

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

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

June 30, 2019 and 2018

HUMAN INVESTMENT PROJECT, INC.
FINANCIAL STATEMENTS
June 30, 2019 and 2018

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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, 2019 and 2018, and the related statement of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 audits 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, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

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 1, 2019 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 1, 2019

HUMAN INVESTMENT PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 797,720	\$ 1,516,561
Designated cash and deposits, current portion (Note B)	119,443	50,544
Investments (Note C)	2,799,318	963,205
Tenant rents and other receivables	93,220	64,582
Grants and contracts receivable	211,277	96,682
Receivable from affiliates	233,372	692,396
Developer fee receivable	-	528,315
Prepaid expenses	52,183	58,289
Total current assets	4,306,533	3,970,574
Long-term assets		
Designated cash and deposits, net of current portion (Note B)	432,639	586,751
Property and equipment, net (Note D)	1,230,617	1,260,522
Investment in partnerships (Note E)	5,474,666	-
Notes receivable, including interest (Note F)	3,731,955	322,695
Total long-term assets	10,869,877	2,169,968
Total assets	\$ 15,176,410	\$ 6,140,542
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 206,886	\$ 166,598
Payable to affiliates	247,530	2,356
Tenant security deposits	16,645	14,255
Total current liabilities	471,061	183,209
Long-term liabilities		
Notes payable (Note G)	833,156	833,156
Accrued interest - notes payable	149,815	167,849
Total long-term liabilities	982,971	1,001,005
Total liabilities	1,454,032	1,184,214
Net assets		
Net assets with donor restrictions	875,510	394,846
Net assets without donor restrictions	12,846,868	4,561,482
Total net assets	13,722,378	4,956,328
Total liabilities and net assets	\$ 15,176,410	\$ 6,140,542

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

HUMAN INVESTMENT PROJECT, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2019 and 2018

	2019	2018
Net assets without donor restrictions		
Support and revenue		
Support		
Government grants and contracts	\$ 391,375	\$ 411,756
Contributions from affiliates	195,664	1,073,192
Grants, contributions and fundraising	545,832	1,850,429
Net assets released from donor restrictions	938,251	320,224
Total support	2,071,122	3,655,601
Revenue		
Rental property revenue	199,789	129,550
Supportive services fees	32,775	23,709
Asset management fees	33,582	14,318
Interest and investment income	136,392	46,994
Miscellaneous income	348,804	13,099
Total revenue	751,342	227,670
Total support and revenue	2,822,464	3,883,271
Expenses		
Program services		
Rental property operations	170,909	167,099
Supportive services programs	1,882,916	1,697,900
Fundraising	568,426	475,394
Management and general	319,009	244,855
Unallocated payments to affiliates	131,114	185,000
Total expenses	3,072,374	2,770,248
Change in net assets without donor restrictions	(249,910)	1,113,023
Net assets with donor restrictions		
Government grants and contracts	1,000	13,500
Grants, contributions and fundraising	1,417,915	582,650
Net assets released from donor restrictions	(938,251)	(320,224)
Change in net assets with donor restrictions	480,664	275,926
Proceeds received in excess of assets transferred to affiliate	8,535,296	-
Net assets - beginning of year	4,956,328	3,567,379
Net assets - end of year	\$ 13,722,378	\$ 4,956,328

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

HUMAN INVESTMENT PROJECT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2019 and 2018

	2019					
	Program Services		Fundraising	Management and General	Unallocated Payments to Affiliates	Total Expenses
	Supportive Services	Rental Properties				
Salaries, payroll taxes, and benefits	\$ 1,114,165	\$ 21,159	\$ 352,801	\$ 293,805	\$ -	\$ 1,781,930
Rent expense	174,718	-	57,051	14,263	-	246,032
Administrative expenses	457,013	21,353	46,760	10,462	-	535,588
Utilities	-	22,750	-	-	-	22,750
Operating and maintenance	615	42,431	-	-	-	43,046
Taxes and insurance	3,258	17,449	1,113	479	-	22,299
Depreciation	25,936	33,832	-	-	-	59,768
Interest and other financial expenses	-	11,918	-	-	-	11,918
Resident service expenses	107,211	17	-	-	-	107,228
Fundraising expenses	-	-	110,701	-	-	110,701
Donation to affiliate	-	-	-	-	131,114	131,114
Total expenses	<u>\$ 1,882,916</u>	<u>\$ 170,909</u>	<u>\$ 568,426</u>	<u>\$ 319,009</u>	<u>\$ 131,114</u>	<u>\$ 3,072,374</u>

	2018					
	Program Services		Fundraising	Management and General	Unallocated Payments to Affiliates	Total Expenses
	Supportive Services	Rental Properties				
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>

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

HUMAN INVESTMENT PROJECT, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 230,754	\$ 1,388,949
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	59,768	81,280
In-kind donation of property and equipment	-	(1,002,113)
Unrealized gain on investments	(75,100)	(26,654)
(Increase) decrease in assets:		
Tenant rents and other receivables	(28,638)	(20,489)
Grants and contracts receivable	(114,595)	110,543
Receivable from affiliates	459,024	677,151
Developer fee receivable	528,315	-
Prepaid expenses	6,106	32,811
Investment in partnerships	(339,370)	-
Notes receivable interest	(9,260)	(9,260)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	40,288	(4,330)
Payable to affiliates	245,174	(105,549)
Tenant security deposits	2,390	7,558
Accrued interest - notes payable	(18,034)	11,918
Net cash provided by operating activities	986,822	1,141,815
CASH FLOWS FROM INVESTING ACTIVITIES		
(Deposits to) releases from restricted cash and deposits	85,213	825,482
Purchases of investments, net	(1,761,013)	(610,922)
Purchase of property and equipment	(29,863)	(44,736)
Distribution from partnership	3,400,000	-
Advance for note receivable	(3,400,000)	-
Net cash used by investing activities	(1,705,663)	169,824
Net increase (decrease) in cash and cash equivalents	(718,841)	1,311,639
Cash and cash equivalents - beginning of year	1,516,561	204,922
Cash and cash equivalents - end of year	\$ 797,720	\$ 1,516,561

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SUPPLEMENTARY CASH FLOW INFORMATION:
Schedule of noncash investing and financing transactions:

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

HUMAN INVESTMENT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 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 net assets without donor restrictions and net assets with donor restrictions predicated on the existence 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.(HHAV), a California nonprofit public benefit corporation, whose purpose is to benefit and support HIP Housing.

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, 2019 and 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, 2019 and 2018

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

3. Designated Cash and Deposits

Designated cash and deposits includes rental property operating accounts, 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 receivable 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, 2019 and 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 years ended June 30, 2019 and 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 Assets and Liabilities

The carrying amounts of cash and cash equivalents, designated cash and 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.

10. Use of Estimates

The preparation 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 of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

HUMAN INVESTMENT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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

11. 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 support with donor restrictions or support without donor restrictions, 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 support without donor restrictions when expended for that purpose in the individual financial statements of each affiliated entity, but may be reported as net assets with donor restrictions 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.

12. 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. The statements of functional expenses present the natural classification detail of expense by nature. 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.

13. 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 2015 through 2018 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, 2019 and 2018

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

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 1, 2019, which is the date the financial statements were available to be issued.

16. Change in Accounting Principles

During the year ended June 30, 2019, HIP Housing adopted the provisions of Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. HIP Housing has adjusted the presentation of these financial statements accordingly. The ASU 2016-14 has been applied on a retrospective basis.

NOTE B – DESIGNATED CASH AND DEPOSITS

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

	2019	2018
Rental property operating funds	\$ 119,443	50,544
Tenant security deposits and reserves	432,639	586,751
Total designated cash and deposits	552,082	637,295
Less: current portion	(119,443)	(50,544)
Non-current portion	\$ 432,639	586,751

HUMAN INVESTMENT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE C – INVESTMENTS

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

	<i>Cost as of June 30, 2019</i>	<i>Quoted Prices in Active Markets for Identical Assets (Level 1) June 30, 2019</i>
Fixed income	\$ 1,425,518	\$ 1,443,800
Domestic equity securities	389,333	392,015
Exchange traded funds (ETFs)	881,065	963,503
Total investments	\$ 2,695,916	\$ 2,799,318

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

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

	2019	2018
Fixed income:		
US treasury notes	\$ 601,188	\$ 99,516
Bond funds	506,391	295,332
Corporate bonds	336,221	73,037
Total fixed income	\$ 1,443,800	\$ 467,885
Domestic Equity Securities:		
Communication services	\$ 56,979	\$ -
Consumer staples	57,018	9,367
Energy	68,963	26,446
Financials	30,745	12,504
Health care	20,268	10,626
Industrials	25,687	12,791
Information technology	132,355	47,293
Total equity securities	\$ 392,015	\$ 119,027

HUMAN INVESTMENT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE D – PROPERTY AND EQUIPMENT

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

	2019	2018
Land	\$ 836,000	836,000
Buildings and improvements	1,326,469	1,326,469
Furnishings and equipment	401,834	371,970
Total property and equipment	2,564,303	2,534,439
Less accumulated depreciation expense	(1,333,686)	(1,273,917)
Property and equipment, net	\$ 1,230,617	1,260,522

NOTE E – INVESTMENT IN PARTNERSHIP

HIP Housing holds a 99% limited partner interest in Redwood Oaks Associates, L.P., a California limited partnership (ROA). During the year ended June 30, 2019, ROA sold property and equipment to Redwood Oaks Associates II, L.P., a California limited partnership (ROA II), affiliated to HIP Housing through HHDC who serves as the managing partner in the general partner in the partnership.

Proceeds received in excess of assets transferred to affiliate amounted to \$8,621,511 of which \$8,535,296 is allocable to HIP Housing from which HIP Housing received a distribution of \$3,400,000. As of June 30, 2019, the value of HIP Housing's investment in the partnership is \$5,474,666.

NOTE F – 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, 2019 and 2018, accrued interest receivable totals \$131,955 and \$122,695, respectively.

Notes receivable in the amount of \$3,400,000 due from ROA II is non-interest bearing and secured by the real property located at 330 Redwood Avenue in Redwood City, California owned by ROA II. Annual payment from available cash flow are required and all unpaid principal is due in full on December 31, 2076.

HUMAN INVESTMENT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE G - NOTES PAYABLE

Deferred loans payable to various government agencies and lenders, see detail below, are either non-interest bearing or 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 years ended June 30, 2019 and 2018, interest expense totaled \$11,918 and \$11,918, respectively. As of June 30, 2019 and 2018, accrued deferred interest totaled \$149,815 and 167,849, respectively.

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

Principal payments for the next five years are subject to changes in net cash flow, which is a contingency that cannot reasonably be estimated. Additional detail on notes payable are included in the supplemental information on page 24.

NOTE H –NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction carry the following restrictions:

	2019			
	Balance Beginning of year	Contributions	Released from Restrictions	Balance End of year
Purpose restricted:				
Housing Opportunity	\$ 149,619	\$ -	\$ (85,109)	\$ 64,510
Self-Sufficiency	15,000	385,000	(185,000)	215,000
Home Sharing	51,837	32,250	(58,087)	26,000
Other programs	55,640	36,265	(41,905)	50,000
Time restricted	<u>122,750</u>	<u>965,400</u>	<u>(568,150)</u>	<u>520,000</u>
Total	<u>\$ 394,846</u>	<u>\$ 1,418,915</u>	<u>\$ (938,251)</u>	<u>\$ 875,510</u>

HUMAN INVESTMENT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE H –NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	2018			
	Balance Beginning of year	Contributions	Released from Restrictions	Balance End of year
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	\$ 118,920	\$ 596,150	\$ (320,224)	\$ 394,846

NOTE I - RELATED PARTY TRANSACTIONS

Receivable from Affiliates

As of June 30, 2019 and 2018, HIP Housing has a receivable from HHAV for cash advances totaling \$26,648 and \$70,000, respectively.

As of June 30, 2019, HIP Housing has a receivable from Redwood Oaks Associates II, L.P., a California limited partnership, related to HIP Housing by common members on the Board of Directors of the sole member of the General Partner for cash advances totaling \$150,000.

As of June 30, 2019, HIP Housing has a receivable from properties owned by affiliated entities totaling \$8,824 for reimbursement of workers compensation premium.

Asset Management Fee

HIP Housing earns asset management fees from rental properties owned by HHDC and HHAV. For the years ended June 30, 2019 and 2018, asset management fee earned totaled \$33,582 and \$14,318, respectively, of which \$47,900 and \$14,318 is receivable as of June 30, 2019 and 2018.

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.

During the year ended June 30, 2019, HIP Housing has a payable of \$290,138 to HHDC for funds advanced from HHDC of \$103,500 and excess contributions received of \$144,030.

HUMAN INVESTMENT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE I - RELATED PARTY TRANSACTIONS (Continued)

Contributions from Affiliates

During the year ended June 30, 2018, HHAV contributed \$608,078 to support HIP Housing's mission.

During the year ended June 30, 2019 and 2018, HHDC contributed \$615,664 and \$465,114 to support HIP Housing's mission.

Donation to Affiliates

During the years ended June 30, 2019 and 2018, HIP Housing donated \$131,114 and \$185,000 to HHDC and HHAV.

Property Management Fees

The properties owned by HIP Housing are managed by HHAV. For the year ending June 30, 2019 and 2018, management fees paid to HHAV totaled \$8,938 and \$7,578, respectively.

NOTE J – 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 an employee saves 4% towards the plan. Total contributions made to the plan for the years ended June 30, 2019 and 2018 totaled \$66,938 and \$60,462, respectively.

NOTE K – 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 agencies' jurisdictions.

HUMAN INVESTMENT PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE L – LIQUIDITY AND AVAILABILITY

As of June 30, 2019, HIP Housing has \$1,335,589 of financial assets available for general expenditures within one year of the balance sheet date consisting of the following:

Cash and cash equivalents	\$ 797,720
Tenant rents and other receivables	93,220
Grants and contracts receivable	211,277
Receivable from affiliates	<u>233,372</u>
Total	<u><u>\$ 1,335,589</u></u>

Financial assets include amounts that will be used to pay accounts payable, accrued expenses and other distributions from operating cash flow, if any, in the subsequent year. None of the financial assets are subject to grantor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

HIP Housing's liquidity management policy requires the maintenance of 120 days of operating cash, which is defined as operating revenue minus operating expenses, in its general fund operating account. To help manage unanticipated liquidity needs, HIP Housing has an investment fund with a balance of \$2,799,318 as of June 30, 2019.

SUPPLEMENTARY INFORMATION

HUMAN INVESTMENT PROJECT, INC.
DETAILED SCHEDULE OF FINANCIAL POSITION
June 30, 2019 with Comparative Totals for June 30, 2018

	2019				2018
	ASSETS				
	HIP	Rental Properties	Eliminating Entries	Total	Total
Current assets					
Cash and cash equivalents	\$ 797,720	\$ -	\$ -	\$ 797,720	\$ 1,516,561
Designated cash and deposits, current portion	-	119,443	-	119,443	50,544
Investments	2,799,318	-	-	2,799,318	963,205
Tenant rents and other receivables	83,743	17,117	(7,640)	93,220	64,582
Grants and contracts receivable	211,277	-	-	211,277	96,682
Receivable from affiliates	262,935	478	(30,041)	233,372	692,396
Developer fee receivable	-	-	-	-	528,315
Prepaid expenses	51,754	429	-	52,183	58,289
Total current assets	<u>4,206,747</u>	<u>137,467</u>	<u>(37,681)</u>	<u>4,306,533</u>	<u>3,970,574</u>
Long-term assets					
Designated cash and deposits, net of current portion	222,708	209,931	-	432,639	586,751
Property and equipment, net	86,198	1,144,419	-	1,230,617	1,260,522
Investment in partnerships	5,474,666	-	-	5,474,666	-
Notes receivable, including interest	3,731,955	-	-	3,731,955	322,695
Total long-term assets	<u>9,515,527</u>	<u>1,354,350</u>	<u>-</u>	<u>10,869,877</u>	<u>2,169,968</u>
Total assets	<u>\$ 13,722,274</u>	<u>\$ 1,491,817</u>	<u>\$ (37,681)</u>	<u>\$ 15,176,410</u>	<u>\$ 6,140,542</u>

HUMAN INVESTMENT PROJECT, INC.
DETAILED SCHEDULE OF FINANCIAL POSITION (Continued)
June 30, 2019 with Comparative Totals for June 30, 2018

	2019				2018
	LIABILITIES AND NET ASSETS				
	HIP	Rental PRPerties	Eliminations	Total	Total
Current liabilities					
Accounts payable and accrued expenses	\$ 200,048	\$ 6,838	\$ -	\$ 206,886	\$ 166,598
Payable to affiliates	244,030	41,181	(37,681)	247,530	2,356
Tenant security deposits	-	16,645	-	16,645	14,255
Total current liabilities	<u>444,078</u>	<u>64,664</u>	<u>(37,681)</u>	<u>471,061</u>	<u>183,209</u>
Long-term liabilities					
Notes payable	-	833,156	-	833,156	833,156
Accrued interest - notes payable	-	149,815	-	149,815	167,849
Total long-term liabilities	<u>-</u>	<u>982,971</u>	<u>-</u>	<u>982,971</u>	<u>1,001,005</u>
Total liabilities	<u>444,078</u>	<u>1,047,635</u>	<u>(37,681)</u>	<u>1,454,032</u>	<u>1,184,214</u>
Net assets					
Net assets with donor restrictions	875,510	-	-	875,510	394,846
Net assets without donor restrictions	12,402,686	444,182	-	12,846,868	4,561,482
Total net assets	<u>13,278,196</u>	<u>444,182</u>	<u>-</u>	<u>13,722,378</u>	<u>4,956,328</u>
Total liabilities and net assets	<u>\$ 13,722,274</u>	<u>\$ 1,491,817</u>	<u>\$ (37,681)</u>	<u>\$ 15,176,410</u>	<u>\$ 6,140,542</u>

HUMAN INVESTMENT PROJECT, INC.
DETAILED SCHEDULE OF ACTIVITIES
Year Ended June 30, 2019 with Comparative Totals for the Year Ended June 30, 2018

	2019			2018	
	HIP	Rental Properties	Eliminations	Total	Total
Net assets without donor restrictions					
Support and Revenue					
Support					
Government grants and contracts	\$ 391,375	\$ -	\$ -	\$ 391,375	\$ 411,756
Contributions from affiliates	195,664	-	-	195,664	1,073,192
Grants, contributions and fundraising	545,832	-	-	545,832	1,850,429
Net assets released from donor restrictions	938,251	-	-	938,251	320,224
Total support	<u>2,071,122</u>	<u>-</u>	<u>-</u>	<u>2,071,122</u>	<u>3,655,601</u>
Revenue					
Rental property revenue	-	204,889	(5,100)	199,789	129,550
Supportive services fees	54,375	-	(21,600)	32,775	23,709
Asset management fees	36,702	-	(3,120)	33,582	14,318
Interest and investment income	135,332	1,060	-	136,392	46,994
Miscellaneous income	344,103	4,701	-	348,804	13,099
Total revenue	<u>570,512</u>	<u>210,650</u>	<u>(29,820)</u>	<u>751,342</u>	<u>227,670</u>
Total support and revenue	<u>2,641,634</u>	<u>210,650</u>	<u>(29,820)</u>	<u>2,822,464</u>	<u>3,883,271</u>
Expenses					
Program services					
Rental property operations	-	195,629	(24,720)	170,909	167,099
Supportive services programs	1,888,016	-	(5,100)	1,882,916	1,697,900
Fundraising and advocacy	568,426	-	-	568,426	475,394
Management and general	319,009	-	-	319,009	244,855
Unallocated payments to affiliates	131,114	-	-	131,114	185,000
Total expenses	<u>2,906,565</u>	<u>195,629</u>	<u>(29,820)</u>	<u>3,072,374</u>	<u>2,770,248</u>
Change in net assets without donor restrictions	<u>(264,931)</u>	<u>15,021</u>	<u>-</u>	<u>(249,910)</u>	<u>1,113,023</u>
Net assets with donor restrictions					
Government grants and contracts	1,000	-	-	1,000	13,500
Grants, contributions and fundraising	1,417,915	-	-	1,417,915	582,650
Net assets released from donor restrictions	(938,251)	-	-	(938,251)	(320,224)
Change in net assets with donor restrictions	<u>480,664</u>	<u>-</u>	<u>-</u>	<u>480,664</u>	<u>275,926</u>
Proceeds received in excess of assets transferred to affiliate	<u>8,535,296</u>	<u>-</u>	<u>-</u>	<u>8,535,296</u>	<u>-</u>
Net assets - beginning of year	<u>4,527,167</u>	<u>429,161</u>	<u>-</u>	<u>4,956,328</u>	<u>3,567,379</u>
Net assets - end of year	<u>\$ 13,278,196</u>	<u>\$ 444,182</u>	<u>\$ -</u>	<u>\$ 13,722,378</u>	<u>\$ 4,956,328</u>

HUMAN INVESTMENT PROJECT, INC.
SUPPLEMENTAL SCHEDULE OF NOTES PAYABLE
June 30, 2019 and 2018

	2019		2018	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<u>Hilton Street</u>				
Note payable to the California Department of Housing and Community Development bears simple annual interest of 3% and requires annual payments from net cash flow as defined in the Regulatory Agreement. Unpaid principal and interest is due in full in February 2036.	\$ 138,247	\$ 300,856	\$ 159,173	\$ 300,856
Unsecured note payable to HHDC is non-interest bearing and due in full June 2047.	-	17,885	-	17,885
Total notes payable on Hilton Street	\$ 138,247	\$ 318,741	\$ 159,173	\$ 318,741
<u>Cedar Street</u>				
Note payable to the County of San Mateo is non-interest bearing and requires annual payments from surplus cash as defined in the Regulatory Agreement with the County of San Mateo and City of San Carlos. Unpaid principal is due in full in February 2025.	\$ -	\$ 129,451	\$ -	\$ 129,451
Note payable to the City of San Carlos is non-interest bearing and requires annual payments from surplus cash as defined in the Regulatory Agreement with the County of San Mateo and City of San Carlos. Unpaid principal is due in full in June 2024.	-	293,962	-	293,962
Total notes payable on Cedar Street	\$ -	\$ 423,413	\$ -	\$ 423,413
<u>Pine Street</u>				
Unsecured note payable to HHDC bears simple annual interest of 4.63% and requires annual payments from net cash flow as defined in the Regulatory Agreement with the County of San Mateo. Unpaid principal and interest is due in full in February 2036.	\$ 11,568	\$ 62,472	\$ 8,676	\$ 62,472
Unsecured note payable to HHDC is non-interest bearing and due in full June 2047.	-	28,530	-	28,530
Total notes payable on Pine Street	\$ 11,568	\$ 91,002	\$ 8,676	\$ 91,002

HUMAN INVESTMENT PROJECT, INC.
SUPPLEMENTARY NET CASH FLOW CALCULATION FOR OWNED PROPERTIES
Year Ended June 30, 2019

	Chilco	Cedar	Hilton	Pine
Operating Revenue				
Rental property revenue	\$ 34,459	\$ 63,027	\$ 44,398	\$ 63,005
Interest and other income	1,285	916	1,944	1,616
Less restricted interest	-	(89)	(727)	(238)
Total operating revenue	<u>35,744</u>	<u>63,854</u>	<u>45,615</u>	<u>64,383</u>
Operating Expenses				
Salaries	4,807	5,100	5,610	5,599
Administrative	4,365	6,981	6,573	6,607
Utilities	2,573	10,922	3,677	4,869
Operating and maintenance	9,024	12,159	10,526	11,434
Taxes and insurance	11,985	1,849	1,962	1,656
Supportive services	3,800	7,000	4,800	6,000
Total operating expenses	<u>36,554</u>	<u>44,011</u>	<u>33,148</u>	<u>36,165</u>
Other Items				
Capital expenditures	16,800	-	-	-
Deposits to replacement reserve	-	3,030	2,142	4,000
Releases from replacement reserve	-	(1,950)	-	-
Deposits to operating reserve	-	-	868	-
Total other items	<u>16,800</u>	<u>1,080</u>	<u>3,010</u>	<u>4,000</u>
Net cash flow	<u>\$ (17,610)</u>	<u>\$ 18,763</u>	<u>\$ 9,457</u>	<u>\$ 24,218</u>

HUMAN INVESTMENT PROJECT, INC.
SUPPLEMENTARY INFORMATION REQUIRED BY
CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
HILTON PROJECT No. 91-FHDP-002
Years Ended June 30, 2019 and 2018

SCHEDULES OF OPERATING REVENUES

	<u>2019</u>	<u>2018</u>
Rent Revenue		
5120 Tenant rents	\$ 7,046	\$ 7,200
5121 Tenant assistance payments	50,926	46,820
5100T Gross rent potential	<u>57,972</u>	<u>54,020</u>
Vacancies		
5220 Apartments	(13,574)	(15,360)
5250 Concessions	-	-
5200T Total vacancies	<u>(13,574)</u>	<u>(15,360)</u>
5152N Net rental revenue	<u>44,398</u>	<u>38,660</u>
Financial revenue		
5440 Financial revenue - replacement reserve	727	363
5400T Total financial revenue	<u>727</u>	<u>363</u>
Other revenue		
5910 Laundry income	232	412
5920 Tenant charges	985	512
5900T Total other revenue	<u>1,217</u>	<u>924</u>
5000T Total revenue	<u>46,342</u>	<u>39,947</u>

SCHEDULES OF OPERATING EXPENSES

Administrative expenses		
6311 Office supplies	42	327
6312 Office rent	-	2,163
6320 Property management fees	2,348	2,134
6320 Asset managemetn fees	720	-
6330 Manager's salary	2,708	3,525
6340 Legal fees	9	27
6350 Audit fees	2,520	3,167
6351 Accounting services	547	576
6311 Telephone and answering service	55	106
6390 Bank service charges	5	14
6390 Seminars and training	87	178
6390 Supportive service expenses	4,800	5,000
6390 Miscellaneous administrative	240	376
Total administrative expenses	<u>14,081</u>	<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
Years Ended June 30, 2019 and 2018

SCHEDULES OF OPERATING EXPENSES (Continued)

		<u>2019</u>	<u>2018</u>
Utilities			
6450	Electricity	\$ 533	\$ 734
6451	Water	1,473	3,312
6452	Gas	800	1,584
6453	Sewer	871	1,029
	Total utilities	<u>3,677</u>	<u>6,659</u>
Operating and maintenance			
6510	Repairs payroll	1,415	1,500
6515	Repairs materials	971	259
6520	Janitorial contracts	840	-
6520	Exterminating	1,505	1,380
6520	Ground contracts	2,100	2,275
6520	Repairs contract	4,098	2,217
6525	Trash removal	1,012	1,100
6570	Vehicle maintenance and repair	-	25
6590	Miscellaneous operating and maintenance	-	9
	Total operating and maintenance	<u>11,941</u>	<u>8,765</u>
Taxes and insurance			
6711	Payroll taxes	353	327
6722	Workers' compensation	126	312
6723	Health insurance and other employee benefits	804	616
6720	Property and liability insurance	1,962	1,640
6720	Earthquake insurance	204	191
	Total taxes and insurance	<u>3,449</u>	<u>3,086</u>
Financial expenses			
6820	Interest expense - note payable	9,026	9,026
6800T	Total financial expenses	<u>9,026</u>	<u>9,026</u>
6000	Total cost of operations before depreciation	<u>42,174</u>	<u>45,129</u>
5060T	Operating profit before depreciation	4,168	(5,182)
6600	Depreciation expense	<u>4,427</u>	<u>16,497</u>
5060N	Operating loss	<u>\$ (259)</u>	<u>\$ (21,679)</u>

HUMAN INVESTMENT PROJECT, INC.
SUPPLEMENTARY INFORMATION REQUIRED BY
CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
HILTON PROJECT No. 91-FHDP-002
Years Ended June 30, 2019 and 2018

CASH ON HAND AND IN BANK

	<u>2019</u>	<u>2018</u>
Unrestricted accounts		
Operating and savings accounts	\$ 17,892	\$ 2,497
Restricted accounts		
Tenant security deposits	5,227	3,057
Operating reserve	27,666	26,798
Replacement reserve	44,584	60,175
Total cash	<u>\$ 95,369</u>	<u>\$ 92,527</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:

	<u>2019</u>	<u>2018</u>
Balance, July 1, 2018	\$ 60,175	\$ 66,701
Monthly deposits	2,142	2,191
Deposit prior year unauthorized release	4,540	-
Interest earned	727	363
Releases (unauthorized)	(23,000)	(4,540)
Releases (capital expenditures)	-	(4,540)
Balance, June 30, 2019	<u>\$ 44,584</u>	<u>\$ 60,175</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:

	<u>2019</u>	<u>2018</u>
Balance, July 1, 2018	\$ 26,798	\$ 25,959
Deposits	868	839
Balance, June 30, 2019	<u>\$ 27,666</u>	<u>\$ 26,798</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, 2019

CHANGES IN PROPERTY

	Cost			Balance June 30, 2019
	Balance July 1, 2018	Additions	Removals	
Buildings and improvements	\$ 384,741	\$ -	\$ -	\$ 384,741
Furnishings and equipment	12,289	-	-	12,289
Total property	\$ 397,030	\$ -	\$ -	\$ 397,030
Accumulated depreciation	\$ 372,706	4,427	-	377,133

ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

GROSS POTENTIAL RENTS

	2019	2018
Tenant rental payments	\$ 4,793	\$ 5,000
Housing assistance payments	39,605	33,660
Vacancy loss and concessions	13,574	15,360
Total gross potential rents	\$ 57,972	\$ 54,020

MANAGEMENT FEE

Property management fee of \$2,348 was incurred during the year ending June 30, 2019 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, 2019

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	\$	46,342	
Less interest on reserves		<u>(727)</u>	
Adjusted operating income			\$ 45,615
Operating expenses			<u>(33,148)</u>
Adjusted net income			12,467
Other activity			
Deposits to replacement reserve	\$	(2,142)	
Deposits to operating reserve		<u>(868)</u>	
Total other activity			<u>(3,010)</u>
Net operating cash flow			<u>\$ 9,457</u>
Net cash flow available for distribution			
HCD maximum distribution	\$	232	
HCD deferred loan payment		<u>9,225</u>	
			<u>\$ 9,457</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, 2019, 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 1, 2019.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings, questioned costs, and recommendations as item 2019-001 that we consider to be a material weakness.

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)

Human Investment Project, Inc.'s Response to Finding

Human Investment Project, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings, questioned costs, and recommendations. Human Investment Project, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 & Daly LLP

Moraga, California
October 1, 2019

HUMAN INVESTMENT PROJECT, INC.
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND RECOMMENDATIONS
Year Ended June 30, 2019

Finding #: 2019-001

Questioned Costs: N/A

Condition: Material audit adjustments were proposed during the audit and recorded to properly reflect significant and unusual transactions related to notes receivable and investments in partnerships.

Criteria: Identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected by the Corporation's internal control should be regarded as a material weakness in internal controls.

Cause: Management's review process does not have sufficient controls to detect material misstatements to the financial statements resulting from significant and unusual transactions.

Effect: The unadjusted financial statements were materially misstated.

Recommendation: We recommend that Management review their processes and procedures for identifying, capturing, and recording significant and unusual transactions.

Reporting Views of Responsible Officials: We will review our processes and procedures for identifying, capturing, and recording significant and unusual transactions. Modification to improve processes and procedures will be documented and distributed to our lenders, Board of Directors and auditors.

**HUMAN INVESTMENT PROJECT, INC.
CERTIFICATION OF OFFICERS
Year Ended June 30, 2019**

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 they pertain to the Hilton Project, as of and for the year ended June 30, 2019, and, to the best of our knowledge and belief, these financial statements and supplementary data are complete and accurate.

Don McVey

Don McVey Board Treasurer

October 1, 2019

Date

Gina Quiney

Gina Quiney Board Member

October 1, 2019

Date

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

CERTIFICATION OF MANAGEMENT AGENT

I hereby certify that I 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, 2019, and, to the best of my knowledge and belief, these financial statements and supplementary data are complete and accurate.

Kate Comfort Harr

Kate Comfort Harr Executive Director

October 1, 2019

Date

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