

***HUMAN INVESTMENT PROJECT, INC.***  
*A California Nonprofit Public Benefit Corporation*

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
June 30, 2018**

**HUMAN INVESTMENT PROJECT, INC.**  
**FINANCIAL STATEMENTS**  
**June 30, 2018**

**TABLE OF CONTENTS**

|  | <u>Page</u> |
|--|-------------|
| <b>INDEPENDENT AUDITOR’S REPORT</b>  | 3           |
| <b>FINANCIAL STATEMENTS</b>  |             |
| Statement of Financial Position  | 5           |
| Statement of Activities  | 6           |
| Statement of Cash Flows  | 7           |
| Notes to Financial Statements  | 9           |
| <b>SUPPLEMENTARY INFORMATION</b>   |             |
| Supplementary Information  | 18          |
| Supplementary Information Required by HCD  | 23          |
| Independent Auditor’s Report on Internal Control Over<br>Financial Reporting and on Compliance and Other Matters<br>Based on an Audit of Financial Statements Performed<br>In Accordance With <i>Government Auditing Standards</i> | 28          |
| Certification of Officers and Management Agent   | 30          |



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Human Investment Project, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Human Investment Project, Inc., a California non-profit public benefit corporation, which comprise the statement of financial position as of June 30, 2018, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. 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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Human Investment Project, Inc., as of June 30, 2018, and the changes in their net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT (Continued)

### Correction of Error

As described in Note K to the financial statements, our audit identified transactions previously not recorded in accordance with accounting principles generally accepted in the United States of America that have been corrected. Our opinion is not modified with respect to that matter.

### Other Matters

#### *Emphasis of Matter*

The financial statements of Human Investment Project, Inc. have been prepared without combining the financial statements of related entities under common control. Combined financial statements will also be issued and those statements are the general-purpose financial statements.

### Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as required by the *California Department of Housing and Community Development and the California Housing Finance Agency*, 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*, we have also issued a report dated October 18, 2018 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* in considering Human Investment Project, Inc.'s internal control over financial reporting and compliance.

*Spiteri, Narasky & Daly, LLP*

Moraga, California  
October 18, 2018

**HUMAN INVESTMENT PROJECT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2018**

**ASSETS**

**Current assets**

|  |              |
|--|--------------|
| Cash and cash equivalents                              | \$ 1,516,561 |
| Designated cash and deposits, current portion (Note B) | 50,544       |
| Investments (Note C)                                   | 963,205      |
| Tenant rents and other receivables                     | 64,582       |
| Grants and contracts receivable                        | 96,682       |
| Receivable from affiliates                             | 692,396      |
| Developer fee receivable                               | 528,315      |
| Prepaid expenses                                       | 58,289       |
| Total current assets                                   | 3,970,574    |

**Long-term assets**

|   |              |
|---|--------------|
| Designated cash and deposits, net of current portion (Note B) | 586,751      |
| Property and equipment, net (Note D)                          | 1,260,522    |
| Notes receivable, including interest (Note E)                 | 322,695      |
| Total long-term assets  | 2,169,968    |
| Total assets  | \$ 6,140,542 |

**LIABILITIES AND NET ASSETS**

**Current liabilities**

|                                       |            |
|---------------------------------------|------------|
| Accounts payable and accrued expenses | \$ 166,598 |
| Payable to affiliates                 | 2,356      |
| Tenant security deposits              | 14,255     |
| Total current liabilities             | 183,209    |

**Long-term liabilities**

|                                   |           |
|-----------------------------------|-----------|
| Notes payable (Note F)            | 833,156   |
| Accrued interest - deferred notes | 167,849   |
| Total long-term liabilities       | 1,001,005 |
| Total liabilities                 | 1,184,214 |

**Net assets**

|                                   |              |
|-----------------------------------|--------------|
| Temporarily restricted net assets | 394,846      |
| Unrestricted net assets           | 4,561,482    |
| Total net assets                  | 4,956,328    |
| Total liabilities and net assets  | \$ 6,140,542 |

The accompanying notes are an integral part of these financial statements.

**HUMAN INVESTMENT PROJECT, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2018**

**Unrestricted Net Assets**

**Support and revenue**

Support

|   |            |
|---|------------|
| Government grants and contracts             | \$ 411,756 |
| Contributions from affiliates               | 1,073,192  |
| Grants, contributions and fundraising       | 1,850,429  |
| Net assets released from donor restrictions | 320,224    |
| Total support                               | 3,655,601  |

Revenue

|                                |         |
|--------------------------------|---------|
| Rental property revenue        | 129,550 |
| Supportive services fees       | 23,709  |
| Asset management fees          | 14,318  |
| Interest and investment income | 46,994  |
| Miscellaneous income           | 13,099  |
| Total revenue                  | 227,670 |

|                           |           |
|---------------------------|-----------|
| Total support and revenue | 3,883,271 |
|---------------------------|-----------|

**Expenses**

Program services

|                                    |           |
|------------------------------------|-----------|
| Rental property operations         | 167,099   |
| Supportive services programs       | 1,697,900 |
| Fundraising                        | 475,394   |
| Management and general             | 244,855   |
| Unallocated payments to affiliates | 185,000   |

|                |           |
|----------------|-----------|
| Total expenses | 2,770,248 |
|----------------|-----------|

|                                   |           |
|-----------------------------------|-----------|
| Change in unrestricted net assets | 1,113,023 |
|-----------------------------------|-----------|

**Temporarily restricted net assets**

|   |           |
|---|-----------|
| Government grants and contracts             | 13,500    |
| Grants, contributions and fundraising       | 582,650   |
| Net assets released from donor restrictions | (320,224) |
| Change in temporarily restricted net assets | 275,926   |

**Net assets - beginning of year**

|   |           |
|---|-----------|
| As previously reported                      | 2,975,736 |
| Prior period adjustments                    | 591,643   |
| Net assets - beginning of year, as restated | 3,567,379 |

|                                 |                     |
|---------------------------------|---------------------|
| <b>Net assets - end of year</b> | <b>\$ 4,956,328</b> |
|---------------------------------|---------------------|

The accompanying notes are an integral part of these financial statements.

**HUMAN INVESTMENT PROJECT, INC.**  
**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   |              |
|---|--------------|
| Change in net assets  | \$ 1,388,949 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |              |
| Depreciation and amortization   | 81,280       |
| In-kind donation of property and equipment  | (1,002,113)  |
| Unrealized gain on investments  | (26,654)     |
| (Increase) decrease in assets:  |              |
| Tenant rents and other receivables  | (20,489)     |
| Grants and contracts receivable   | 110,543      |
| Receivable from affiliates  | 677,151      |
| Prepaid expenses  | 32,811       |
| Notes receivable interest   | (9,260)      |
| (Increase) decrease in liabilities:   |              |
| Accounts payable and accrued expenses   | (4,330)      |
| Payable to affiliates   | (105,549)    |
| Tenant security deposits  | 7,558        |
| Accrued interest - deferred   | 11,918       |
| Net cash provided by operating activities   | 1,141,815    |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|  |              |
|--|--------------|
| (Deposits to) releases from restricted cash and deposits | 825,482      |
| Purchases of investments, net                            | (610,922)    |
| Purchase of property and equipment                       | (44,736)     |
| Net cash used by investing activities                    | 169,824      |
| Net increase in cash and cash equivalents                | 1,311,639    |
| Cash and cash equivalents - beginning of year            | 204,922      |
| Cash and cash equivalents - end of year                  | \$ 1,516,561 |

**SUPPLEMENTARY CASH FLOW INFORMATION:**

|   |              |
|---|--------------|
| Schedule of noncash investing and financing transactions: |              |
| Acquisition of property and equipment                     | \$ 1,002,113 |

The accompanying notes are an integral part of these financial statements.

**HUMAN INVESTMENT PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES**

Human Investment Project, Inc. (HIP Housing), was formed as a California nonprofit public benefit corporation in 1992, with a mission to improve housing conditions and life skills of people in need through programs, property development, redevelopment and management. HIP Housing provides affordable housing opportunities for those who live, or wish to live, in San Mateo County. HIP Housing receives contributions, including grants, and sponsors construction and management of low-and moderate-income housing projects.

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

**1. Basis of Presentation and Accounting**

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP). Support and revenues are recorded in the period when earned and expenses when incurred, regardless of the timing of payments. In addition, the financial position and activities are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets depending on the nature of any donor-imposed restrictions.

The board of directors of HIP Housing shares common directors with HIP Housing Development Corporation (HHDC), a California nonprofit public benefit corporation, which sponsors construction and management of low- and moderate-income housing projects in San Mateo County. The board of directors of HIP also shares common directors with HIP Housing Affordable Ventures, Inc., a California nonprofit public benefit corporation, whose purpose is to provide funds and/or other contributions in support of affordable housing in San Mateo County.

HIP Housing's financial statements do not include the assets, liabilities, revenue or expenses of the related organizations. The financial statements of HIP Housing have been prepared without combining the financial statements of related entities under common control. Combined financial statements will also be issued and those statements are the general-purpose financial statements of the primary reporting entity.

**2. Cash and Cash Equivalents and Concentrations of Credit Risk**

Cash is defined as cash in demand deposits and cash on hand. Not included as cash for purposes of the statement of cash flows are funds restricted as to their use, regardless of liquidity, such as property operating accounts, tenant security deposits, replacement reserves, and operating reserves.

Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash. Generally, money market accounts and investments with original maturities of three months or less qualify as cash equivalents.

As of June 30, 2018, HIP Housing has deposits in excess of federally insured limits. HIP Housing has not experienced losses in such accounts and believes it is not exposed to any significant risk of loss.



**HUMAN INVESTMENT PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES (Continued)**

**3. Designated Cash and Deposits**

Designated cash and deposits includes replacement reserves, operating reserves, tenant security deposits, and other reserves required to be segregated by a regulatory agency or the board of directors.

**4. Investments – Fair Value**

Generally accepted accounting principles establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of HIP Housing. Unobservable inputs, if any, reflects HIP Housing's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

*Level 1* – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that HIP Housing has the ability to access at measurement date. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgement.

*Level 2* – Valuations based on significant inputs that are observable, either directly or indirectly or quoted prices in markets that are not active, that is, markets in which there are few transactions, the prices are not current or price quotations vary substantially either over time or among market makers.

*Level 3* – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgement.

Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed.

**5. Allowances for Uncollectible Accounts Receivable**

HIP Housing records an allowance for doubtful collections based on a review of outstanding receivables, existing economic conditions or specific situations. HIP elects to record bad debt for tenant rents receivables using the direct write-off method. GAAP requires that the allowance method 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 be obtained had the allowance method been followed.

**HUMAN INVESTMENT PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES (Continued)**

**6. Property and Equipment**

Property and equipment is stated at cost as of the date of acquisition or construction. The cost of maintenance and repairs are charged to operations when incurred. All major replacements and betterments are capitalized.

Depreciation is provided in amounts sufficient to relate the cost or fair market value of depreciable assets to operations over their estimated useful lives using the straight-line method, 15 - 27.5 years for buildings and improvements and five to seven years for office furniture and equipment.

In accordance with GAAP, HIP Housing reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There was no impairment loss recognized in the year ended June 30, 2018.

**7. 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.

**8. Fair Value of Financial Instruments**

The carrying amounts of financial instruments including cash and cash equivalents, other advances and receivables, accounts payable and accrued expenses, and tenant security deposits approximate fair value due to the relatively short-term maturity of these instruments. It is not practicable for management to estimate the fair value of accounts and notes receivable, notes payable, equity investments and financial guarantees because of the nature of such instruments and lack of readily available market information for financial instruments with similar terms.

**9. Advertising Costs**

Advertising costs are charged to operations when incurred.

**HUMAN INVESTMENT PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES (Continued)**

**10. Revenue Recognition**

**Contributions Revenue**

Contributions are recognized as revenue when they are unconditionally promised. Noncash contributions are recorded at their estimated fair value when received. Contributions to be received after one year are discounted at an appropriate discount rate when material. Grants represent contributions if resource providers receive 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 statements of activities as net assets released from restrictions. Contributions restricted for the purpose of long-lived assets are reported as unrestricted support when expended for that purpose in the individual financial statements of each affiliated entity, but may be reported as temporarily restricted net assets in the financial statements.

**Rental Housing Revenue**

Revenue from resident fees, rents and services is recognized in the period rendered. Rental income is shown at its maximum gross potential. Vacancy loss and concessions are shown as a reduction of rental income. Rental units occupied by employees are included in rental income and as an expense of operations. Most of the rental income is received under short-term residential leases.

**11. Functional Allocation of Expenses**

The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services based on estimates of employees' time incurred and on usage of resources.

Program services include all expenses relating to development, management of properties, and resident services. Supporting services consist of management and general expenses and unallocated payments to affiliates.

**12. Income Taxes**

HIP Housing has received tax-exempt status under IRC Section 501(c)(3) and the California Franchise Tax Board under the Revenue and Taxation Code 23701(d).

HIP Housing believes that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the financial statements. HIP Housing's federal and state information and income tax returns for the years 2014 through 2017 are subject to examination by regulatory agencies, generally for three years and four years after they were filed for the federal and state returns, respectively.

**HUMAN INVESTMENT PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES (Continued)**

**13. Use of Estimates**

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures. Accordingly, actual results could differ from those estimates.

**14. Risks and Uncertainties**

HIP Housing is subject to various risks and uncertainties in the ordinary course of business that could have adverse impacts on its operating results and financial condition. Future operations could be affected by changes in the economy or other conditions in the geographical area where the corporation is located or by changes in federal, state and/or local low-income housing subsidies or the demand for such housing.

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

**15. Subsequent Events**

Subsequent events were evaluated through October 18, 2018, which is the date the financial statements were available to be issued.

**NOTE B – DESIGNATED CASH AND DEPOSITS**

As of June 30, 2018, restricted cash and deposits consist of the following:

|                                       |                          |
|---------------------------------------|--------------------------|
| Rental property operating funds       | \$ 50,544                |
| Tenant security deposits and reserves | <u>586,751</u>           |
| Total restricted cash and deposits    | 637,295                  |
| Less: current portion                 | <u>(50,544)</u>          |
| Non-current portion                   | <u><u>\$ 586,751</u></u> |

**HUMAN INVESTMENT PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE C – INVESTMENTS**

HIP Housing’s investments measured at fair value on a recurring basis as of June 30, 2018, and the fair value hierarchy of the valuation techniques utilized by HIP to determine fair values are as follows:

|                              | <i>Cost as of</i><br><u>June 30, 2018</u> | <i>Quoted Prices<br/>in Active<br/>Markets for<br/>Identical Assets<br/>(Level 1)</i><br><u>June 30, 2018</u> |
|------------------------------|---|---|
| Fixed income                 | \$ 475,641                                | \$ 467,885  |
| Domestic equity securities   | 105,966                                   | 119,027   |
| Exchange traded funds (ETFs) | 355,885                                   | 376,293   |
| Total investments            | <u>\$ 937,492</u>                         | <u>\$ 963,205</u>   |

The following presents investments by category at fair value as of June 30, 2018:

|                             |                   |
|-----------------------------|-------------------|
| Fixed income:               |                   |
| US treasury notes           | \$ 99,516         |
| Bond funds                  | 295,332           |
| Corporate bonds             | 73,037            |
| Total fixed income          | <u>\$ 467,885</u> |
| Domestic Equity Securities: |                   |
| Consumer staples            | \$ 9,367          |
| Energy                      | 26,446            |
| Financials                  | 12,504            |
| Health care                 | 10,626            |
| Industrials                 | 12,791            |
| Information technology      | 47,293            |
| Total equity securities     | <u>\$ 119,027</u> |

**HUMAN INVESTMENT PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE D – PROPERTY AND EQUIPMENT**

As of June 30, 2018, property, equipment, and accumulated depreciation consist of the following:

|                                       |    |             |
|---------------------------------------|----|-------------|
| Land                                  | \$ | 836,000     |
| Buildings and improvements            |    | 1,326,469   |
| Furnishings and equipment             |    | 371,970     |
|                                       |    | 2,534,439   |
| Total property and equipment          |    | 2,534,439   |
| Less accumulated depreciation expense |    | (1,273,917) |
|                                       |    | 1,260,522   |
| Property and equipment, net           | \$ | 1,260,522   |

**NOTE E – NOTES RECEIVABLE**

Notes receivable in the amount of \$200,000 due from HHDC bears interest at a simple rate of 4.63% per annum, requires annual payments to the extent of annual surplus cash generated by the real property located at 11 Delaware Street owned by HHDC, and matures March 15, 2035. As of June 30, 2018, accrued interest receivable totals \$122,695.

**NOTE F - NOTES PAYABLE**

Deferred loans payable to various government agencies and lenders, see detail below, are non-interest bearing, bear simple interest at rates ranging from 3% to 4.63%, and have varying maturity dates through 2072. Payments are either payable from available residual receipts or surplus cash or are deferred until maturity with the option to renew. For the year ended June 30, 2018, interest expense totaled \$11,918. As of June 30, 2018, accrued deferred interest totaled \$167,849.

|  |  |            |
|--|--|------------|
| County of San Mateo                                      |  | \$ 129,451 |
| City of San Carlos                                       |  | 293,962    |
| California Department of Housing & Community Development |  | 300,856    |
| Related parties (unsecured)                              |  | 108,887    |
| Total notes payable                                      |  | \$ 833,156 |

Principal payments for the next five years are subject to changes in net cash flow, which is a contingency that cannot reasonably be estimated.

**HUMAN INVESTMENT PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE G – TEMPORARILY RESTRICTED NET ASSETS**

The temporarily restricted assets carry the following restrictions:

|                     | Balance<br>July 01, 2017 | Contributions     | Released from<br>Restrictions | Balance<br>June 30, 2018 |
|---------------------|--------------------------|-------------------|-------------------------------|--------------------------|
| Purpose restricted: |                          |                   |                               |                          |
| Housing Opportunity | \$ 39,264                | \$ 190,000        | \$ (79,645)                   | \$ 149,619               |
| Self-Sufficiency    | -                        | 114,000           | (99,000)                      | 15,000                   |
| Home Sharing        | 51,487                   | 88,150            | (87,800)                      | 51,837                   |
| Other programs      | 6,669                    | 81,250            | (32,279)                      | 55,640                   |
| Time restricted     | 21,500                   | 122,750           | (21,500)                      | 122,750                  |
| Total               | <u>\$ 118,920</u>        | <u>\$ 596,150</u> | <u>\$ (320,224)</u>           | <u>\$ 394,846</u>        |

**NOTE H - RELATED PARTY TRANSACTIONS**

**Advances Receivable from Affiliates**

During the year ended June 30, 2018, HIP Housing advanced HHAV \$70,000 for payroll costs related to the management of rental properties.

**Payable to Affiliates**

During the year ended June 30, 2018, HIP Housing received excess reimbursements of costs from Edgewater Isle Associates, L.P., a California limited partnership, related to HIP Housing by common members on the Board of Directors of the General Partner, totaling \$2,356.

**Contributions from Affiliates**

During the year ended June 30, 2018, HHAV promised to give HIP Housing \$608,078 to support HIP Housing's mission and remains receivable as of June 30, 2018.

During the year ended June 30, 2018, HHDC promised to give HIP Housing \$465,114 to support HIP Housing's mission. As of June 30, 2018, this contribution has been received in full.

**Donation to Affiliates**

During the year ended June 30, 2018, HIP Housing donated \$185,000 to HHDC to add to the reserves of properties owned by HHDC.

**Asset Management Fee**

HIP Housing is entitled to an annual asset management fee of 5% of gross rent potential from Commercial Street, a rental property owned by HHDC. For the year ended June 30, 2018, the annual asset management fee earned totaled \$14,318 of which \$14,318 is receivable as of June 30, 2018.

**Property Management Fees**

The properties owned by HIP Housing are managed by HHAV. For the year ending June 30, 2018, management fees paid to HHAV totaled \$7,578.

**HUMAN INVESTMENT PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE I – RETIREMENT PLAN**

HIP Housing has a defined contribution pension plan that covers 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 Housing. The plan requires employer contributions equal to 3% of covered payroll, with an additional 2% if employee saves 4% towards the plan. Total contributions made to the plan for the years ended June 30, 2018 totaled \$60,462.

**NOTE J – COMMITMENTS**

HIP Housing 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 ten dollars per year. The use of the land is restricted for the construction, operation, and maintenance of a home providing shared living; which will be available for very low-income persons, as more fully described in the lease agreement.

HIP Housing 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 use of the land is restricted to operating and maintenance of a home providing shared living that 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.

Management has determined the fair value of these leases to be nominal due to the restrictions on the use of the land. Management also has determined the fair value of these leases to be nominal as similar agencies enter into similar leasing arrangements with similar public benefit corporations and nonprofit organizations in an effort to proliferate affordable housing within those agency's jurisdictions.

**NOTE K – CORRECTION OF ERROR**

Pursuant to a Development Fee Agreement between HIP Housing and Edgewater Isle Associates, L.P., a California limited partnership (Edgewater) whose general partner is HHDC, HIP Housing is entitled to development fees connection with the rehabilitation of property owned by Edgewater. Prior to July 1, 2017, Management was recording fees earned from Edgewater on the cash basis. Management has determined that these fees should be accounted for on the accrual basis in accordance with GAAP. The correction of error resulted in an addition to net assets as of July 1, 2017 of \$528,315 and developer fee receivable of \$528,315.

HIP Housing has a cash reserve with Unemployment Services Trust. Prior to July 1, 2017, Management had not accounted for this cash account in its books and records. The correction of error resulted in an addition to net assets as of July 1, 2017 of \$34,288 and cash and cash equivalents of \$34,288.

HIP Housing receives rents from tenants that it designates for the Self Sufficiency Program. Prior to July 1, 2017, Management was recording receipts from tenants as liabilities and payments to Self Sufficiency Program participants as reductions of the liability. However, these receipts should considered service fee income and payments made as program expenses as paid. The correction of error resulted in an addition to net assets as of July 1, 2017 of \$29,040 and reduction of accounts payable of \$29,040.



**SUPPLEMENTARY INFORMATION**

**HUMAN INVESTMENT PROJECT, INC.**  
**DETAILED SCHEDULE OF FUNCTIONAL EXPENSES**  
**June 30, 2018**

|                                       | <u>Program Services</u>        |                              | <u>Fundraising</u> | <u>Management<br/>and General</u> | <u>Unallocated<br/>Payments to<br/>Affiliates</u> | <u>Total<br/>Expenses</u> |
|---------------------------------------|--------------------------------|------------------------------|--------------------|-----------------------------------|---|---------------------------|
|                                       | <u>Supportive<br/>Services</u> | <u>Rental<br/>Properties</u> |                    |                                   |   |                           |
| Salaries, payroll taxes, and benefits | \$ 1,123,533                   | \$ 19,193                    | \$ 300,958         | \$ 220,689                        | \$ -  | \$ 1,664,373              |
| Rent expense                          | 121,444                        | 7,047                        | 26,444             | 6,611                             | -   | 161,546                   |
| Administrative expenses               | 301,885                        | 22,783                       | 45,139             | 17,295                            | -   | 387,102                   |
| Utilities                             | -                              | 23,961                       | -                  | -                                 | -   | 23,961                    |
| Operating and maintenance             | -                              | 23,251                       | -                  | -                                 | -   | 23,251                    |
| Taxes and insurance                   | 4,223                          | 10,384                       | -                  | 260                               | -   | 14,867                    |
| Depreciation                          | 32,828                         | 48,452                       | -                  | -                                 | -   | 81,280                    |
| Interest and other financial expenses | -                              | 11,918                       | -                  | -                                 | -   | 11,918                    |
| Resident service expenses             | 113,987                        | 110                          | -                  | -                                 | -   | 114,097                   |
| Fundraising expenses                  | -                              | -                            | 102,853            | -                                 | -   | 102,853                   |
| Donation to affiliate                 | -                              | -                            | -                  | -                                 | 185,000   | 185,000                   |
| Total expenses                        | <u>\$ 1,697,900</u>            | <u>\$ 167,099</u>            | <u>\$ 475,394</u>  | <u>\$ 244,855</u>                 | <u>\$ 185,000</u>                                 | <u>\$ 2,770,248</u>       |

**HUMAN INVESTMENT PROJECT, INC.**  
**DETAILED SCHEDULE OF FINANCIAL POSITION**  
**June 30, 2018**

**ASSETS**

|  | HIP                 | Rental<br>Properties | Eliminating<br>Entries | Total               |
|--|---------------------|----------------------|------------------------|---------------------|
| <b>Current assets</b>                                |                     |                      |                        |                     |
| Cash and cash equivalents                            | \$ 1,516,561        | \$ -                 | \$ -                   | \$ 1,516,561        |
| Designated cash and deposits, current portion        | -                   | 50,544               | -                      | 50,544              |
| Investments  | 963,205             | -                    | -                      | 963,205             |
| Tenant rents and other receivables                   | 41,090              | 23,492               | -                      | 64,582              |
| Grants and contracts receivable                      | 96,682              | -                    | -                      | 96,682              |
| Receivable from affiliates                           | 692,396             | 239                  | (239)                  | 692,396             |
| Developer fee receivable                             | 528,315             | -                    | -                      | 528,315             |
| Prepaid expenses                                     | 58,289              | -                    | -                      | 58,289              |
| Total current assets                                 | <u>3,896,538</u>    | <u>74,275</u>        | <u>(239)</u>           | <u>3,970,574</u>    |
| <b>Long-term assets</b>                              |                     |                      |                        |                     |
| Designated cash and deposits, net of current portion | 368,848             | 217,903              | -                      | 586,751             |
| Property and equipment, net                          | 99,070              | 1,161,452            | -                      | 1,260,522           |
| Notes receivable, including interest                 | 322,695             | -                    | -                      | 322,695             |
| Total long-term assets                               | <u>790,613</u>      | <u>1,379,355</u>     | <u>-</u>               | <u>2,169,968</u>    |
| Total assets   | <u>\$ 4,687,151</u> | <u>\$ 1,453,630</u>  | <u>\$ (239)</u>        | <u>\$ 6,140,542</u> |

**HUMAN INVESTMENT PROJECT, INC.**  
**DETAILED SCHEDULE OF FINANCIAL POSITION (Continued)**  
**June 30, 2018**

**LIABILITIES AND NET ASSETS**

|                                       | HIP                 | Rental<br>Properties | Eliminations    | Total               |
|---------------------------------------|---------------------|----------------------|-----------------|---------------------|
| <b>Current liabilities</b>            |                     |                      |                 |                     |
| Accounts payable and accrued expenses | \$ 157,389          | \$ 9,209             | \$ -            | \$ 166,598          |
| Payable to affiliates                 | 2,595               | -                    | (239)           | 2,356               |
| Tenant security deposits              | -                   | 14,255               | -               | 14,255              |
| Total current liabilities             | <u>159,984</u>      | <u>23,464</u>        | <u>(239)</u>    | <u>183,209</u>      |
| <b>Long-term liabilities</b>          |                     |                      |                 |                     |
| Notes payable                         | -                   | 833,156              | -               | 833,156             |
| Accrued interest - deferred notes     | -                   | 167,849              | -               | 167,849             |
| Total long-term liabilities           | <u>-</u>            | <u>1,001,005</u>     | <u>-</u>        | <u>1,001,005</u>    |
| Total liabilities                     | <u>159,984</u>      | <u>1,024,469</u>     | <u>(239)</u>    | <u>1,184,214</u>    |
| <b>Net assets</b>                     |                     |                      |                 |                     |
| Temporarily restricted net assets     | 394,846             | -                    | -               | 394,846             |
| Unrestricted net assets               | 4,132,321           | 429,161              | -               | 4,561,482           |
| Total net assets                      | <u>4,527,167</u>    | <u>429,161</u>       | <u>-</u>        | <u>4,956,328</u>    |
| Total liabilities and net assets      | <u>\$ 4,687,151</u> | <u>\$ 1,453,630</u>  | <u>\$ (239)</u> | <u>\$ 6,140,542</u> |

**HUMAN INVESTMENT PROJECT, INC.**  
**DETAILED SCHEDULE OF ACTIVITIES**  
**Year Ended June 30, 2018**

|   | HIP                 | Rental<br>Properties | Eliminations    | Total               |
|---|---------------------|----------------------|-----------------|---------------------|
| <b>Unrestricted net assets</b>              |                     |                      |                 |                     |
| <b>Support and Revenue</b>                  |                     |                      |                 |                     |
| Support                                     |                     |                      |                 |                     |
| Government grants and contracts             | \$ 411,756          | \$ -                 | \$ -            | \$ 411,756          |
| Contributions from affiliates               | 1,073,192           | -                    | -               | 1,073,192           |
| Grants, contributions and fundraising       | 845,743             | 1,004,686            | -               | 1,850,429           |
| Net assets released from donor restrictions | 320,224             | -                    | -               | 320,224             |
| Total support                               | <u>2,650,915</u>    | <u>1,004,686</u>     | <u>-</u>        | <u>3,655,601</u>    |
| Revenue                                     |                     |                      |                 |                     |
| Rental property revenue                     | -                   | 149,100              | (19,550)        | 129,550             |
| Supportive services fees                    | 41,206              | -                    | (17,497)        | 23,709              |
| Asset management fees                       | 14,318              | -                    | -               | 14,318              |
| Interest and investment income              | 46,473              | 521                  | -               | 46,994              |
| Miscellaneous income                        | 9,472               | 3,627                | -               | 13,099              |
| Total revenue                               | <u>111,469</u>      | <u>153,248</u>       | <u>(37,047)</u> | <u>227,670</u>      |
| Total support and revenue                   | <u>2,762,384</u>    | <u>1,157,934</u>     | <u>(37,047)</u> | <u>3,883,271</u>    |
| <b>Expenses</b>                             |                     |                      |                 |                     |
| Program services                            |                     |                      |                 |                     |
| Rental property operations                  | -                   | 184,596              | (17,497)        | 167,099             |
| Supportive services programs                | 1,717,450           | -                    | (19,550)        | 1,697,900           |
| Fundraising and advocacy                    | 475,394             | -                    | -               | 475,394             |
| Management and general                      | 244,855             | -                    | -               | 244,855             |
| Unallocated payments to affiliates          | 185,000             | -                    | -               | 185,000             |
| Total expenses                              | <u>2,622,699</u>    | <u>184,596</u>       | <u>(37,047)</u> | <u>2,770,248</u>    |
| Change in unrestricted net assets           | <u>139,685</u>      | <u>973,338</u>       | <u>-</u>        | <u>1,113,023</u>    |
| <b>Temporarily restricted net assets</b>    |                     |                      |                 |                     |
| Government grants and contracts             | 13,500              | -                    | -               | 13,500              |
| Grants, contributions and fundraising       | 582,650             | -                    | -               | 582,650             |
| Net assets released from donor restrictions | (320,224)           | -                    | -               | (320,224)           |
| Change in temporarily restricted net assets | <u>275,926</u>      | <u>-</u>             | <u>-</u>        | <u>275,926</u>      |
| <b>Net assets - beginning of year</b>       |                     |                      |                 |                     |
| As previously reported                      | 3,519,913           | (544,177)            | -               | 2,975,736           |
| Prior period adjustments                    | 591,643             | -                    | -               | 591,643             |
| Net assets - beginning of year, as restated | <u>4,111,556</u>    | <u>(544,177)</u>     | <u>-</u>        | <u>3,567,379</u>    |
| <b>Net assets - end of year</b>             | <u>\$ 4,527,167</u> | <u>\$ 429,161</u>    | <u>\$ -</u>     | <u>\$ 4,956,328</u> |

**HUMAN INVESTMENT PROJECT, INC.**  
**SUPPLEMENTARY NET CASH FLOW CALCULATION FOR OWNED PROPERTIES**  
**Year Ended June 30, 2018**

|                                   | Chilco           | Cedar           | Hilton        | Pine            |
|-----------------------------------|------------------|-----------------|---------------|-----------------|
| Operating Revenue                 |                  |                 |               |                 |
| Rental property revenue           | \$ 12,600        | \$ 49,960       | \$ 38,660     | \$ 47,880       |
| Grants and contributions          | 1,004,686        | -               | -             | -               |
| Interest income                   | 565              | 1,374           | 1,287         | 922             |
| Less restricted interest          | -                | (40)            | (363)         | (117)           |
| Total operating revenue           | <u>1,017,851</u> | <u>51,294</u>   | <u>39,584</u> | <u>48,685</u>   |
| Operating Expenses                |                  |                 |               |                 |
| Salaries                          | -                | 6,361           | 6,471         | 6,361           |
| Administrative                    | 2,072            | 6,898           | 6,905         | 6,906           |
| Utilities                         | 1,120            | 10,672          | 6,659         | 5,510           |
| Operating and maintenance         | 1,247            | 7,091           | 7,265         | 7,648           |
| Taxes and insurance               | 5,850            | 1,546           | 1,640         | 1,350           |
| Supportive services               | -                | 6,307           | 5,000         | 6,300           |
| Rent                              | 558              | 2,163           | 2,163         | 2,163           |
| Total operating expenses          | <u>10,847</u>    | <u>41,038</u>   | <u>36,103</u> | <u>36,238</u>   |
| Other Items                       |                  |                 |               |                 |
| Capital expenditures              | 1,002,113        | 4,706           | 4,540         | 1,885           |
| Deposits to replacement reserve   | -                | 3,030           | 2,191         | 4,000           |
| Releases from replacement reserve | -                | (2,755)         | (4,540)       | -               |
| Deposits to operating reserve     | -                | -               | 839           | -               |
| Total other items                 | <u>1,002,113</u> | <u>4,981</u>    | <u>3,030</u>  | <u>5,885</u>    |
| Net cash flow                     | <u>\$ 4,891</u>  | <u>\$ 5,275</u> | <u>\$ 451</u> | <u>\$ 6,562</u> |

**HUMAN INVESTMENT PROJECT, INC.**  
**SUPPLEMENTARY INFORMATION REQUIRED BY**  
**CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**  
**HILTON PROJECT No. 91-FHDP-002**  
**Year Ended June 30, 2018**

**SCHEDULES OF OPERATING REVENUES**

|                          |   |                 |
|--------------------------|---|-----------------|
| <b>Rent Revenue</b>      |   |                 |
| 5120                     | Tenant rents                            | \$ 7,200        |
| 5121                     | Tenant assistance payments              | 46,820          |
| 5100T                    | Gross rent potential                    | <u>54,020</u>   |
| <b>Vacancies</b>         |   |                 |
| 5220                     | Apartments                              | (15,360)        |
| 5250                     | Concessions                             | -               |
| 5200T                    | Total vacancies                         | <u>(15,360)</u> |
| 5152N                    | Net rental revenue                      | <u>38,660</u>   |
| <b>Financial revenue</b> |   |                 |
| 5440                     | Financial revenue - replacement reserve | 363             |
| 5400T                    | Total financial revenue                 | <u>363</u>      |
| <b>Other revenue</b>     |   |                 |
| 5910                     | Laundry income                          | 412             |
| 5920                     | Tenant charges                          | 512             |
| 5900T                    | Total other revenue                     | <u>924</u>      |
| 5000T                    | Total revenue                           | <u>39,947</u>   |

**SCHEDULES OF OPERATING EXPENSES**

|                                |                                 |               |
|--------------------------------|---------------------------------|---------------|
| <b>Administrative expenses</b> |                                 |               |
| 6311                           | Office supplies                 | 327           |
| 6312                           | Office rent                     | 2,163         |
| 6320                           | Property management fees        | 2,134         |
| 6330                           | Manager's salary                | 3,525         |
| 6340                           | Legal fees                      | 27            |
| 6350                           | Audit fees                      | 3,167         |
| 6351                           | Accounting services             | 576           |
| 6311                           | Telephone and answering service | 106           |
| 6390                           | Bank service charges            | 14            |
| 6390                           | Seminars and training           | 178           |
| 6390                           | Supportive service expenses     | 5,000         |
| 6390                           | Miscellaneous administrative    | 376           |
|                                | Total administrative expenses   | <u>17,593</u> |

**HUMAN INVESTMENT PROJECT, INC.**  
**SUPPLEMENTARY INFORMATION REQUIRED BY**  
**CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**  
**HILTON PROJECT No. 91-FHDP-002**  
**Year Ended June 30, 2018**

**SCHEDULES OF OPERATING EXPENSES (Continued)**

|       |  |                           |
|-------|--|---------------------------|
|       | <b>Utilities</b>                             |                           |
| 6450  | Electricity                                  | \$ 734                    |
| 6451  | Water  | 3,312                     |
| 6452  | Gas  | 1,584                     |
| 6453  | Sewer  | 1,029                     |
|       | Total utilities                              | <u>6,659</u>              |
|       | <b>Operating and maintenance</b>             |                           |
| 6510  | Repairs payroll                              | 1,500                     |
| 6515  | Repairs materials                            | 259                       |
| 6520  | Exterminating                                | 1,380                     |
| 6520  | Ground contracts                             | 2,275                     |
| 6520  | Repairs contract                             | 2,217                     |
| 6525  | Trash removal                                | 1,100                     |
| 6570  | Vehicle maintenance and repair               | 25                        |
| 6590  | Miscellaneous operating and maintenance      | 9                         |
|       | Total operating and maintenance              | <u>8,765</u>              |
|       | <b>Taxes and insurance</b>                   |                           |
| 6711  | Payroll taxes                                | 327                       |
| 6722  | Workers' compensation                        | 312                       |
| 6723  | Health insurance and other employee benefits | 616                       |
| 6720  | Property and liability insurance             | 1,640                     |
| 6720  | Earthquake insurance                         | 191                       |
|       | Total taxes and insurance                    | <u>3,086</u>              |
|       | <b>Financial expenses</b>                    |                           |
| 6820  | Interest expense - note payable              | <u>9,026</u>              |
| 6800T | Total financial expenses                     | <u>9,026</u>              |
| 6000  | Total cost of operations before depreciation | <u>\$ 45,129</u>          |
| 5060T | Operating profit before depreciation         | (5,182)                   |
| 6600  | Depreciation expense                         | <u>16,497</u>             |
| 5060N | Operating loss                               | <u><u>\$ (21,679)</u></u> |



**HUMAN INVESTMENT PROJECT, INC.**  
**SUPPLEMENTARY INFORMATION REQUIRED BY**  
**CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**  
**HILTON PROJECT No. 91-FHDP-002**  
**Year Ended June 30, 2018**

**CASH ON HAND AND IN BANK**

|                                |    |                      |
|--------------------------------|----|----------------------|
| Unrestricted accounts          |    |                      |
| Operating and savings accounts | \$ | 2,497                |
| Restricted accounts            |    |                      |
| Tenant security deposits       |    | 3,057                |
| Operating reserve              |    | 26,798               |
| Replacement reserve            |    | 60,175               |
| Total cash                     | \$ | <u><u>92,527</u></u> |

Tenant security deposits are held in a separate non-interest bearing bank account in the name of the Property.

**RESERVE FOR REPLACEMENTS**

In accordance with the HCD Regulatory Agreement, a replacement reserve account has been established to be used for the replacement of property. Releases from the replacement reserve must be approved by the HCD. Accordingly, restricted cash is held as follows:

|                                 |    |                      |
|---------------------------------|----|----------------------|
| Balance, July 1, 2017           | \$ | 66,701               |
| Monthly deposits                |    | 2,191                |
| Interest earned                 |    | 363                  |
| Releases (unauthorized)         |    | (4,540)              |
| Releases (capital expenditures) |    | (4,540)              |
| Balance, June 30, 2018          | \$ | <u><u>60,175</u></u> |

**RESERVE FOR OPERATIONS**

In accordance with the HCD Regulatory Agreement, an operating reserve account has been established to be used for the operating deficits of property. Releases from the operating reserve must be approved by the HCD. Accordingly, restricted cash is held as follows:

|                        |    |                      |
|------------------------|----|----------------------|
| Balance, July 1, 2017  | \$ | 25,959               |
| Deposits               |    | 839                  |
| Balance, June 30, 2018 | \$ | <u><u>26,798</u></u> |

**HUMAN INVESTMENT PROJECT, INC.**  
**SUPPLEMENTARY INFORMATION REQUIRED BY**  
**CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**  
**HILTON PROJECT No. 91-FHDP-002**  
**Year Ended June 30, 2018**

**CHANGES IN PROPERTY**

|                            | Cost                    |           |          | Balance<br>June 30, 2018 |
|----------------------------|-------------------------|-----------|----------|--------------------------|
|                            | Balance<br>July 1, 2017 | Additions | Removals |                          |
| Buildings and improvements | \$ 380,201              | \$ 4,540  | \$ -     | \$ 384,741               |
| Furnishings and equipment  | 12,289                  | -         | -        | 12,289                   |
| Total property             | \$ 392,490              | \$ 4,540  | \$ -     | \$ 397,030               |
| Accumulated depreciation   | \$ 356,209              | 16,497    | -        | 372,706                  |

**ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable are payable to vendors which are due within 30 days of year end.

**GROSS POTENTIAL RENTS**

|                              |    |        |
|------------------------------|----|--------|
| Tenant rental payments       | \$ | 5,000  |
| Housing assistance payments  |    | 33,660 |
| Vacancy loss and concessions |    | 15,360 |
| Total gross potential rents  | \$ | 54,020 |

**MANAGEMENT FEE**

Property management fee of \$2,134 was incurred during the year ending June 30, 2018 for services provided by HIP Housing Affordable Ventures, Inc.

**HUMAN INVESTMENT PROJECT, INC.**  
**SUPPLEMENTARY INFORMATION REQUIRED BY**  
**CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**  
**HILTON PROJECT No. 91-FHDP-002**  
**Year Ended June 30, 2018**

**SURPLUS CASH/ NET CASH FLOW**

In accordance with the HCD Regulatory Agreement, net cash flow and distributions is calculated as follows:

|  |    |                 |
|--|----|-----------------|
| Operating income                         |    |                 |
| Total income                             | \$ | 39,947          |
| Less interest on reserves                |    | <u>(363)</u>    |
| Adjusted operating income                |    | \$ 39,584       |
| Operating expenses                       |    |                 |
| Adjusted net income                      |    | <u>(36,103)</u> |
|  |    | 3,481           |
| Other activity                           |    |                 |
| Deposits to replacement reserve          | \$ | (2,191)         |
| Deposits to operating reserve            |    | <u>(839)</u>    |
| Total other activity                     |    | <u>(3,030)</u>  |
| Net operating cash flow                  |    | <u>\$ 451</u>   |
| Net cash flow available for distribution |    |                 |
| HCD maximum distribution                 | \$ | 232             |
| HCD deferred loan payment                |    | <u>219</u>      |
|  |    | <u>\$ 451</u>   |

**SPITERI, NARASKY & DALEY, LLP**  
*Certified Public Accountants*  
1024 Country Club Drive, Moraga, California 94556 (925) 376-2195

**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  
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 Human Investment Project, Inc., a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2018, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statement, and have issued our report thereon dated October 18, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Human Investment Project, Inc.’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Associates’ internal control. Accordingly, we do not express an opinion on the effectiveness of Human Investment Project, Inc.’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 Human Investment Project, Inc.’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 Human Investment Project, Inc.’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*.

**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**  
*(Continued)*

**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 that testing, and not to provide an opinion on the effectiveness of Human Investment Project, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Human Investment Project, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Spiteri, Narasky & Daley, LLP*

Moraga, California  
October 18, 2018

**HUMAN INVESTMENT PROJECT, INC.  
CERTIFICATION OF OFFICERS  
Year Ended June 30, 2018**

**CERTIFICATION OF OFFICERS**

We, as officers of Human Investment Project, Inc., a California nonprofit public benefit corporation, hereby certify that we have examined the accompanying financial statements and supplementary data of Human Investment Project, Inc. as of and for the year ended June 30, 2018, and, to the best of our knowledge and belief, these financial statements and supplementary data are complete and accurate.

*Donald W. McVey*

\_\_\_\_\_  
Don McVey Board Treasurer

October 18, 2018

\_\_\_\_\_  
Date

*Gina Quiney*

\_\_\_\_\_  
Gina Quiney Board Member

October 18, 2018

\_\_\_\_\_  
Date

HUMAN INVESTMENT PROJECT, INC.  
Employer ID No. 94-2154614

**CERTIFICATION OF MANAGEMENT AGENT**

We hereby certify that we have examined the accompanying financial statements and supplementary data of Human Investment Project, Inc. as they pertain to the Hilton Project, as of and for the year ended June 30, 2018, and, to the best of our knowledge and belief, these financial statements and supplementary data are complete and accurate.

*Steven McDonald*

\_\_\_\_\_  
Steven McDonald Vice President

October 18, 2018

\_\_\_\_\_  
Date

HIP HOUSING AFFORDABLE VENTURES, INC.  
Employer ID No. 91-1868360