HPET REIT has met all the REIT requirements, and accordingly, has not made a provision for federal income taxes in the accompanying consolidated financial statements. HPET REIT's tax returns are subject to examination by federal, state and local taxing authorities. Because many types of

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

2. Summary of Significant Accounting Policies (continued)

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. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2017 remain open.

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 HPET REIT on its income tax return. Accordingly, 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, 2020 and 2019, 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 2017 remain open.

HPET REIT recognizes 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.

Recent Accounting Pronouncements

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 2022 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.

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

3. Investments in Project entities

HPET REIT's investments consist of equity investments in the following Project entities:

Investment	Location	Acquisition Date	Ownership Percentage	Capital Contributed
Eden Woodside Court, LP (Woodside Court Apartments) (a 129-unit multifamily rental property)	Fairfield, CA	7/12/2013	84.13%	\$ 3,430,871
Eden Woodside Court, LP (Woodside Court Apartments) (a 129-unit multifamily rental property)			0.01%*	408
Woodmere Trace, LLC (Woodmere Trace Apartments) (a 300-unit multifamily rental property)	Norfolk, VA	9/10/2013	95.00%	19,679,954
HHDC – Mallard Point, LLC (Mallard Point Apartments) (a 173-unit multifamily rental property)	Channahon, IL	9/9/2014	86.50%	5,277,829
AHC Woodleaf, LLC (Birches Apartments) (a 228-unit multifamily rental property)	Silver Spring, MD	12/19/2014	86.50%	7,428,989
Homes for Hagerstown, LLC (Bradford Apartments) (a 418-unit multifamily rental property)	Hagerstown, MD	1/29/2015	86.50%	8,488,743
HHDC – Mallard Point II, LLC **	Channahon, IL	9/8/2015	86.50%	-
AHC Dunfield EO, LLC (Dunfield Townhomes) (a 312-unit multifamily rental property)	Nottingham, MD	12/10/2015	86.50%	9,391,151
Southport Yolo, LP (Savannah at Southport Townhomes) (a 228-unit multifamily rental property)	West Sacramento, CA	12/11/2015	85.80%	7,304,729
Southport Yolo, LP (Savannah at Southport Townhomes) (a 228-unit multifamily rental property)			0.01%***	853
Dove Landing LLC (Dove Landing Portfolio) (a 318-unit multifamily rental property)	Virginia Beach, VA	1/14/2016	86.50%	7,429,475
Golden Sun Preservation LLC (Goldenstar and Sun Place) (a 139-unit multifamily rental property)	Maplewood and Roseville, MN	6/7/2016	86.50%	3,005,176
Meadow Ridge LV LLC (Meadow Ridge Apartments) (a 232-unit multifamily rental property)	Las Vegas, NV	8/10/2016	86.50%	6,726,612

* Held through HPET REIT's 100% investment in Eden Woodside Court HPET GP, LLC

** Land acquired September 8, 2015, held for future development

*** Held through HPET REIT's 100% investment in Savannah HPET GP, LLC

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

3. Investments in Project entities (continued)

<u>Investment</u>	<u>Location</u>	<u>Acquisition Date</u>	<u>Ownership Percentage</u>	<u>Capital Contributed</u>
Courtyard at Encanto LLC (Courtyard at Encanto) (a 160-unit multifamily rental property)	Phoenix, AZ	10/17/2017	86.50%	2,645,435
Pacific Villas LP (Pacific Villas) (a 86-unit multifamily rental property)	Stockton, CA	12/12/2017	86.50%	2,078,268
Quail Run Alameda County LP (Quail Run) (a 104-unit multifamily rental property)	San Leandro, CA	03/20/2018	75.49%	7,470,507
Quail Run Alameda County LP (Quail Run) (a 104-unit multifamily rental property)			0.01%****	990
Total capital contributed				<u><u>\$ 90,359,990</u></u>

**** Held through HPET REIT's 100% investment in Quail Run HPET GP, LLC

Distributions and allocation of earnings and losses are accounted for in accordance with the respective limited liability company or limited partnership agreements.

Effective January 1, 2019, 12 of the 14 Project entities amended the limited liability company/limited partnership agreements to revise the distribution waterfall. The Company will receive 100% of the distributions through December 31, 2021, subject to two (2) one-year extensions. Annually, within 120 days of the fiscal year end, if distributions to the Company exceed the Projected Net Cash Flow/Projected Net Operating Income, seventy-five (75%) of the difference will be returned to the Managing Member/General Partner. As of December 31, 2020 and 2019, the Company recorded a Reserves Due to Managing Members/General Partners of \$487,014 and \$548,013, respectively, included as a liability in the accompanying consolidated balance sheets.

On December 17, 2019, 2000 Illinois Aurora, LLC, one of the Company's Project entities, sold 2000 Illinois, a 128-unit multifamily rental property located in Aurora, Illinois, to an unrelated third party for a sale price of \$9,550,000. For the year ending December 31, 2019, the Company recorded a gain on sale of investment in Project entity for \$1,970,059, which is included in the accompanying consolidated statements of operations. As of December 31, 2019, the Company recorded a receivable for its share of the net sales proceeds of \$3,751,257, which is included in the accompanying consolidated balance sheets. The receivable was collected in the first quarter of 2020.

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

3. Investments in Project entities (continued)

A summary of HPET REIT's investment in Project entities is as follows:

Investment in Project entities at December 31, 2018	\$ 50,624,573
Capital contributions paid	73,113
Distributions from net cash flow	(5,957,727)
Distributions reserve	548,013
Net proceeds from sale of Project entity	(3,751,257)
Gain on sale of investment in Project entity	1,970,059
Equity in income of Project entities	<u>2,890,001</u>
Investment in Project entities at December 31, 2019	\$ 46,396,775
Distributions from net cash flow	(6,347,829)
Distributions returned to Managing Members/General Partners	485,670
Distributions reserve	(60,999)
Equity in income of Project entities	<u>2,202,770</u>
Investment in Project entities at December 31, 2020	<u><u>\$ 42,676,387</u></u>

Summary financial information of the Project entities as of December 31, 2020 and 2019, is as follows:

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

	2020	2019
Assets		
Cash	\$ 3,254,881	\$ 3,219,929
Receivables	907,020	527,840
Prepaid expenses	1,226,724	1,852,834
Restricted deposits	11,064,725	10,403,617
Property and equipment, net	259,077,483	265,750,232
Due from affiliates	-	4,260
Other assets	84,591	12,062
Total assets	<u><u>275,615,424</u></u>	<u><u>281,770,774</u></u>
Liabilities and Partners' capital/Members' equity		
Accounts payable and accrued expenses	1,305,215	819,098
Related-party payable	193,548	367,219
Tenant security deposits	1,654,693	1,527,084
Other liabilities	566,868	728,027
Mortgages and notes payable	219,545,817	222,638,443
Total liabilities	<u><u>223,266,141</u></u>	<u><u>226,079,871</u></u>
Partners' capital/Members' equity		
Partner's capital/member's equity - HPET REIT	42,705,350	46,425,738
Other partners' capital/members' equity	9,672,896	9,294,128
Syndication costs - HPET REIT	<u>(28,963)</u>	<u>(28,963)</u>
Total partners' capital/members' equity	<u><u>52,349,283</u></u>	<u><u>55,690,903</u></u>
Total liabilities and partners' capital/members' equity	<u><u>\$ 275,615,424</u></u>	<u><u>\$ 281,770,774</u></u>

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

3. Investments in Project entities (continued)

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

	2020	2019
Revenue:		
Rental income, net	\$ 35,749,127	\$ 35,893,861
Other operating income	3,337,390	3,905,560
Total revenue	<u>39,086,517</u>	<u>39,799,421</u>
Operating expenses:		
Salaries and employee benefits	4,111,802	4,313,261
Repairs and maintenance	4,027,031	4,281,290
Utilities	2,547,798	2,502,032
Property management fee	1,390,244	1,441,051
Taxes and insurance	3,747,585	3,698,449
Administrative expenses	2,392,908	2,384,075
Total operating expenses	<u>18,217,368</u>	<u>18,620,158</u>
Other income (expenses):		
Interest income	10,835	27,733
Interest expense	(9,582,869)	(9,960,172)
Depreciation and amortization	(7,801,365)	(8,153,366)
Asset management fee	(142,771)	(150,392)
Capital expenses	(123,859)	(194,955)
Loss on disposal of fixed assets	(78,020)	(253,610)
Other financing fees	(26,993)	(17,271)
Other related party fees and expenses	(1,000)	(1,000)
Total other expenses	<u>(17,746,042)</u>	<u>(18,703,033)</u>
Net income	<u>\$ 3,123,107</u>	<u>\$ 2,476,230</u>
Equity in income of Project entities	<u>\$ 2,202,770</u>	<u>\$ 2,890,001</u>

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

4. Loan Payable

On October 20, 2014, HPN, a related party, agreed to make available to HPET 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, in accordance with the Seventh Amendment to Loan Documents, the Company paid the principal down by \$1,136,364. 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.

On March 19, 2019, the Company signed an Eighth Amendment to Loan Documents to amend the maturity date and include a loan payoff of \$250,000, made on April 8, 2019, and due on the date of HPN's purchase of voting common units of HPET LLC for a purchase price equal to \$250,000 and HPET LLC's purchase of voting common unit(s) in HPET REIT for a purchase price equal to \$250,000. An additional principal payment of \$500,000 was made on June 19, 2019. Effective September 30, 2020, the loan was amended and the maturity date was extended to September 30, 2021. As of December 31, 2020 and 2019, \$386,364 and \$386,364, respectively, remain payable, and are included as a liability in the accompanying consolidated balance sheets.

During the years ended December 31, 2020 and 2019, interest expense incurred was \$13,748 and \$24,283, respectively. Accrued interest was \$0 at December 31, 2020 and 2019.

5. Related Party Transactions

Contract Fees

In 2015, HPET 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 through 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 HPET REIT terminated the CSA, pursuant to a Termination Agreement and agreed that HPET REIT would pay a termination fee of \$600,000, payable in quarterly installments of \$37,500 beginning in 2018 through 2021. Effective January 1, 2019, the Company amended the terms of the Termination Agreement to reduce the annual termination fee payments to \$75,000 for 2019, 2020 and 2021. Total deferred fees of \$225,000 will be paid in 2022.

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

5. Related Party Transactions (continued)

HPET 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. Space sharing renewed effective January 1, 2019 for an annual fee of \$80,841. Effective July 1, 2020, HPET REIT assumed the Office Building lease agreement. The lease terminates on August 31, 2022. The Company's future lease payments for years ending December 31, 2021 and 2022 are \$118,127 and \$80,222, respectively.

During the years ended December 31, 2020 and 2019, HPET REIT incurred \$40,421 and \$80,841, respectively, under the Services and Space Sharing Agreements, which are included in general and administrative expense in the accompanying consolidated statements of operations. As of December 31, 2020 and 2019, Termination Fees of \$300,000 and \$375,000, respectively, are included as a liability on the accompanying consolidated balance sheets.

Receivable Due from Project entity

At December 31, 2020 and 2019, the Company recorded a receivable of \$0 and \$3,751,257, respectively, due from 2000 Illinois Aurora, LLC related to the sale of 2000 Illinois.

Reserves Due to Project entities

During the years ended December 31, 2020 and 2019, HPET 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 HPET REIT. HPET REIT recorded a payable to the Project entities for the balance of the reserves. At December 31, 2020 and 2019, \$5,880,579 and \$6,877,273, respectively, of the reserves remain payable to the Project entities.

Investment in Project entities

HPET 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

HPET REIT paid certain expenses on behalf of HPET LLC. At December 31, 2020 and 2019, \$0 and \$71,371, respectively, are included on the accompanying consolidated balance sheets.

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

5. Related Party Transactions (continued)

HPET REIT allocates some of its expenses to HPET LLC based on an estimate of the percentage of time HPET REIT staff spends on HPET LLC. The time allocation percentage is reviewed on an annual basis as part of both companies' budgeting process. During the years ended December 31, 2020 and 2019, HPET REIT recorded income from allocated expenses of \$232,492 and \$0, respectively, and are included in other income in the accompanying consolidated statements of operations. As of December 31, 2020 and December 31, 2019, \$141,272 and \$0, respectively, remain receivable and is included in due from HPET LLC in the accompanying consolidated balance sheets.

6. Members' Equity

Contributions (Subscriptions)

Pursuant to the Amended and Restated Limited Liability Company Agreement of HPET REIT (the Amended and Restated Agreement) effective January 6, 2014, HPET made a capital commitment of \$17,800,000. On December 21, 2017, HPET LLC purchased one Class B Common Unit for \$250,000. In conjunction with HPET REIT's principal pay down of the Loan Payable to HPN, HPN agreed to purchase additional voting common units in HPET, to be used by HPET LLC to purchase Class B unit(s) in HPET REIT, subject to certain conditions. On April 8, 2019, HPET LLC purchased one Class B Common Unit for \$250,000. As of December 31, 2019, \$18,300,000 have been funded by HPET LLC and there is no remaining commitment outstanding.

Pursuant to the Second Amended and Restated Limited Liability Company Agreement of the HPET 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, \$17,000,000 have 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. Distributions 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.

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

6. Members' Equity (continued)

On June 24, 2015, HPET 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, \$20,000,000 have been funded by Citi and there is no remaining commitment outstanding. Morgan Stanley's capital commitment is \$20,000,000, in exchange for 200 Class D Preferred Units. As of December 31, 2018, \$20,000,000 have been funded by Morgan Stanley and there is no remaining commitment outstanding. Distributions on the Class D Preferred Units accrue at an annual rate of 4.5% on the Unrecovered Capital Contributions, compounded quarterly.

On April 21, 2016, HPET REIT amended its limited liability company agreement (the Amendment to the Third Amended and Restated Limited Liability Company Agreement) to admit Charles Schwab Bank, SSB (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, \$10,000,000 have been funded by Schwab and there is no remaining commitment outstanding. Distributions 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 voting rights and are non-convertible. Holders of these units are entitled to receive cumulative distributions semiannually at a per annum rate of 12.5%. The liquidation value of each unit is \$500. As of December 31, 2018, \$62,500 have been funded and there is no remaining commitment outstanding.

Pursuant to a confidential private placement memorandum dated November 2017, 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 HPET REIT other than with regard to certain mergers or sales, HPET REIT elections and changes in the HPET 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. HPET REIT shall offer annual redemptions to Class E Common Unit Holders beginning in year eight after the initial issuance of each such Unit, subject to the terms in the Redemption Policy. As of December 31, 2019, \$750,000 have been funded and there is no remaining commitment outstanding.

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

6. Members' Equity (continued)

The table below summarizes the Members' Capital Contributions at December 31, 2020 and 2019:

Member	HPET REIT Units	2020	2019
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	102 Class B Units	18,300,000	18,300,000
Citibank, N.A.	175 Class D Units	17,500,000	20,000,000
Morgan Stanley Bank, N.A.	174.56 Class D Units	17,456,214	19,956,214
Charles Schwab Bank, SSB	87.5 Class D Units	8,750,000	10,000,000
John D. and Catherine T. MacArthur Foundation	55.45 Class D Units	5,544,776	-
Individual investors	125 Class C Units	62,500	62,500
Individual investors	3 Class E Units	750,000	750,000
Total		\$ 85,363,490	\$ 86,068,714

The Class A Preferred Unit Holder has the right to require HPET 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 HPET 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, HPET entered into a Standby Unit Purchase Agreement with the John D. and Catherine T. MacArthur Foundation (the Foundation) to provide HPET REIT with a liquidity facility, as called, to redeem a portion of HPET 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.

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

6. Members' Equity (continued)

Periodic Redemptions

Pursuant to the Side Letters with the Class D Unit Holders, on September 22, 2020, HPET REIT offered to purchase a portion of the outstanding Class D Units in an amount equal to \$6.25 million. The redemption may be funded by operating cash flow, proceeds from new capital raises or proceeds from the liquidity facility. On September 25, 2020, Morgan Stanley elected to have 25 of its Class D Units redeemed for \$2,500,000. On October 15, 2020, Schwab elected to have 12.5 of its Class D Units redeemed for \$1,250,000. On October 29, 2020, Citi elected to have 25 of its Class D Units redeemed for \$2,500,000. On November 20, 2020, the Foundation purchased 55.45 Class D Units for \$5,544,776 to fund the redemptions. On November 24, 2020, HPET REIT redeemed 62.5 Class D Units for \$6,250,000. The remaining \$705,224 was funded from the January 2019 Equity Offering. The redemption included payment of accrued distributions of \$113,271 for the period from July 1, 2020 through November 24, 2020 for a total of \$6,363,271.

Pursuant to Section 1 of that certain Amended and Restated Side Letter (Side Letter), 20% of the capital received by the Company in the January 2019 Equity Offering must be used to redeem Class A Units or Class D Units of the Company, as applicable, on a pro rata basis based on the Mandatory Capital Contributions of the holders of Class A Units and Class D Units, at a price equal to the Class A Put Price or the Class D Put Price, as applicable (Redemption Right). On May 9, 2019, Morgan Stanley elected to redeem pursuant to the Redemption Right. On July 1, 2019, the Company redeemed .44 Class D Units for \$43,786 including accrued distributions of \$990 for the period from January 1, 2019 through June 30, 2019 for a total of \$44,776.

Pursuant to the Amended and Restated 2015 Side Letter with Prudential, Prudential shall also have the right to receive such redemption offers, but only to the extent such redemption is funded through the use of operating cash flow and proceeds from new capital raises, if any. On September 22, 2020, HPET REIT offered to purchase a portion of its Class A Units in an amount up to \$179,054. Prudential did not elect to have any of its Class A Units redeemed in the September 22, 2020 offer.

During the period from September 22, 2021 through June 24, 2025, HPET REIT will make the following periodic Redemption Offers as well as Put Rights for Class A Unit Holders in 2024 and Class D Unit Holders in 2025. These amounts are subject to change, depending on periodic or additional redemption offers accepted in any particular year:

	Class A	Class D	Totals
2021	\$ 350,047	\$ 1,250,000	\$ 1,600,047
2022	350,047	1,250,000	1,600,047
2023	350,046	1,250,000	1,600,046
2024	15,949,860	1,250,000	17,199,860
2025	-	44,250,990	44,250,990
	<u>\$ 17,000,000</u>	<u>\$ 49,250,990</u>	<u>\$ 66,250,990</u>

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

6. Members' Equity (continued)

Distributions

Effective June 28, 2018, in accordance with the Second Amendment to the Third Amended and Restated Agreement, Subject to Section 1.3.4 of Exhibit F [Terms of Class C Units] hereto, to the extent the Board determines in its discretion that there is Distributable Cash (which determination may take into account the REIT's ongoing expenses (including debt payments, if any), the charitable purposes of the REIT, or Investments or capital expenditures and Reserves), such Distributable Cash may be distributed to the holders of Preferred Units and Common Units, and if so distributed, in accordance with Section 5.2. Notwithstanding anything to the contrary to the Agreement, the Board shall make Distributions of Distributable Cash as shall be necessary for the REIT to qualify as a real estate investment trust under the Code, provided that any Distribution of Distributable Cash made by the Board in order to qualify the REIT as a real estate investment trust under the Code shall be made pursuant to the provisions of Section 5.2. The Board shall not make a Distribution to any Member at any time when such Member has committed a Payment Default that has not been cured by such Member. Notwithstanding anything to the contrary contained in this Agreement, the REIT shall not make a distribution to any Member on account of its interest in the REIT if such distribution would violate the Act or other applicable law; provided, however that such a failure to make a distribution shall result in a modification of the Distribution Waterfall calculation pursuant to Section 5.2(a)(ii).

Subject to Section 5.1 and to Section 1.3.4 of Exhibit F hereto, Distributable Cash shall be distributed to the Members at least quarterly in the following manner and order of priority:

- (i) first, to the Class C Unit Holders in accordance with Terms of Class C Units; then
- (ii) second:
 - (x) 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 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 HPET 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 doubt, the two consecutive quarters in which a distribution was not made); and

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

6. Members' Equity (continued)

- (y) to the other Preferred Unit Holders, pro rata in accordance with their respective Class Percentage Interests, on a pari passu basis, in an amount or percentage to be determined by the Board pursuant to the REIT Unit Designation and other terms of this Agreement; then
- (iii) third, all remaining Distributable Cash (or such lesser amount as the Board may determine in its sole discretion) to the Common Unit Holders pro rata in accordance with their Common Unit Percentage Interests.

During the years ended December 31, 2020 and 2019, preferred unit distributions of \$3,179,571 and \$3,067,405, respectively, were paid. During the years ended December 31, 2020 and 2019, common unit distributions of \$232,000 and \$0, respectively, were paid. As of December 31, 2020 and 2019, \$697,640 and \$765,602 of distributions remain payable and are included in liabilities on the consolidated balance sheets.

7. Reserves

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

Dividend Reserve

HPET REIT holds in restricted cash and reserves an amount sufficient to pay next quarter's expected preferred distributions due to Class A and D Preferred Unit Holders. As of December 31, 2020 and 2019, the balance is \$785,967 and \$780,536, respectively.

Operating Reserve

HPET REIT holds in restricted cash and reserves an amount no less than three months and no more than six months of the annual operating budget. As of December 31, 2020 and 2019, the balance is \$1,839,556 and \$1,826,846, respectively.

HPET 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, 2020 and 2019, the aggregate balance is \$851,107 and \$1,442,708, respectively.

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

7. Reserves (continued)

Operating Reserves

The Project entities are required to establish reserves to fund any operating deficits of the Project entities. As of December 31, 2020 and 2019, the aggregate balance is \$5,029,472 and \$5,434,565, respectively.

8. 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 March 31, 2021 (the date the financial statements were issued) and concluded that subsequent events have occurred:

On January 15, 2021, the Company made a distribution of \$697,640 to its Class A and Class D Preferred Unit Holders of record as of the close of business September 30, 2020.

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

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, 2020

	Eden Woodside Court, L.P	Woodmere Trace LLC	HHDC-Mallard Point, LLC	AHC Woodleaf LLC	Homes for Hagerstown, LLC
Assets					
Cash	\$ 97,360	\$ 204,230	\$ 341,593	\$ 152,984	\$ 242,855
Receivables	16,518	3,818	3,912	125,571	124,976
Prepaid expenses	31,236	84,979	82,677	191,755	331,863
Restricted deposits	348,747	1,270,144	891,241	992,142	1,544,489
Property and equipment, net	10,174,235	17,454,389	16,859,361	28,949,562	23,237,277
Other assets	-	-	74,312	8,669	-
Total assets	<u>10,668,096</u>	<u>19,017,560</u>	<u>18,253,096</u>	<u>30,420,683</u>	<u>25,481,460</u>
Liabilities and Partners' capital/Members' equity					
Accounts payable and accrued expenses	\$ 51,211	\$ 77,128	\$ 499,904	\$ 36,093	\$ 77,584
Related-party payable	2,503	5,000	11,833	-	13,231
Tenant security deposits	65,006	122,372	119,645	181,428	264,974
Other liabilities	5,727	163,799	33,624	54,339	63,384
Mortgages and notes payable	7,868,343	16,304,262	14,503,885	26,335,652	20,277,666
Total liabilities	<u>7,992,790</u>	<u>16,672,561</u>	<u>15,168,891</u>	<u>26,607,512</u>	<u>20,696,839</u>
Partners' capital/Members' equity					
Partners' capital/Members' equity - HPET REIT	2,227,023	2,136,646	2,556,930	3,200,416	4,499,883
Other partners' capital/members' equity	461,746	208,353	527,275	612,755	284,738
Syndication costs - HPET REIT	(13,463)	-	-	-	-
Total partners' capital/members' equity	<u>2,675,306</u>	<u>2,344,999</u>	<u>3,084,205</u>	<u>3,813,171</u>	<u>4,784,621</u>
Total liabilities and partners' capital/members' equity	<u>\$ 10,668,096</u>	<u>\$ 19,017,560</u>	<u>\$ 18,253,096</u>	<u>\$ 30,420,683</u>	<u>\$ 25,481,460</u>

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

Combining Balance Sheets of the Project entities
December 31, 2020
(continued)

	HHDC-Mallard Point II, LLC	AHC Dunfield EO LLC	Southport Yolo L.P.	Dove Landing LLC	Golden Sun Preservation LLC
Assets					
Cash	\$ 95	\$ 324,635	\$ 180,620	\$ 659,765	\$ 132,259
Receivables	-	277,341	28,573	44,858	53,776
Prepaid expenses	-	350,148	11,021	77,728	1,340
Restricted deposits	-	1,177,490	838,238	852,316	851,851
Property and equipment, net	511,190	45,925,653	25,208,168	20,989,071	9,286,528
Other assets	-	1,610	-	-	-
Total assets	<u>511,285</u>	<u>48,056,877</u>	<u>26,266,620</u>	<u>22,623,738</u>	<u>10,325,754</u>
Liabilities and Partners' capital/Members' equity					
Accounts payable and accrued expenses	\$ 10,227	\$ 122,181	\$ 76,265	\$ 18,685	\$ 55,516
Related-party payable	-	-	4,533	5,000	123,971
Tenant security deposits	-	163,915	126,766	126,908	144,319
Other liabilities	-	47,235	13,154	119,811	9,946
Mortgages and notes payable	-	44,088,783	22,889,962	14,750,639	7,970,387
Total liabilities	<u>10,227</u>	<u>44,422,114</u>	<u>23,110,680</u>	<u>15,021,043</u>	<u>8,304,139</u>
Partners' capital/Members' equity					
Partners' capital/Members' equity - HPET REIT	-	2,484,468	2,339,396	6,510,354	1,950,692
Other partners' capital/members' equity	501,058	1,150,295	832,044	1,092,341	70,923
Syndication costs - HPET REIT	-	-	(15,500)	-	-
Total partners' capital/members' equity	<u>501,058</u>	<u>3,634,763</u>	<u>3,155,940</u>	<u>7,602,695</u>	<u>2,021,615</u>
Total liabilities and partners' capital/members' equity	<u>\$ 511,285</u>	<u>\$ 48,056,877</u>	<u>\$ 26,266,620</u>	<u>\$ 22,623,738</u>	<u>\$ 10,325,754</u>

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

Combining Balance Sheets of the Project entities
December 31, 2020
(continued)

	Meadow Ridge LV LLC	Courtyard at Encanto, LLC	Pacific Villas, LP	Quail Run Alameda County L.P.	Total
Assets					
Cash	\$ 248,379	\$ 178,798	\$ 224,079	\$ 267,229	\$ 3,254,881
Receivables	161,924	27,132	11,793	26,828	907,020
Prepaid expenses	36,183	21,512	1,205	5,077	1,226,724
Restricted deposits	670,133	603,618	166,364	857,952	11,064,725
Property and equipment, net	21,227,135	8,591,034	7,010,706	23,653,174	259,077,483
Other assets	-	-	-	-	84,591
Total assets	<u>22,343,754</u>	<u>9,422,094</u>	<u>7,414,147</u>	<u>24,810,260</u>	<u>275,615,424</u>
Liabilities and Partners' capital/Members' equity					
Accounts payable and accrued expenses	39,623	63,371	102,693	74,734	1,305,215
Related-party payable	2,500	-	20,000	4,977	193,548
Tenant security deposits	109,955	50,134	75,819	103,452	1,654,693
Other liabilities	9,598	18,380	10,557	17,314	566,868
Mortgages and notes payable	16,116,294	6,949,749	5,150,372	16,339,823	219,545,817
Total liabilities	<u>16,277,970</u>	<u>7,081,634</u>	<u>5,359,441</u>	<u>16,540,300</u>	<u>223,266,141</u>
Partners' capital/Members' equity					
Partners' capital/Members' equity - HPET REIT	5,189,606	1,989,510	1,655,555	5,964,871	42,705,350
Other partners' capital/members' equity	876,178	350,950	399,151	2,305,089	9,672,896
Syndication costs - HPET REIT	-	-	-	-	(28,963)
Total partners' capital/members' equity	<u>6,065,784</u>	<u>2,340,460</u>	<u>2,054,706</u>	<u>8,269,960</u>	<u>52,349,283</u>
Total liabilities and partners' capital/members' equity	<u>\$ 22,343,754</u>	<u>\$ 9,422,094</u>	<u>\$ 7,414,147</u>	<u>\$ 24,810,260</u>	<u>\$ 275,615,424</u>

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

Combining Balance Sheets of the Project entities
December 31, 2019

	Eden Woodside Court, L.P	Woodmere Trace LLC	HHDC-Mallard Point, LLC	AHC Woodleaf LLC	Homes for Hagerstown, LLC
Assets					
Cash	\$ 96,307	\$ 170,854	\$ 336,316	\$ 296,244	\$ 258,103
Receivables	4,652	22,782	3,913	52,474	45,410
Prepaid expenses	11,298	-	81,613	196,691	329,969
Restricted deposits	331,167	1,143,464	1,056,510	961,812	1,393,304
Property and equipment, net	10,445,011	17,756,957	17,236,940	29,626,790	23,932,046
Other assets	-	35	789	8,788	-
Total assets	<u>10,888,435</u>	<u>19,094,092</u>	<u>18,716,081</u>	<u>31,142,799</u>	<u>25,958,832</u>
Liabilities and Partners' capital/Members' equity					
Accounts payable and accrued expenses	48,157	30,453	23,084	39,971	47,304
Related-party payable	2,744	2,500	10,395	-	12,447
Tenant security deposits	65,021	101,902	117,667	168,906	220,371
Other liabilities	2,118	129,879	400,208	11,624	69,329
Mortgages and notes payable	8,008,930	16,609,493	14,761,324	26,815,988	20,641,573
Total liabilities	<u>8,126,970</u>	<u>16,874,227</u>	<u>15,312,678</u>	<u>27,036,489</u>	<u>20,991,024</u>
Partners' capital/Members' equity					
Partners' capital/Members' equity - HPET REIT	2,317,788	1,886,885	2,816,277	3,490,741	4,967,808
Other partners' capital/members' equity	457,140	332,980	587,126	615,569	-
Syndication costs - HPET REIT	(13,463)	-	-	-	-
Total partners' capital/members' equity	<u>2,761,465</u>	<u>2,219,865</u>	<u>3,403,403</u>	<u>4,106,310</u>	<u>4,967,808</u>
Total liabilities and partners' capital/members' equity	<u>\$ 10,888,435</u>	<u>\$ 19,094,092</u>	<u>\$ 18,716,081</u>	<u>\$ 31,142,799</u>	<u>\$ 25,958,832</u>

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

Combining Balance Sheets of the Project entities
December 31, 2019
(continued)

	HHDC-Mallard Point II, LLC	AHC Dunfield EO LLC	Southport Yolo L.P.	Dove Landing LLC	Golden Sun Preservation LLC
Assets					
Cash	\$ 117	\$ 606,033	\$ 218,560	\$ 613,378	\$ 70,041
Receivables	-	152,003	47,602	24,180	21,263
Prepaid expenses	-	1,167,411	10,330	-	-
Restricted deposits	-	329,185	780,948	848,965	816,521
Property and equipment, net	511,190	47,444,231	26,171,241	21,405,533	9,364,430
Due from affiliates	-	4,260	-	-	-
Other assets	-	1,110	-	-	1,340
Total assets	<u>511,307</u>	<u>49,704,233</u>	<u>27,228,681</u>	<u>22,892,056</u>	<u>10,273,595</u>
Liabilities and Partners' capital/Members' equity					
Accounts payable and accrued expenses	10,322	79,617	146,950	78,072	21,266
Related-party payable	-	-	4,235	3,420	118,497
Tenant security deposits	-	150,525	135,599	121,186	122,300
Other liabilities	-	47,061	14,005	-	10,514
Mortgages and notes payable	-	44,675,451	23,227,427	14,989,943	8,095,293
Total liabilities	<u>10,322</u>	<u>44,952,654</u>	<u>23,528,216</u>	<u>15,192,621</u>	<u>8,367,870</u>
Partners' capital/Members' equity					
Partners' capital/Members' equity - HPET REIT	-	3,583,646	2,968,991	6,676,472	1,834,802
Other partners' capital/members' equity	500,985	1,167,933	746,974	1,022,963	70,923
Syndication costs - HPET REIT	-	-	(15,500)	-	-
Total partners' capital/members' equity	<u>500,985</u>	<u>4,751,579</u>	<u>3,700,465</u>	<u>7,699,435</u>	<u>1,905,725</u>
Total liabilities and partners' capital/members' equity	<u>\$ 511,307</u>	<u>\$ 49,704,233</u>	<u>\$ 27,228,681</u>	<u>\$ 22,892,056</u>	<u>\$ 10,273,595</u>

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

Combining Balance Sheets of the Project entities
December 31, 2019
(continued)

	Meadow Ridge LV LLC	Courtyard at Encanto, LLC	Pacific Villas, LP	Quail Run Alameda County L.P.	Total
Assets					
Cash	\$ 174,441	\$ 170,830	\$ 77,670	\$ 131,035	\$ 3,219,929
Receivables	59,521	79,535	809	13,696	527,840
Prepaid expenses	29,946	19,071	1,795	4,710	1,852,834
Restricted deposits	645,432	520,336	350,437	1,225,536	10,403,617
Property and equipment, net	21,757,077	8,862,864	7,092,042	24,143,880	265,750,232
Due from affiliates	-	-	-	-	4,260
Other assets	-	-	-	-	12,062
Total assets	<u>22,666,417</u>	<u>9,652,636</u>	<u>7,522,753</u>	<u>25,518,857</u>	<u>281,770,774</u>
Liabilities and Partners' capital/Members' equity					
Accounts payable and accrued expenses	29,702	48,971	24,673	190,556	819,098
Related-party payable	2,500	7,434	199,544	3,503	367,219
Tenant security deposits	90,517	51,438	75,124	106,528	1,527,084
Other liabilities	15,830	20,890	560	6,009	728,027
Mortgages and notes payable	16,412,003	6,948,051	5,127,384	16,325,583	222,638,443
Total liabilities	<u>16,550,552</u>	<u>7,076,784</u>	<u>5,427,285</u>	<u>16,632,179</u>	<u>226,079,871</u>
Partners' capital/Members' equity					
Partners' capital/Members' equity - HPET REIT	5,363,165	2,241,257	1,696,317	6,581,589	46,425,738
Other partners' capital/members' equity	752,700	334,595	399,151	2,305,089	9,294,128
Syndication costs - HPET REIT	-	-	-	-	(28,963)
Total partners' capital/members' equity	<u>6,115,685</u>	<u>2,575,852</u>	<u>2,095,468</u>	<u>8,886,678</u>	<u>55,690,903</u>
Total liabilities and partners' capital/members' equity	<u>\$ 22,666,417</u>	<u>\$ 9,652,636</u>	<u>\$ 7,522,753</u>	<u>\$ 25,518,857</u>	<u>\$ 281,770,774</u>

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, 2020

	Eden Woodside Court, L.P	Woodmere Trace LLC	HHDC-Mallard Point, LLC	AHC Woodleaf LLC	Homes for Hagerstown, LLC
Revenues:					
Rental income, net	\$ 1,740,529	\$ 3,262,383	\$ 2,564,209	\$ 3,741,488	\$ 4,422,153
Other operating income	61,791	492,262	219,715	163,925	190,141
Total revenues	<u>1,802,320</u>	<u>3,754,645</u>	<u>2,783,924</u>	<u>3,905,413</u>	<u>4,612,294</u>
Operating expenses:					
Salaries and employee benefits	249,732	434,564	360,840	287,446	565,354
Repairs and maintenance	265,983	541,844	149,103	228,718	560,676
Utilities	155,963	305,541	129,396	162,338	361,586
Property management fee	85,610	150,304	105,563	135,430	156,374
Taxes and insurance	47,323	293,295	580,043	472,601	618,637
Administrative expenses	64,615	239,220	141,404	295,534	213,874
Total operating expenses	<u>869,226</u>	<u>1,964,768</u>	<u>1,466,349</u>	<u>1,582,067</u>	<u>2,476,501</u>
Other income (expenses):					
Interest income	234	1,292	909	1,372	1,149
Interest expense	(458,460)	(781,523)	(647,582)	(1,129,485)	(823,304)
Depreciation and amortization	(271,765)	(428,547)	(533,423)	(797,318)	(694,769)
Asset management fee	(10,000)	(10,000)	(10,000)	(10,000)	(22,773)
Capital expenses	-	-	-	-	-
Loss on disposal of fixed assets	(2,221)	-	-	-	-
Other financing fees	(15,000)	-	-	-	-
Other related-party fees and payables	-	-	-	-	-
Total other expenses	<u>(757,212)</u>	<u>(1,218,778)</u>	<u>(1,190,096)</u>	<u>(1,935,431)</u>	<u>(1,539,697)</u>
Net income	<u>\$ 175,882</u>	<u>\$ 571,099</u>	<u>\$ 127,479</u>	<u>\$ 387,915</u>	<u>\$ 596,096</u>

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, 2020
(continued)

	HHDC-Mallard Point II, LLC	AHC Dunfield EO LLC	Southport Yolo L.P.	Dove Landing LLC	Golden Sun Preservation LLC
Revenues:					
Rental income, net	\$ -	\$ 5,278,002	\$ 3,122,947	\$ 3,279,351	\$ 1,556,074
Other operating income	10,030	354,807	116,845	697,939	320,814
Total revenues	<u>10,030</u>	<u>5,632,809</u>	<u>3,239,792</u>	<u>3,977,290</u>	<u>1,876,888</u>
Operating expenses:					
Salaries and employee benefits	-	487,245	371,152	363,078	117,701
Repairs and maintenance	-	392,061	518,293	416,666	213,979
Utilities	-	103,864	228,786	432,168	125,970
Property management fee	-	166,860	101,496	156,458	61,451
Taxes and insurance	9,835	717,517	116,857	285,623	208,032
Administrative expenses	121	535,986	169,444	258,452	111,720
Total operating expenses	<u>9,956</u>	<u>2,403,533</u>	<u>1,506,028</u>	<u>1,912,445</u>	<u>838,853</u>
Other income (expenses):					
Interest income	-	-	781	1,051	1,586
Interest expense	-	(1,860,336)	(968,364)	(698,625)	(312,727)
Depreciation and amortization	-	(1,777,682)	(997,705)	(460,819)	(304,390)
Asset management fee	-	(9,998)	(10,000)	(10,000)	(10,000)
Capital expenses	-	-	-	-	(104,466)
Loss on disposal of fixed assets	-	-	(12,487)	-	-
Other financing fees	-	(87)	-	-	(3,056)
Other related-party fees and payables	-	-	-	-	-
Total other expenses	<u>-</u>	<u>(3,648,103)</u>	<u>(1,987,775)</u>	<u>(1,168,393)</u>	<u>(733,053)</u>
Net income (loss)	<u>\$ 74</u>	<u>\$ (418,827)</u>	<u>\$ (254,011)</u>	<u>\$ 896,452</u>	<u>\$ 304,982</u>

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, 2020
(continued)

	Meadow Ridge LV LLC	Courtyard at Encanto, LLC	Pacific Villas, LP	Quail Run Alameda County L.P.	Total
Revenues:					
Rental income, net	\$ 2,583,467	\$ 1,203,600	\$ 924,022	\$ 2,070,902	\$ 35,749,127
Other operating income	257,770	296,319	94,165	60,867	3,337,390
Total revenues	2,841,237	1,499,919	1,018,187	2,131,769	39,086,517
Operating expenses:					
Salaries and employee benefits	302,108	199,366	110,235	262,981	4,111,802
Repairs and maintenance	186,898	94,542	138,476	319,792	4,027,031
Utilities	171,315	222,573	34,677	113,621	2,547,798
Property management fee	107,927	60,444	40,200	62,127	1,390,244
Taxes and insurance	209,638	96,135	29,951	62,098	3,747,585
Administrative expenses	116,947	80,426	63,635	101,530	2,392,908
Total operating expenses	1,094,833	753,486	417,174	922,149	18,217,368
Other income (expenses):					
Interest income	671	566	10	1,214	10,835
Interest expense	(627,896)	(302,755)	(248,390)	(723,422)	(9,582,869)
Depreciation and amortization	(548,465)	(347,885)	(172,839)	(465,758)	(7,801,365)
Asset management fee	(10,000)	(10,000)	(10,000)	(10,000)	(142,771)
Capital expenses	-	(19,393)	-	-	(123,859)
Loss on disposal of fixed assets	-	-	-	(63,312)	(78,020)
Other financing fees	-	-	-	(8,850)	(26,993)
Other related-party fees and payables	-	-	-	(1,000)	(1,000)
Total other expenses	(1,185,690)	(679,467)	(431,219)	(1,271,128)	(17,746,042)
Net income (loss)	\$ 560,714	\$ 66,966	\$ 169,794	\$ (61,508)	\$ 3,123,107

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, 2019

	2000 Illinois Aurora LLC	Eden Woodside Court, L.P	Woodmere Trace LLC	HHDC-Mallard Point, LLC	AHC Woodleaf LLC	Homes for Hagerstown, LLC
Revenues:						
Rental income, net	\$ 1,301,768	\$ 1,695,703	\$ 3,197,837	\$ 2,480,765	\$ 3,686,784	\$ 4,252,107
Other operating income	38,055	25,693	560,739	195,577	239,070	217,136
Total revenues	<u>1,339,823</u>	<u>1,721,396</u>	<u>3,758,576</u>	<u>2,676,342</u>	<u>3,925,854</u>	<u>4,469,243</u>
Operating expenses:						
Salaries and employee benefits	146,773	193,697	432,001	331,215	293,206	673,119
Repairs and maintenance	132,023	231,062	532,670	224,267	259,709	645,080
Utilities	135,015	144,559	282,484	134,838	109,695	338,268
Property management fee	48,777	83,590	151,658	103,729	142,210	154,516
Taxes and insurance	221,488	37,961	284,659	444,317	495,078	597,806
Administrative expenses	167,401	110,209	309,209	92,858	210,348	247,381
Total operating expenses	<u>851,477</u>	<u>801,078</u>	<u>1,992,681</u>	<u>1,331,224</u>	<u>1,510,246</u>	<u>2,656,170</u>
Other income (expenses):						
Interest income	1,704	546	3,291	2,104	2,835	3,871
Interest expense	(219,689)	(465,984)	(793,108)	(658,815)	(1,146,453)	(834,363)
Depreciation and amortization	(198,460)	(273,100)	(424,089)	(534,042)	(1,008,669)	(743,773)
Asset management fee	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(22,060)
Capital expenses	(33,664)	-	-	-	-	-
Loss on disposal of fixed assets	-	(6,551)	-	-	-	-
Other financing fees	-	(15,000)	-	-	-	-
Other related party fees and expenses	-	-	-	-	-	-
Total other expenses	<u>(460,109)</u>	<u>(770,089)</u>	<u>(1,223,906)</u>	<u>(1,200,753)</u>	<u>(2,162,287)</u>	<u>(1,596,325)</u>
Net income	<u>\$ 28,237</u>	<u>\$ 150,229</u>	<u>\$ 541,989</u>	<u>\$ 144,365</u>	<u>\$ 253,321</u>	<u>\$ 216,748</u>

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, 2019
(continued)

	HHDC-Mallard Point II, LLC	AHC Dunfield EO LLC	Southport Yolo L.P.	Dove Landing LLC	Golden Sun Preservation LLC
Revenues:					
Rental income, net	\$ -	\$ 5,130,964	\$ 3,003,785	\$ 3,203,631	\$ 1,473,908
Other operating income	10,129	998,035	72,411	754,463	74,535
Total revenues	<u>10,129</u>	<u>6,128,999</u>	<u>3,076,196</u>	<u>3,958,094</u>	<u>1,548,443</u>
Operating expenses:					
Salaries and employee benefits	-	466,823	299,728	378,090	214,124
Repairs and maintenance	-	304,576	428,128	518,773	216,137
Utilities	-	103,080	226,522	383,061	121,764
Property management fee	-	174,452	97,623	154,484	58,765
Taxes and insurance	10,267	713,494	121,341	219,611	118,645
Administrative expenses	111	209,980	177,154	404,616	108,854
Total operating expenses	<u>10,378</u>	<u>1,972,405</u>	<u>1,350,496</u>	<u>2,058,635</u>	<u>838,289</u>
Other income (expenses):					
Interest income	-	-	1,402	2,775	2,583
Interest expense	-	(1,901,450)	(973,139)	(711,483)	(318,422)
Depreciation and amortization	-	(1,762,924)	(992,987)	(451,121)	(297,094)
Asset management fee	-	(8,332)	(10,000)	(10,000)	(10,000)
Capital expenses	-	-	-	-	(160,392)
Loss on disposal of fixed assets	-	-	(16,890)	-	-
Other financing fees	-	-	-	-	(2,271)
Other related party fees and expenses	-	-	-	-	-
Total other expenses	<u>-</u>	<u>(3,672,706)</u>	<u>(1,991,614)</u>	<u>(1,169,829)</u>	<u>(785,596)</u>
Net income (loss)	<u>\$ (249)</u>	<u>\$ 483,888</u>	<u>\$ (265,914)</u>	<u>\$ 729,630</u>	<u>\$ (75,442)</u>

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, 2019
(continued)

	Meadow Ridge LV LLC	Courtyard at Encanto, LLC	Pacific Villas, LP	Quail Run Alameda County L.P.	Total
Revenues:					
Rental income, net	\$ 2,455,464	\$ 1,124,749	\$ 798,617	\$ 2,087,779	\$ 35,893,861
Other operating income	310,835	337,359	46,771	24,752	3,905,560
Total revenues	<u>2,766,299</u>	<u>1,462,108</u>	<u>845,388</u>	<u>2,112,531</u>	<u>39,799,421</u>
Operating expenses:					
Salaries and employee benefits	329,608	174,021	126,263	254,593	4,313,261
Repairs and maintenance	165,351	115,380	160,909	347,225	4,281,290
Utilities	173,801	209,378	29,344	110,223	2,502,032
Property management fee	109,869	58,545	40,200	62,633	1,441,051
Taxes and insurance	201,161	93,824	87,635	51,162	3,698,449
Administrative expenses	109,612	86,552	44,395	105,395	2,384,075
Total operating expenses	<u>1,089,402</u>	<u>737,700</u>	<u>488,746</u>	<u>931,231</u>	<u>18,620,158</u>
Other income (expenses):					
Interest income	1,806	1,389	38	3,389	27,733
Interest expense	(637,883)	(314,061)	(263,835)	(721,487)	(9,960,172)
Depreciation and amortization	(541,394)	(324,660)	(159,266)	(441,787)	(8,153,366)
Asset management fee	(10,000)	(10,000)	(10,000)	(10,000)	(150,392)
Capital expenses	-	(899)	-	-	(194,955)
Loss on disposal of fixed assets	-	-	-	(230,169)	(253,610)
Other financing fees	-	-	-	-	(17,271)
Other related party fees and payables	-	-	-	(1,000)	(1,000)
Total other expenses	<u>(1,187,471)</u>	<u>(648,231)</u>	<u>(433,063)</u>	<u>(1,401,054)</u>	<u>(18,703,033)</u>
Net income (loss)	<u>\$ 489,426</u>	<u>\$ 76,177</u>	<u>\$ (76,421)</u>	<u>\$ (219,754)</u>	<u>\$ 2,476,230</u>