

**HUMAN INVESTMENT
PROJECT, INC.**

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2015

HUMAN INVESTMENT PROJECT, INC.
(A California Nonprofit Public Benefit Corporation)
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Human Investment Project, Inc.

Reporting on the Financial Statements

We have audited the accompanying financial statements of Human Investment Project, Inc. (a California nonprofit public benefit Corporation) which comprise the statement of financial position as of June 30, 2015, and the related statement of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from Human Investment Project, Inc.'s June 30, 2014 financial statements and, in our report dated December 18, 2014; we expressed a qualified opinion on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements of the *Audited Financial Statements Handbook for Multifamily Rental Housing of the California Department of Housing and Community Development*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

As explained in Note 14 of the financial statements, Human Investment Project, Inc. has excluded from assets and temporarily restricted net assets in the accompanying statement of financial position the promises to give facilities use donated by Redwood City in prior years. In addition, the statement of activities does not include expenses related to the amortization of these unrecorded promises to give facilities use for the current year. In our opinion, these assets, net assets and expenses should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the proceeding departures are not reasonably determinable due to the restrictions on use of the donated facilities.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Human Investment Project, Inc. as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 18 to 31, as required by the State of California Department of Housing and Community Development, 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* and the requirements of the *Audited Financial Statement Handbook for Multifamily Rental Housing of the California Department of Housing and Community Development*, we have also issued a report dated December 15, on our consideration of Human Investment Project Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the requirements of the *Audited Financial Statement Handbook for Multifamily Rental Housing of the California Department of Housing and Community Development* in considering Human Investment Project Inc.'s internal control over financial reporting and compliance.



December 15, 2015
San Mateo, California

HUMAN INVESTMENT PROJECT, INC.
(A California Nonprofit Public Benefit Corporation)
STATEMENT OF FINANCIAL POSITION
June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets:		
Cash	\$ 540,757	\$ 412,860
Receivables:		
Trade	23,554	57,167
Pledges	6,330	54,475
Related parties (Note 5)	80,556	64,462
Government grants and contributions	50,627	94,618
Prepaid expenses	<u>41,231</u>	<u>42,100</u>
Total current assets	<u>743,055</u>	<u>725,682</u>
Restricted deposits and investments:		
Replacement reserve cash	106,903	36,453
Replacement reserve investments (Notes 2 and 4)	74,595	149,357
Operating reserve cash	804,652	1,039,379
Operating reserve investments (Notes 2 and 4)	399,188	162,736
Tenant security deposits	<u>7,708</u>	<u>9,136</u>
Total restricted deposits and investments	<u>1,393,046</u>	<u>1,397,061</u>
Long-term assets:		
Receivables from related parties – net of current portion (Note 5)	121,107	185,868
Notes receivable related party (Note 6)	200,000	200,000
Interest receivable related party (Note 6)	94,915	85,655
Property and equipment – net (Note 7)	<u>292,764</u>	<u>293,146</u>
Total long-term assets	<u>708,786</u>	<u>764,669</u>
Total assets	<u>\$ 2,844,887</u>	<u>\$ 2,887,412</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 104,978	\$ 117,812
Related party payables (Note 5)	<u>20,491</u>	<u>6,008</u>
Total current liabilities	<u>125,469</u>	<u>123,820</u>
Long-term liabilities:		
Tenant security deposits	7,555	8,982
Interest payable (Note 8)	169,861	157,944
Notes payable (Note 8)	<u>786,741</u>	<u>786,741</u>
Total long-term liabilities	<u>964,157</u>	<u>953,667</u>
Total liabilities	<u>1,089,626</u>	<u>1,077,487</u>
Net assets:		
Unrestricted:		
Undesignated	319,378	308,218
Set aside by board of directors (Note 2)	<u>1,385,338</u>	<u>1,387,925</u>
Total unrestricted net assets	1,704,716	1,696,143
Temporarily restricted (Note 9)	<u>50,545</u>	<u>113,782</u>
Total net assets	<u>1,755,261</u>	<u>1,809,925</u>
Total liabilities and net assets	<u>\$ 2,844,887</u>	<u>\$ 2,887,412</u>

The accompanying notes are an integral part of these financial statements

HUMAN INVESTMENT PROJECT, INC.
(A California Nonprofit Public Benefit Corporation)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
Support and Revenue:				
Government grants	\$ 505,326	\$ -	\$ 505,326	\$ 468,707
Foundation and corporate grants	267,897	134,028	401,925	482,783
Contributions	174,998		174,998	179,415
Surplus cash contributions – related party (Note 5)	457,572	-	457,572	524,465
Contributions from related party	64,532	-	64,532	129,849
In-kind contributions	22,325	-	22,325	20,950
Donated services (Note 10)	14,490	-	14,490	19,665
Special events revenue	124,723	-	124,723	124,575
Special events expenses	(87,597)	-	(87,597)	(77,602)
Rental income	102,911	-	102,911	98,232
Developer fee (Note 5)	40,679	-	40,679	49,274
Management fees	113,772	-	113,772	115,140
Interest and investment income	10,801	-	10,801	8,157
Other income	31,498	-	31,498	26,941
Net assets released from restriction	197,265	(197,265)	-	-
Total support and revenue	<u>2,041,192</u>	<u>(63,237)</u>	<u>1,977,955</u>	<u>2,170,551</u>
Expenses:				
Program services:				
Programs	1,375,267	-	1,375,267	1,266,453
Properties	212,530	-	212,530	239,183
Supporting services:				
Management and general	163,363	-	163,363	160,138
Fundraising	281,459	-	281,459	262,043
Total expenses	<u>2,032,619</u>	<u>-</u>	<u>2,032,619</u>	<u>1,927,817</u>
Change in net assets	8,573	(63,237)	(54,664)	242,734
Net assets, beginning of year	<u>1,696,143</u>	<u>113,782</u>	<u>1,809,925</u>	<u>1,567,191</u>
Net assets, end of year	<u>\$ 1,704,716</u>	<u>\$ 50,545</u>	<u>\$ 1,755,261</u>	<u>\$ 1,809,925</u>

The accompanying notes are an integral part of these financial statements

HUMAN INVESTMENT PROJECT, INC.
(A California Nonprofit Public Benefit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015				2014	
	Program Services		Supporting Services		Total	Total
	Programs	Properties	Management & General	Fundraising		
Payroll and related costs	\$ 847,961	\$ 11,478	\$ 151,350	\$ 228,760	\$ 1,239,549	\$ 1,261,420
Donated services	14,490	-	-	-	14,490	19,600
In Kind Donations	22,325	-	-	-	22,325	-
Rental assistance program	109,664	-	-	-	109,664	100,000
Rent	84,914	1,455	3,964	19,210	109,543	104,120
Administrative	109,404	1,814	7,565	31,553	150,336	142,700
Management fee	-	94,307	-	-	94,307	91,600
Operating and maintenance	11,952	31,329	70	282	43,633	44,900
Utilities	3,304	20,153	270	1,079	24,806	26,100
Insurance	1,760	4,493	144	575	6,972	7,500
Supportive services	9,742	-	-	-	9,742	5,900
Interest	-	11,918	-	-	11,918	11,900
Forgiveness of developer fees receivable and interest	-	-	-	-	-	11,200
Depreciation	15,749	35,351	-	-	51,100	54,500
Contributions to related party	144,002	232	-	-	144,234	45,800
Total expenses	<u>\$ 1,375,267</u>	<u>\$ 212,530</u>	<u>\$ 163,363</u>	<u>\$ 281,459</u>	<u>\$ 2,032,619</u>	<u>\$ 1,927,800</u>

The accompanying notes are an integral part of these financial statements

HUMAN INVESTMENT PROJECT, INC.
(A California Nonprofit Public Benefit Corporation)
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (54,664)	\$ 242,734
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	51,100	54,564
Forgiveness of developer fee receivable and interest	-	11,217
Realized and unrealized loss on investments	903	876
(Increase) decrease in assets:		
Accounts receivable	125,749	(36,514)
Due from related parties	39,407	22,152
Prepaid expenses	869	(7,107)
Tenant security deposits	1,428	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(12,834)	(3,802)
Tenant security deposits	(1,427)	300
Due to related parties (Note 4)	14,483	(99,519)
Interest payable	<u>11,917</u>	<u>8,199</u>
Net cash provided by operating activities	<u>176,931</u>	<u>193,100</u>
Cash flows from investing activities:		
Purchase of property and equipment	(50,718)	(40,337)
Net decrease in restricted deposits	164,277	111,436
Purchases of restricted investments	(475,318)	(164,125)
Proceeds from sales of restricted investments	<u>312,725</u>	<u>-</u>
Net cash used in investing activities	<u>(49,034)</u>	<u>(93,026)</u>
Net increase in cash	127,897	100,074
Cash, beginning of year	<u>412,860</u>	<u>312,786</u>
Cash, end of year	<u>\$ 540,757</u>	<u>\$ 412,860</u>
Supplemental Information:		
Cash paid for interest	<u>\$ -</u>	<u>\$ 3,719</u>

The accompanying notes are an integral part of these financial statements

HUMAN INVESTMENT PROJECT, INC.
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Human Investment Project, Inc. (HIP) is a California nonprofit public benefit corporation organized in 1972 to improve housing conditions and life skills of people in need through programs, property development, redevelopment and management. HIP provides affordable housing opportunities for those who live, or wish to live, in San Mateo County. HIP receives contributions, including grants, and sponsors construction and management of low-and moderate-income housing projects.

HIP is especially vulnerable to the inherent risks associated to revenue that is substantially dependent on government funding, public support, and contributions. The continued growth and well-being of HIP is contingent upon successful achievement of its long-term revenue-raising goals.

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

HIP uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the fair value of financial instruments:

Cash and Cash Equivalents: The carrying amount reported in the statement of financial position for cash and cash equivalents approximates its fair value.

Grants Receivable: The carrying amounts of grants receivable in the statement of financial position approximates fair value.

Notes Payable and Lease Obligation: The carrying amount of the Organization's debt approximates fair value based on the remaining maturities or lease payments.

Basis of Presentation

HIP reports information regarding its financial position and activities according to three classes of net assets, as applicable: unrestricted net assets, temporarily restricted assets, and permanently restricted net assets.

As of June 30, 2015 and 2014, the board of directors of HIP has designated \$1,385,338 and \$1,387,925, respectively, in unrestricted net assets. The amounts designated for future replacement reserves are \$181,498 and \$185,810 for the years 2015 and 2014, respectively. The amounts designated for operating reserves are \$1,203,840 and \$1,202,115 for the years 2015 and 2014, respectively.

HUMAN INVESTMENT PROJECT, INC.
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted and Unrestricted Revenue Recognition

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource provides no value in exchange for the assets transferred. Contributions are recorded at their fair value as unrestricted support, temporarily restricted support, or permanently restricted support, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Contributions restricted for the purchase of long-lived assets, are reported as unrestricted support when expended for that purpose.

Contributed services are stated at their estimated fair value, if they are ordinarily purchased and are of a specialized nature. Many individuals volunteer their time and donate their goods to assist HIP in carrying out its programs in excess of amounts recognized. The income and expenses are included in the financial statements.

Rental income is shown at its maximum gross potential. Vacancy loss is shown as reduction in rental income. Rental units occupied by employees are included in rental income and as an expense of operation.

Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand. Not included as cash are funds restricted as to their use, regardless of liquidity, such as security deposits, trust funds, residual receipts replacement reserves and operating reserves. HIP typically maintains cash, restricted cash and short-term investment balances in several financial institutions. HIP typically maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balance was approximately \$745,176 as of June 30, 2015. HIP has not experienced any losses in such accounts. Management believes that HIP is not exposed to any significant cash credit risk.

Accounts Receivable

Management elects to record bad debts using the direct write off method. Accounting principles generally accepted in the United States of America require that the allowance method to be used to reflect bad debts. However, the effect of the use of the direct write off method is not materially different from the result that would have been obtained had the allowance method been followed.

Investments

HIP follows generally accepted accounting principles (GAAP) in the United States and records investments at fair market value in the statement of financial position. The investments consist of certificate of deposits and corporate bonds. These investments are subject to market fluctuations. Unrealized gains and losses are included as an increase or decrease in net investment income each period. All investment income is recorded in unrestricted net assets.

HUMAN INVESTMENT PROJECT, INC.
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

- Level 1 inputs – quoted prices in active markets for identical assets
- Level 2 inputs – quoted prices in inactive markets for the same or similar assets
- Level 3 inputs – estimates using the best information available when there is little or no market

HIP is required to measure bonds and certificate of deposits at fair value. The techniques used to measure fair value for each element included in these financial statements is described below in the notes below that relate to each element.

Property and Equipment

Property and equipment are stated at cost of acquisition or construction. All acquisition of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets.

The useful lives of the assets are estimated as follows:

Building	25 years
Leasehold Improvements	25 years
Furniture and Equipment	5 years

Income Taxes

Since HIP is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income tax under Section 23701(d) of California Revenue and Taxation Code, no provision is made for current or deferred income taxes. HIP uses the same accounting methods for tax and financial reporting.

Generally accepted accounting principles (GAAP) provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by HIP in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. HIP's returns for years ended June 30, 2013, 2014, 2015 are subject to examination by federal taxing authorities for three years after they are filed, four years for state.

HUMAN INVESTMENT PROJECT, INC.
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Assets

Donated marketable securities and other noncash donations except for in-kind donations for services are recorded as contributions at their estimated fair values at the date of donation.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset classes. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with HIP's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Functional Expenses Allocation

The costs of providing program services and supporting services have been summarized on a functional basis in the Statements of Activities and Statements of Functional Expenses. Accordingly, certain costs have been allocated among program services and supporting services based on estimates of employee's time incurred and on usage of resources.

NOTE 3 – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Program Services

Home sharing program, one of the largest in the nation, facilitates a living arrangement in which two or more unrelated people share a home or apartment.

Self-sufficiency program provides housing help and supportive services to low-income families transitioning to self-reliance.

Property programs provide affordable housing opportunities to the San Mateo County's low and middle income residents.

Supporting Services

Management and general expenses include non-program related expenses essential for operating the administrative functions of HIP. These functions include human resource management, strategic planning, legal, and all fiscal responsibilities of HIP.

Fundraising provides the structure necessary to encourage and secure financial support from government and community agencies, individuals, foundations, and corporations.

HUMAN INVESTMENT PROJECT, INC.
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 – INVESTMENTS

Cost and fair value of investments at June 30, 2015 are as follows:

	<u>Cost</u>	<u>Fair Value Market Value</u>	2015 <u>Unrealized Gain (Loss)</u>
Corporate Bonds	\$ 400,723	\$ 399,188	\$ (1,535)
Restricted certificate of deposits	<u>74,595</u>	<u>74,595</u>	<u>-</u>
Total	<u>\$ 475,318</u>	<u>\$ 473,783</u>	<u>\$ (1,535)</u>

The following schedule summarizes the net investment income classified as unrestricted income in the statement of activities and changes in net assets for the year ended June 30, 2015:

Dividends and interest	\$ 11,704
Increase in unrealized loss	<u>(903)</u>
Total unrestricted net investment income	<u>\$ 10,801</u>

The following table represents investments that are measured at fair value on a recurring basis at June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Corporate Bonds	\$ -	\$ 399,188	\$ 399,188
Certificate of deposits	<u>-</u>	<u>74,595</u>	<u>74,595</u>
Total	<u>\$ -</u>	<u>\$ 473,783</u>	<u>\$ 473,783</u>

For valuation of CD's and bonds at June 30, 2015, HIP used significant observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2).

NOTE 5 - RELATED-PARTY TRANSACTIONS

HIP, HIP Housing Development Corporation (HHDC), HIP Edgewater Isle, Inc. (EWI), and Redwood Oaks Associates (ROA), are four separate entities that have related costs, loans, cash transactions, property and development managing duties, and shared accounts. All four entities share the same audit committee, but have different boards of directors, except for HHDC and EWI (same boards of directors). HIP manages all the properties owned by HHDC and ROA, and receives management fees noted below. HIP also manages low income housing properties for City of San Carlos, San Mateo, and Foster City, and receives management fees noted below. There is a loan receivable from HHDC (Note 6) and also a loan payable to HHDC (Note 8). HIP earns development fee and asset management fee from Commercial Street property owned by HHDC, noted below. HIP is owed a developer fee from ROA, which accrues interest annually. HIP manages all cash accounts at the property level for HHDC and ROA and City of San Carlos, and San Mateo. The operating and development advance payables are cash accounts for all properties owned by HHDC, ROA, and City of San Carlos, San Mateo, and Foster City. HIP receives surplus cash contributions and contributions from HHDC and EWI per Board Resolutions.

HUMAN INVESTMENT PROJECT, INC.
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - RELATED-PARTY TRANSACTIONS (Continued)

Related-party transactions include the following fees and charges:

<u>Receivable/Received from</u> <u>Description</u>	<u>Receivable at 2015 Income</u> <u>June 30, 2015</u>		<u>Receivable at 2014 Income</u> <u>June 30, 2014</u>	
	<u>(Receipt)/</u> <u>(Forgiven)*</u>		<u>(Receipt)</u> <u>(Forgiven)*</u>	
<u>HIP Housing Development Corporation, Inc.</u>				
Operating advances	\$ -	\$ - (18,586)	\$ 18,586	\$ 18,586 (72,390)
Contribution	-	64,532 (64,532)	-	129,854 (129,854)
Development/management fees	80,556	103,343 (62,675)	39,888	39,888
Surplus cash distribution	-	141,455 (141,455)	-	188,236 (188,236)
<u>HIP Edgewater Isle, Inc.</u>				
Operating advances	-	(204)	204	-
Surplus cash distribution	-	315,885 (315,885)	-	336,229 (336,229)
Coordination Service Income	-	14,470 (14,470)	-	30,825 (30,825)
<u>Redwood Oaks Associates</u>				
Development fee	121,107	- (64,761)	185,868	- (22,457) (5,678)*
Interest receivable-development fee (1)	-	- (5,784)	5,784	9,386 (16,211) (5,539)*
Total	201,663		250,330	
Less Current Portion	80,556		64,462	
Long-Term Portion	<u>\$ 121,107</u>		<u>\$ 185,868</u>	

(1) HIP earned a developer fee of \$480,239 during the rehabilitation of the Redwood Oaks project. The deferred portion of \$185,868 accrues interest at 5.05% compounded annually beginning November 26, 2003 and is payable out of the available cash flow of the project. Any remaining balance shall be paid in full within 12 years from the completion date. Per board resolutions, \$5,678 of the developer fee and \$5,539 of interest related to the developer fee was forgiven for the year ended June 30, 2014.

HUMAN INVESTMENT PROJECT, INC.
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - RELATED-PARTY TRANSACTIONS (Continued)

<u>Payable/Paid to Description</u>	<u>Payable at June 30, 2015</u>	<u>2015 Expense (Payment)</u>	<u>Payable at June 30, 2014</u>	<u>2014 Expense (Payment)</u>
<u>HIP Housing Development Corporation, Inc.</u>				
Operating and development advances	\$ 20,491	\$ 144,002 (123,511)	\$ -	\$ (13,200)
Notes payable	62,472	-	62,472	-
Accrued Interest	16,318	2,892	13,426	2,892
<u>City of San Carlos</u>				
Operating and development advances	-	- (6,008)	6,008	-
Total	<u>\$ 99,281</u>		<u>\$ 81,906</u>	

Other Transactions

For the years ended June 30, 2015 and 2014, a developer fee of \$29,132 and \$28,053 was earned, respectively, from HHDC for the development of the new Willow Road property purchased during the fiscal year and Commercial Avenue project. Also, for the year ended June 30, 2015 and 2014, an asset management fee of \$11,546 and \$ 11,835 was earned, respectively, from HHDC.

The operations of its related parties are administered by the employees of HIP. Management fee revenues include management fees of \$113,772 and \$115,140 for the years ended June 30, 2015 and 2014, respectively. These management fees are earned for managing HIP Housing Development Corporation properties and city owned properties.

HUMAN INVESTMENT PROJECT, INC.
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 – NOTES RECEIVABLE RELATED PARTY

Notes receivable relate to an unsecured promissory note from 11 Delaware Apartments, a property owned by HHDC. The total principal amount is \$200,000 and bears simple interest of 4.63% with principal and interest receivable annually on October 1 from surplus cash after payment of development fees, if any, and other required debt service payments. Accrued interest receivable as of June 30, 2015 and 2014 was \$94,915 and \$85,655, respectively. The note is due in March 2035.

NOTE 7 –PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	<u>2015</u>	<u>2014</u>
General Operations:		
Leasehold improvements	\$ 20,842	\$ 4,348
Office equipment	244,622	231,823
Furniture	6,203	6,203
Rental Operations:		
Land	36,000	36,000
Building	467,680	467,680
Leasehold improvements	578,702	557,277
Furniture	<u>12,465</u>	<u>12,465</u>
	1,366,514	1,315,796
Less accumulated depreciation	<u>(1,073,750)</u>	<u>(1,022,650)</u>
Total property and equipment, net	<u>\$ 292,764</u>	<u>\$ 293,146</u>

HUMAN INVESTMENT PROJECT, INC.
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 – NOTES PAYABLE

Notes payable are secured by the property unless otherwise noted and consists of the following:

	<u>2015</u>		<u>2014</u>	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<p>HHDC, a related party, in the original amount of \$137,000 is for the house on Pine - Middlefield property in Redwood City. Interest accrues at a rate of 4.63%, due in full in February 2036. Annual payments are dependent on the amount of surplus cash available. Interest expense was \$2,892 and \$2,892 in 2015 and 2014, respectively.</p>	\$ 16,318	62,472	\$ 13,427	\$ 62,472
<p>California Department of Housing and Community Development in the original amount of \$300,856 to finance the construction of a house on Hilton Street in Redwood City. Bears simple interest of 3% per annum, due in full in July 2032. Interest expense was \$9,026 and \$9,026 for 2015 and 2014, respectively.</p>	153,543	300,856	144,517	300,856
<p>County of San Mateo, 30.6% of the loan balance and the Redevelopment Agency of the City of San Carlos, 69.4% of the loan balance, respectively, for the construction of the Robbins House Project in San Carlos. The loan bears no interest. Annual principal payments are dependent on the amount of surplus cash available. As of June, 30, 2015 and 2014, the unpaid surplus cash was \$0 and \$0, respectively. The loan is due in full in April 2024</p>	-	423,413	-	423,413
Total	169,861	786,741	157,944	786,741
Less current portion	-	-	-	-
Long-term portion	<u>\$ 169,861</u>	<u>\$ 786,741</u>	<u>\$ 157,944</u>	<u>\$ 786,741</u>

No principal payments are due for the years ended June 30, 2015 through June 30, 2019.

HUMAN INVESTMENT PROJECT, INC.
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted assets are for the following purposes:

	<i>Balance June 30, 2014</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>Balance June 30, 2015</i>
<u>Timing and Purpose:</u>				
Housing Opportunity and Self-sufficiency program	\$ 30,032	\$ 87,278	\$ (95,515)	\$ 21,795
Other programs	13,750	1,250	(13,750)	1,250
Home sharing	70,000	45,500	(88,000)	27,500
 Total	<u>\$ 113,782</u>	<u>\$ 134,028</u>	<u>\$ (197,265)</u>	<u>\$ 50,545</u>

NOTE 10 – CONTRIBUTED SERVICES

For the years ended June 30, 2015 and 2014, approximately 966 hours and 1,311 hours, respectively, were provided by twelve volunteers to HIP for clerical work which has an estimated value of approximately \$14,490 and \$19,665 during the respective years.

NOTE 11 – RETIREMENT PLAN

HIP has a defined contribution pension plan covering employees at least 21 years of age with either one year of service or previous employment in the nonprofit or health or social service field within a three-year period immediately preceding employment with HIP. The plan requires employer contributions equal to 3% of covered payroll, with an additional 2% if employee saves 4% towards the plan, and total contributions made to the plan for the years ended June 30, 2015 and 2014 were \$46,391 and \$43,514, respectively.

NOTE 12 – OPERATING LEASES

HIP leases office equipment under a non-cancellable lease through August, 2017. HIP also leases office space under three operating leases; one expired in September 2013 and HIP renewed the lease through September 2015. The future minimum lease payments are adjusted for CPIE each year on a cumulative basis. The second lease expires in 2017 and the lease expense is allocated over HIP, HHDC and ROA. The third lease started May 2015 and expires April 2018. Rental expenses under these lease agreements for the years ended June 30, 2015 and 2014 were \$109,543 and \$104,124, respectively.

Future minimum lease payments under the operating leases are as follows:

Years Ending June 30:	Office	Equipment	Total
2016	\$ 39,565	\$ 3,216	\$ 42,781
2017	13,318	3,216	16,534
2018	10,000	536	10,536
Total	<u>\$ 62,883</u>	<u>\$ 6,968</u>	<u>\$ 69,851</u>

HUMAN INVESTMENT PROJECT, INC.
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 13 – COMMITMENTS

HIP leases land from the City of Redwood City at the site of the Pine-Middlefield residential facility. The lease is for a term of 49 years at 10 dollars per year. The use of the land is restricted, as described in the lease agreement.

HIP leases land from the City of Redwood City at the site of the Hilton Street Project. The lease commenced on September 1991 for a term of 49 years at 10 dollars per year. The leased premises shall be used for the construction, operating and maintenance of a home providing shared living which will be affordable to low and very low income, and small families as defined in California Health and Safety Code Sections 50079.5 and/or 50105.

The promises to give the above facilities use have not been recorded in either the statement of financial position or the statement of activities and changes in net assets since the amounts are not reasonably determinable due to the restrictions on the use of the donated facilities.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 15, 2015, the date which the financial statements were available to be issued, and determined no reportable events occurred.

**SUPPLEMENTAL INFORMATION REQUIRED BY THE CALIFORNIA
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

HUMAN INVESTMENT PROJECT, INC.
 (A California Nonprofit Public Benefit Corporation)
SUPPLEMENTARY INFORMATION REQUIRED BY THE
CALIFORNIA DEPARTMENT OF HOUSING COMMUNITY DEVELOPMENT
HILTON PROPERTY
BALANCE SHEET DATE
JUNE 30, 2015

ACCOUNT No. 91-FHDP-002

2015

Current Assets

Cash - Operations	\$ 6,241
Account Receivable	3,059
Account Receivable - Interest	-
Pre-paid Deposits	1,543
Total Current Assets	10,843

Deposits Held in Trust - Funded

Tenant Deposits Held in Trust	1,445
Total Tenant Deposits Held in Trust	1,445

Restricted Deposits and Funded Reserves

Replacement Reserves	75,649
Other Reserves	-
Total Deposits	75,649

Rental Property

Buildings	360,616
Office Furniture and Equipment	12,289
Accumulated Depreciation	(325,833)
Net Fixed Assets	47,072

Total Assets

\$ 135,009

HUMAN INVESTMENT PROJECT, INC.
 (A California Nonprofit Public Benefit Corporation)
SUPPLEMENTARY INFORMATION REQUIRED BY THE
CALIFORNIA DEPARTMENT OF HOUSING COMMUNITY DEVELOPMENT
HILTON PROPERTY
BALANCE SHEET DATE - (CONTINUED)
JUNE 30, 2015

LIABILITIES AND PARTNERS' EQUITY (DEFICIT)

<u>ACCOUNT No. 91-FHDP-002</u>	<u>2015</u>
Current Liabilities	
Accounts Payable - Operations	\$ 1,037
Accounts Payable to Affiliate	12,104
Total Current Liabilities	<u>13,141</u>
Deposits Liability	
Tenant Deposits Held in Trust (Contra)	1,433
	<u>1,433</u>
Long-Term Liabilities	
Notes Payable (Long Term)	300,856
Interest Payable	153,543
Total Long Term Liabilities	<u>454,399</u>
Total Liabilities	<u>468,973</u>
Total Net Assets	<u>(333,964)</u>
Total Liabilities and Equity/Net Assets	<u>\$ 135,009</u>

HUMAN INVESTMENT PROJECT, INC.
 (A California Nonprofit Public Benefit Corporation)
SUPPLEMENTARY INFORMATION REQUIRED BY THE
CALIFORNIA DEPARTMENT OF HOUSING COMMUNITY DEVELOPMENT
HILTON PROPERTY
STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2015

ACCOUNT No. 91-FHDP-002

2015

RENT REVENUE

Rent Revenue - Gross Potential	\$ 95
Tenant Assistance Payments	34,337
Total Rent Revenue	34,432

VACANCIES

Apartments	(65)
Total Vacancies	(65)

Net Rental Revenue (Rent Revenue Less Vacancies)	34,367
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FINANCIAL REVENUE

Revenue from Investments - Replacement Reserves	190
Total Finance Revenue	190

OTHER REVENUE

Laundry and Vending Revenue	947
Tenant Charges	-
Support from Affiliates	-
Miscellaneous Revenue (over 2,500 - detailed required)	60
Total Other Revenue	1,007

TOTAL REVENUE	\$ 35,564
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HUMAN INVESTMENT PROJECT, INC.
 (A California Nonprofit Public Benefit Corporation)
SUPPLEMENTARY INFORMATION REQUIRED BY THE
CALIFORNIA DEPARTMENT OF HOUSING COMMUNITY DEVELOPMENT
HILTON PROPERTY
STATEMENTS OF OPERATIONS - (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

ACCOUNT No. 91-FHDP-002

2015

ADMINISTRATIVE EXPENSES

Conventions and Meetings	\$	10
Other Renting Expenses		21
Office Salaries		-
Office Expenses		675
Office or Model Apartment for Rent		485
Management Fee		1,791
Audit Expense		3,037
Misc. Admin. Expenses (over 2,500 - detail required)		522
Total Administration Expenses		6,541

UTILITIES EXPENSE

Electricity		1,281
Water and Sewer		1,067
Gas		1,086
Sewer		854
Total Utilities Expense		4,288

OPERATING AND MAINTENANCE EXPENSE

Payroll		3,826
Supplies		765
Contracts		5,209
Garbage and Trash Removal		980
Total Operating and Maintenance Expenses		10,780

HUMAN INVESTMENT PROJECT, INC.
 (A California Nonprofit Public Benefit Corporation)
SUPPLEMENTARY INFORMATION REQUIRED BY THE
CALIFORNIA DEPARTMENT OF HOUSING COMMUNITY DEVELOPMENT
HILTON PROPERTY
STATEMENTS OF OPERATIONS - (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

<u>ACCOUNT No. 91-FHDP-002</u>	<u>2015</u>
TAXES AND INSURANCE	
Real Estate Taxes	
Property & Liability Insurance (Hazard)	1,498
Total Taxes and Insurance	<u>1,498</u>
FINANCIAL EXPENSES	
Interest on First Mortgage (or Bonds) Payable	9,026
Total Financial Expenses	<u>9,026</u>
Total Cost of Operations before Depreciation	<u>32,133</u>
Profit (Loss) before Depreciation	<u>3,431</u>
DEPRECIATION & AMORTIZATION EXPENSES	
Depreciation Expense	15,201
Amortization Expense	-
Total Depreciation & Amortization Expenses	<u>15,201</u>
CONTRIBUTION RELATED PARTY	
Surplus Cash Distribution	232
Net Entity Expenses	<u>47,566</u>
Change in Total Net Assets from Operations	<u><u>\$ (12,002)</u></u>

HUMAN INVESTMENT PROJECT, INC.
 (A California Nonprofit Public Benefit Corporation)
SUPPLEMENTARY INFORMATION REQUIRED BY THE
CALIFORNIA DEPARTMENT OF HOUSING COMMUNITY DEVELOPMENT
HILTON PROPERTY
STATEMENTS OF OPERATIONS - (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

ACCOUNT No. 91-FHDP-002

Total first mortgage (or bond) principal payments required during the audit period (usually 12 months). This applies to all direct loans and CalHFA-held and fully insured mortgages. Any CalHFA approved second mortgages should be included in the figures.	\$	-
The total of all monthly reserve for replacement deposits (usually 12) required during the audit period even if deposits have been temporarily waived or suspended.	\$	1,512
Replacement Reserves, or Residual Receipts and Releases which are included as expense items on this Profit and Loss Statement.	\$	-
Project Improvement Reserve releases under the Flexible Subsidy Program that is included as expense items on this Income Statement.	\$	-

HUMAN INVESTMENT PROJECT, INC.
 (A California Nonprofit Public Benefit Corporation)
SUPPLEMENTARY INFORMATION REQUIRED BY THE
CALIFORNIA DEPARTMENT OF HOUSING COMMUNITY DEVELOPMENT
HILTON PROPERTY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2015

<u>ACCOUNT No. 91-FHDP-002</u>	<u>2015</u>
Cash Flow from Operating Activities:	
Changes in net assets	\$ (12,003)
Adjustments to reconcile change in net assets to net cash used in Operating activities:	
Depreciation	15,201
Realized and unrealized (gain) loss on investments	(173)
(Increase) decrease in assets:	
Accounts receivable	327
Prepaid expenses	(69)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(3,399)
Tenant security deposits	-
Interest payable	9,026
Net Cash Provided (used) by Operating Activities	<u>8,910</u>
Cash Flow from Investing Activities:	
Purchase of property and equipment	(970)
Net (increase) decrease in restricted deposits	(8,436)
Net Cash Provided (used) by Investing Activities	<u>(9,406)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	(496)
Cash Beginning of Year	6,737
Cash End of Year	<u>\$ 6,241</u>

HUMAN INVESTMENT PROJECT, INC.
 (A California Nonprofit Public Benefit Corporation)
SUPPLEMENTARY INFORMATION REQUIRED BY THE
CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
HILTON PROPERTY
CHANGES IN FIXED ASSETS
FOR THE YEAR ENDED JUNE 30, 2015

Assets

	Balance July 1, 2014	Additions	Removals	Balance June 30, 2015
Land	\$ -	\$ -	\$ -	\$ -
Land Improvement	-	-	-	-
Buildings	-	-	-	-
Building Equipment - Fixed	359,646	-	-	359,646
Furniture & Equipment	-	970	-	970
Maintenance Equipment	12,289	-	-	12,289
Site Improvements	-	-	-	-
Total	371,935	970	-	372,905
Accumulated Depreciation	(310,632)	(15,201)	-	(325,833)
Net Book Value	\$ 61,303	\$ (14,231)	\$ -	\$ 47,072

HUMAN INVESTMENT PROJECT, INC.
 (A California Nonprofit Public Benefit Corporation)
SUPPLEMENTARY INFORMATION REQUIRED BY THE
CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
HILTON PROPERTY
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2015

Program	Federal CFDA Number	Amount
Housing Authority County of San Mateo Section 8 Housing assistance payments	14.195	\$ 34,337
TOTAL FEDERAL AWARDS		\$ 34,337

HUMAN INVESTMENT PROJECT, INC.
 (A California Nonprofit Public Benefit Corporation)
ACCOUNT No. 91-FHDP-002
SUPPLEMENTARY INFORMATION REQUIRED BY THE
CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
HILTON PROPERTY
YEAR ENDED JUNE 30, 2015

Operating Cash Flow/Surplus Cash Computation

Operating Income		
Total Income Revenue	\$	35,564
Interest earned on restricted reserve accounts		(190)
Adjusted Operating Income		35,374
Operating Expenses		(23,340)
Adjusted Net Income		12,034
Other Activity		
Mandatory Debt Services		(9,026)
Deposits into the Replacement Reserve		(15,130)
Deposits into other Restricted Accounts per Regulatory Agreement		-
Withdrawals from Replacement Reserve Account included in		
Operating Expense		970
Total Other Activity		(23,186)
Operating Cash Flow/Surplus Cash		(11,152)
Total Cash Available for Distribution (Net Cash Flow)		-
Total Distribution to the Owner		\$ -

HUMAN INVESTMENT PROJECT, INC.
 (A California Nonprofit Public Benefit Corporation)
ACCOUNT No. 91-FHDP-002
SUPPLEMENTARY INFORMATION REQUIRED BY THE
CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
HILTON PROPERTY
FOR THE YEAR ENDED JUNE 30, 2015

Cash

Unrestricted Cash Operating Accounts

Citibank (general checking)	\$ 6,241
Total unrestricted cash	<u>\$ 6,241</u>

Restricted Cash Accounts

Citibank (tenant deposits)	\$ 1,445
Replacement Reserve	75,649
Total restricted cash	<u>\$ 77,094</u>

Accounts Payable

Accounts Payable consists of amounts payable to suppliers, which are due within 30 days of year-end.

Gross Potential Rents

Gross potential rent includes:

Tenants	\$ 95
Housing assistance payments	34,337
Employee unit	-
Vacancy loss	-
Total gross potential rent	<u>\$ 34,432</u>

Management Fee

The term of the most recent management agreement expired on June 30, 2015. However, the agreement states that upon expiration of the term of the contract, if not otherwise renewed, it shall be deemed to continue on a month-to-month basis.

The management fee authorized by HCD for 2015 is as follows:

12 X \$149.22 monthly fee	<u>\$ 1,791</u>
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Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Human Investment Project, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Human Investment Project, Inc. (HIP) a California nonprofit public benefit corporation as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise HIP's basic financial statements, and have issued our report thereon dated December 15, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered HIP's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HIP's internal control. Accordingly, we do not express an opinion on the effectiveness of HIP's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HIP's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of the testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and the use of the audit committee, management, board of directors, other within HIP, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



December 15, 2015
San Mateo, California