

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

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

**June 30, 2020 and 2019**

**HUMAN INVESTMENT PROJECT, INC.**  
**FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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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 statements of financial position as of June 30, 2020 and 2019, 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, 2020 and 2019, 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 December 1, 2020 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.



Moraga, California  
December 1, 2020

**HUMAN INVESTMENT PROJECT, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2020 and 2019**

	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 628,945	\$ 797,720
Designated cash and deposits, current portion (Note B)	120,124	119,443
Investments (Note C)	2,869,877	2,799,318
Tenant rents and other receivables	56,356	93,220
Grants and contracts receivable	54,038	211,277
Receivable from affiliates	64,093	233,372
Prepaid expenses	77,762	52,183
Total current assets	3,871,195	4,306,533
<b>Other assets</b>		
Designated cash and deposits, net of current portion (Note B)	633,393	432,639
Property and equipment, net (Note D)	1,234,972	1,230,617
Investment in partnerships (Note E)	169,365	5,474,666
Notes receivable, including interest (Note F)	9,241,364	3,731,955
Total other assets	11,279,094	10,869,877
Total assets	\$ 15,150,289	\$ 15,176,410
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 186,498	\$ 206,886
Payable to affiliates	4,821	247,530
Tenant security deposits	19,171	16,645
Total current liabilities	210,490	471,061
<b>Long-term liabilities</b>		
Notes payable (Note G)	1,191,056	833,156
Accrued interest - notes payable	124,507	149,815
Total long-term liabilities	1,315,563	982,971
Total liabilities	1,526,053	1,454,032
<b>Net assets</b>		
Net assets with donor restrictions (Note H)	572,261	875,510
Net assets without donor restrictions	13,051,975	12,846,868
Total net assets	13,624,236	13,722,378
Total liabilities and net assets	\$ 15,150,289	\$ 15,176,410

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

**HUMAN INVESTMENT PROJECT, INC.**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended June 30, 2020 and 2019**

	2020	2019
<b>Net assets without donor restrictions</b>		
<b>Support and revenue</b>		
Support		
Government grants and contracts	\$ 398,054	\$ 391,375
Contributions from affiliates	743,307	195,664
Grants, contributions and fundraising	468,691	545,832
Net assets released from donor restrictions	1,397,429	938,251
<b>Total support</b>	<b>3,007,481</b>	<b>2,071,122</b>
Revenue		
Rental property revenue	215,005	199,789
Supportive services fees	38,248	32,775
Asset management fees	54,404	33,582
Interest and investment income	264,887	136,392
Miscellaneous income (loss)	(6,323)	348,804
<b>Total revenue</b>	<b>566,221</b>	<b>751,342</b>
<b>Total support and revenue</b>	<b>3,573,702</b>	<b>2,822,464</b>
<b>Expenses</b>		
Program services		
Rental property operations	156,130	170,909
Supportive services programs	2,197,790	1,882,916
Fundraising	550,415	568,426
Management and general	334,260	319,009
Unallocated payments to affiliates	130,000	131,114
<b>Total expenses</b>	<b>3,368,595</b>	<b>3,072,374</b>
Change in net assets without donor restrictions	<b>205,107</b>	<b>(249,910)</b>
<b>Net assets with donor restrictions</b>		
Government grants and contracts	-	1,000
Grants, contributions and fundraising	1,094,180	1,417,915
Net assets released from donor restrictions	(1,397,429)	(938,251)
Change in net assets with donor restrictions	<b>(303,249)</b>	<b>480,664</b>
<b>Total change in net assets</b>	<b>(98,142)</b>	<b>230,754</b>
<b>Proceeds received in excess of assets transferred to affiliate</b>	<b>-</b>	<b>8,535,296</b>
<b>Net assets - beginning of year</b>	<b>13,722,378</b>	<b>4,956,328</b>
<b>Net assets - end of year</b>	<b>\$ 13,624,236</b>	<b>\$ 13,722,378</b>

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

**HUMAN INVESTMENT PROJECT, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years Ended June 30, 2020 and 2019**

	2020					Total Expenses
	Program Services		Fundraising	Management and General	Unallocated Payments to Affiliates	
	Supportive Services	Rental Properties				
Salaries, payroll taxes, and benefits	\$ 1,275,544	\$ 22,090	\$ 383,206	\$ 284,181	\$ -	\$ 1,965,021
Rent expense	180,802	-	59,037	14,759	-	254,598
Administrative expenses	586,186	23,132	69,734	35,042	-	714,094
Utilities	-	25,967	-	-	-	25,967
Operating and maintenance	1,727	30,089	-	-	-	31,816
Taxes and insurance	3,263	11,207	1,114	278	-	15,862
Depreciation	33,026	31,477	-	-	-	64,503
Interest and other financial expenses	-	11,918	-	-	-	11,918
Resident service expenses	117,242	250	-	-	-	117,492
Fundraising expenses	-	-	37,324	-	-	37,324
Donation to affiliate	-	-	-	-	130,000	130,000
Total expenses	<u>\$ 2,197,790</u>	<u>\$ 156,130</u>	<u>\$ 550,415</u>	<u>\$ 334,260</u>	<u>\$ 130,000</u>	<u>\$ 3,368,595</u>

  

	2019					Total Expenses
	Program Services		Fundraising	Management and General	Unallocated Payments to Affiliates	
	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>

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

**HUMAN INVESTMENT PROJECT, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2020 and 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (98,142)	\$ 230,754
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	64,503	59,768
Unrealized gain on investments	30,896	(75,100)
(Increase) decrease in assets:		
Tenant rents and other receivables	36,864	(28,638)
Grants and contracts receivable	157,239	(114,595)
Receivable from affiliates	169,279	459,024
Developer fee receivable	-	528,315
Prepaid expenses	(25,579)	6,106
Investment in partnerships	11,970	(339,370)
Notes receivable interest	(216,078)	(9,260)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(20,388)	40,288
Payable to affiliates	(242,709)	245,174
Tenant security deposits	2,526	2,390
Accrued interest - notes payable	(25,308)	(18,034)
Net cash provided (used) by operating activities	(154,927)	986,822
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments, net	(101,455)	(1,761,013)
Purchase of property and equipment	(68,858)	(29,863)
Distribution from partnership	-	3,400,000
Advance for note receivable	-	(3,400,000)
Net cash used by investing activities	(170,313)	(1,790,876)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from note payable	357,900	-
Net cash provided by financing activities	357,900	-
Net increase (decrease) in cash, cash equivalents, designated cash and deposits	32,660	(804,054)
Cash, cash equivalents, designated cash and deposits - beginning of year	1,349,802	2,153,856
Cash, cash equivalents, designated cash and deposits - end of year	\$ 1,382,462	\$ 1,349,802
 <b>SUMMARY OF CASH, CASH EQUIVALENTS, DESIGNATED CASH AND DEPOSITS</b>		
Cash and cash equivalents	\$ 628,945	\$ 797,720
Designated cash and deposits	753,517	552,082
Total cash, cash equivalents, designated cash and deposits	\$ 1,382,462	\$ 1,349,802

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



**HUMAN INVESTMENT PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

**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 on hand and demand deposits with banks. All short-term debt securities purchased with a maturity of three months or less considered to be cash equivalents.

As of June 30, 2020 and 2019, 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, 2020 and 2019**

**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 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, 2020 and 2019**

**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 service lives using the straight-line method. The useful lives of the assets are estimated as follows:

Buildings and improvements	5 - 27.5 years
Office furniture and equipment	5 - 7 years

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, 2020 and 2019.

**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, 2020 and 2019**

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

**11. Revenue Recognition**

**Support and 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 and function. 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 2016 through 2019 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, 2020 and 2019**

**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. Date of Management's Evaluation and Subsequent Events**

Management has evaluated subsequent events through December 1, 2020, which is the date the financial statements were available to be issued.

As a result of the spread of the COVID19 coronavirus, economic uncertainties have arisen which may negatively affect the ability to collect tenant rents. Other financial impact could occur though such potential impact is unknown at this time.

**16. Change in Accounting Principles**

As of July 1, 2019, the Corporation adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that restricted cash and cash equivalents be included in the beginning and ending cash in the statement of cash flows. The adoption of ASU 2016-18 resulted in the reclassification of certain items related to designated cash in the statement of cash flows for the year ended June 30, 2019.

**NOTE B – DESIGNATED CASH AND DEPOSITS**

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

	2020	2019
Rental property operating funds	\$ 120,124	119,443
Tenant security deposits and reserves	633,393	432,639
Total designated cash and deposits	753,517	552,082
Less: current portion	(120,124)	(119,443)
Non-current portion	\$ 633,393	432,639

**HUMAN INVESTMENT PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

**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, 2020</i>	<i>Quoted Prices in Active Markets for Identical Assets (Level 1) June 30, 2020</i>
Fixed income	\$ 1,407,431	\$ 1,451,244
Domestic equity securities	417,929	406,625
Exchange traded funds (ETFs)	881,065	1,012,008
Total investments	\$ 2,706,425	\$ 2,869,877

  

	<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

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

	2020	2019
Fixed income:		
US treasury notes	\$ 514,406	\$ 601,188
Bond funds	616,881	506,391
Corporate bonds	319,957	336,221
Total fixed income	\$ 1,451,244	\$ 1,443,800
Domestic Equity Securities:		
Communication services	\$ 66,452	\$ 56,979
Consumer staples	62,176	57,018
Energy	19,417	68,963
Financials	25,867	30,745
Health care	85,917	20,268
Industrials	23,882	25,687
Information technology	122,914	132,355
Total equity securities	\$ 406,625	\$ 392,015

**HUMAN INVESTMENT PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

**NOTE D – PROPERTY AND EQUIPMENT**

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

	2020	2019
Land	\$ 836,000	836,000
Buildings and improvements	1,326,469	1,326,469
Furnishings and equipment	470,692	401,834
Total property and equipment	2,633,161	2,564,303
Less accumulated depreciation expense	(1,398,189)	(1,333,686)
Property and equipment, net	\$ 1,234,972	1,230,617

**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 of the partnership. As of June 30, 2020 and 2019, the amount of HIP Housing’s investment in the partnership is \$169,365 and \$5,474,666, respectively.

**NOTE F – NOTES RECEIVABLE**

Note 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, 2020 and 2019, accrued interest receivable totals \$141,215 and \$131,955, respectively.

Note 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.

Note receivable in the amount of \$5,346,799 due from ROA II bears 2.76% compounded interest and secured by real property located at 330 Redwood Avenue in Redwood City, California owned by ROA II. Annual payments from available net cash flow are required and all unpaid principal is due in full on December 31, 2076. As of June 30, 2020, accrued interest receivable totals \$153,350.

**HUMAN INVESTMENT PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

**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, 2020 and 2019, interest expense totaled \$11,918 and \$11,918, respectively. As of June 30, 2020 and 2019, accrued deferred interest totaled \$124,507 and 149,815, 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 deferred 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 supplementary information on page 24.

Unsecured note payable to Boston Private Bank & Trust Company funded under the Payroll Protection Program issued by the U.S. Small Business Administration (SBA) bears annual interest of 1%. Monthly payments of principal and interest are due commencing six months from the date of the note, May 4, 2020, and all remaining principal and accrued interest is due and payable two years from the date of the note. Subject to review and approval by the SBA, HIP Housing is eligible to apply for forgiveness of the note including any accrued interest. As of June 30, 2020, amounts due under this note payable totaled \$357,900.

**NOTE H –NET ASSETS WITH DONOR RESTRICTIONS**

As of June 30, net assets with donor restriction carry the following restrictions:

	2020			
	Balance Beginning of year	Contributions	Released from Restrictions	Balance End of year
Purpose restricted:				
Housing Opportunity	\$ 64,510	\$ 26,400	\$ (77,780)	\$ 13,130
Self-Sufficiency	215,000	328,600	(339,940)	203,660
Home Sharing	26,000	72,500	(23,500)	75,000
Other programs	50,000	217,180	(111,709)	155,471
Time restricted	<u>520,000</u>	<u>449,500</u>	<u>(844,500)</u>	<u>125,000</u>
Total	<u>\$ 875,510</u>	<u>\$ 1,094,180</u>	<u>\$ (1,397,429)</u>	<u>\$ 572,261</u>



**HUMAN INVESTMENT PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

**NOTE H –NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

	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	122,750	965,400	(568,150)	520,000
Total	\$ 394,846	\$ 1,418,915	\$ (938,251)	\$ 875,510

**NOTE I - RELATED PARTY TRANSACTIONS**

**Receivable from Affiliates**

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

As of June 30, 2020, HIP Housing has a receivable from HHDC for contributions totaling \$42,608.

As of June 30, 2020 and 2019, HIP Housing has a receivable from ROA II for cash advances totaling \$5,967 and \$150,000, respectively.

As of June 30, 2020 and 2019, HIP Housing has a receivable from properties owned by affiliated entities totaling \$744 and \$8,824 for reimbursement of operating expenses.

**Asset Management Fee**

HIP Housing earns asset management fees from rental properties owned by HHDC and HHAV. For the years ended June 30, 2020 and 2019, asset management fee earned totaled \$54,404 and \$33,582, respectively, of which \$14,774 and \$47,900 is receivable as of June 30, 2020 and 2019.

**Payable to Affiliates**

As of June 30, 2019, HIP Housing has a payable of \$247,530 to HHDC for funds advanced from HHDC of \$103,500 and excess contributions received of \$144,030.

As of June 30, 2020, HIP Housing has a payable of \$3,500 to HHDC for funds advanced from HHDC.

As of June 30, 2020, HIP Housing has a payable of \$1,321 to HHAV for reimbursement of operating expenses.

**HUMAN INVESTMENT PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

**NOTE I - RELATED PARTY TRANSACTIONS (Continued)**

**Contributions from Affiliates**

During the year ended June 30, 2020, HHAV contributed \$107,225 to support HIP Housing's mission.

During the year ended June 30, 2020 and 2019, HHDC contributed \$651,082 and \$615,664 to support HIP Housing's mission.

**Donation to Affiliates**

During the years ended June 30, 2020 and 2019, HIP Housing donated \$130,000 and \$131,114, respectively, to HHDC and HHAV.

**Property Management Fees**

The properties owned by HIP Housing are managed by HHAV. For the year ending June 30, 2020 and 2019, management fees paid to HHAV totaled \$9,740 and \$8,938, 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, 2020 and 2019 totaled \$68,013 and \$66,938, 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, 2020 and 2019**

**NOTE L – LIQUIDITY AND AVAILABILITY**

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

	2020	2019
Cash and cash equivalents	\$ 628,945	\$ 797,720
Tenant rents and other receivables	56,356	93,220
Grants and contracts receivable	54,038	211,277
Receivable from affiliates	64,093	233,372
Total	\$ 803,432	\$ 1,335,589

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 \$2,869,877 as of June 30, 2020.

**SUPPLEMENTARY INFORMATION**

**HUMAN INVESTMENT PROJECT, INC.**  
**DETAILED SCHEDULE OF FINANCIAL POSITION**  
**June 30, 2020 with Comparative Totals for June 30, 2019**

	<b>ASSETS</b>				2019
	2020			Total	
	HIP	Rental Properties	Eliminations		
<b>Current assets</b>					
Cash and cash equivalents	\$ 628,945	\$ -	\$ -	\$ 628,945	\$ 797,720
Designated cash and deposits, current portion	-	120,124	-	120,124	119,443
Investments	2,869,877	-	-	2,869,877	2,799,318
Tenant rents and other receivables	31,790	24,566	-	56,356	93,220
Grants and contracts receivable	54,038	-	-	54,038	211,277
Receivable from affiliates	119,328	-	(55,235)	64,093	233,372
Prepaid expenses	77,438	324	-	77,762	52,183
Total current assets	<u>3,781,416</u>	<u>145,014</u>	<u>(55,235)</u>	<u>3,871,195</u>	<u>4,306,533</u>
<b>Other assets</b>					
Designated cash and deposits, net of current portion	387,487	245,906	-	633,393	432,639
Property and equipment, net	122,030	1,112,942	-	1,234,972	1,230,617
Investment in partnerships	169,365	-	-	169,365	5,474,666
Notes receivable, including interest	9,241,364	-	-	9,241,364	3,731,955
Total other assets	<u>9,920,246</u>	<u>1,358,848</u>	<u>-</u>	<u>11,279,094</u>	<u>10,869,877</u>
 Total assets	 <u>\$ 13,701,662</u>	 <u>\$ 1,503,862</u>	 <u>\$ (55,235)</u>	 <u>\$ 15,150,289</u>	 <u>\$ 15,176,410</u>

**HUMAN INVESTMENT PROJECT, INC.**  
**DETAILED SCHEDULE OF FINANCIAL POSITION (Continued)**  
**June 30, 2020 with Comparative Totals for June 30, 2019**

	2020				2019
	HIP	Rental Properties	Eliminations	Total	Total
<b>Current liabilities</b>					
Accounts payable and accrued expenses	\$ 179,897	\$ 6,601	\$ -	\$ 186,498	\$ 206,886
Payable to affiliates	1,321	58,735	(55,235)	4,821	247,530
Tenant security deposits	-	19,171	-	19,171	16,645
Total current liabilities	181,218	84,507	(55,235)	210,490	471,061
<b>Long-term liabilities</b>					
Notes payable	357,900	833,156	-	1,191,056	833,156
Accrued interest - notes payable	-	124,507	-	124,507	149,815
Total long-term liabilities	357,900	957,663	-	1,315,563	982,971
Total liabilities	539,118	1,042,170	(55,235)	1,526,053	1,454,032
<b>Net assets</b>					
Net assets with donor restrictions	572,261	-	-	572,261	875,510
Net assets without donor restrictions	12,590,283	461,692	-	13,051,975	12,846,868
Total net assets	13,162,544	461,692	-	13,624,236	13,722,378
Total liabilities and net assets	\$ 13,701,662	\$ 1,503,862	\$ (55,235)	\$ 15,150,289	\$ 15,176,410

**HUMAN INVESTMENT PROJECT, INC.**  
**DETAILED SCHEDULE OF ACTIVITIES**  
**Year Ended June 30, 2020 with Comparative Totals for the Year Ended June 30, 2019**

	2020				2019
	HIP	Rental Properties	Eliminations	Total	Total
<b>Net assets without donor restrictions</b>					
<b>Support and revenue</b>					
Support					
Government grants and contracts	\$ 398,054	\$ -	\$ -	\$ 398,054	\$ 391,375
Contributions from affiliates	758,307	-	(15,000)	743,307	195,664
Grants, contributions and fundraising	468,691	-	-	468,691	545,832
Net assets released from donor restrictions	1,397,429	-	-	1,397,429	938,251
Total support	<u>3,022,481</u>	<u>-</u>	<u>(15,000)</u>	<u>3,007,481</u>	<u>2,071,122</u>
Revenue					
Rental property revenue	-	215,005	-	215,005	199,789
Supportive services fees	61,748	-	(23,500)	38,248	32,775
Asset management fees	60,644	-	(6,240)	54,404	33,582
Interest and investment income	263,773	1,114	-	264,887	136,392
Miscellaneous income	(8,584)	2,261	-	(6,323)	348,804
Total revenue	<u>377,581</u>	<u>218,380</u>	<u>(29,740)</u>	<u>566,221</u>	<u>751,342</u>
Total support and revenue	<u>3,400,062</u>	<u>218,380</u>	<u>(44,740)</u>	<u>3,573,702</u>	<u>2,822,464</u>
<b>Expenses</b>					
Program services					
Rental property operations	-	200,870	(44,740)	156,130	170,909
Supportive services programs	2,197,790	-	-	2,197,790	1,882,916
Fundraising and advocacy	550,415	-	-	550,415	568,426
Management and general	334,260	-	-	334,260	319,009
Unallocated payments to affiliates	130,000	-	-	130,000	131,114
Total expenses	<u>3,212,465</u>	<u>200,870</u>	<u>(44,740)</u>	<u>3,368,595</u>	<u>3,072,374</u>
Change in net assets without donor restrictions	<u>187,597</u>	<u>17,510</u>	<u>-</u>	<u>205,107</u>	<u>(249,910)</u>
<b>Net assets with donor restrictions</b>					
Government grants and contracts	-	-	-	-	1,000
Grants, contributions and fundraising	1,094,180	-	-	1,094,180	1,417,915
Net assets released from donor restrictions	(1,397,429)	-	-	(1,397,429)	(938,251)
Change in net assets with donor restrictions	<u>(303,249)</u>	<u>-</u>	<u>-</u>	<u>(303,249)</u>	<u>480,664</u>
<b>Total change in net assets</b>	<u>(115,652)</u>	<u>17,510</u>	<u>-</u>	<u>(98,142)</u>	<u>230,754</u>
<b>Proceeds received in excess of assets transferred to affiliate</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,535,296</u>
<b>Net assets - beginning of year</b>	<u>13,278,196</u>	<u>444,182</u>	<u>-</u>	<u>13,722,378</u>	<u>4,956,328</u>
<b>Net assets - end of year</b>	<u>\$ 13,162,544</u>	<u>\$ 461,692</u>	<u>\$ -</u>	<u>\$ 13,624,236</u>	<u>\$ 13,722,378</u>

**HUMAN INVESTMENT PROJECT, INC.**  
**SUPPLEMENTAL SCHEDULE OF NOTES PAYABLE**  
**June 30, 2020 and 2019**

	2020		2019	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<b><u>Hilton Street</u></b>				
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.	\$ 115,047	\$ 300,856	\$ 138,247	\$ 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	\$ 115,047	\$ 318,741	\$ 138,247	\$ 318,741
<b><u>Cedar Street</u></b>				
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
<b><u>Pine Street</u></b>				
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.	\$ 9,460	\$ 62,472	\$ 11,568	\$ 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	\$ 9,460	\$ 91,002	\$ 11,568	\$ 91,002



**HUMAN INVESTMENT PROJECT, INC.**  
**SUPPLEMENTARY NET CASH FLOW CALCULATION FOR OWNED PROPERTIES**  
**Year Ended June 30, 2020**

	Chilco	Cedar	Hilton	Pine
Operating Revenue				
Rental property revenue	\$ 43,296	\$ 64,944	\$ 53,890	\$ 52,875
Interest and other income	965	639	1,279	492
Less restricted interest	-	(85)	(771)	(253)
Total operating revenue	<u>44,261</u>	<u>65,498</u>	<u>54,398</u>	<u>53,114</u>
Operating Expenses				
Salaries	4,725	5,990	5,688	5,688
Administrative	7,123	7,438	7,550	7,517
Utilities	4,860	11,224	5,064	4,459
Operating and maintenance	5,704	5,141	9,487	10,115
Taxes and insurance	5,714	1,858	1,968	1,662
Supportive services	4,800	7,200	5,900	5,600
Total operating expenses	<u>32,926</u>	<u>38,851</u>	<u>35,657</u>	<u>35,041</u>
Other Items				
Deposits to replacement reserve	-	3,030	24,543	4,000
Deposits to operating reserve	-	-	730	-
Total other items	<u>-</u>	<u>3,030</u>	<u>25,273</u>	<u>4,000</u>
Net cash flow	<u>\$ 11,335</u>	<u>\$ 23,617</u>	<u>\$ (6,532)</u>	<u>\$ 14,073</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, 2020 and 2019**

**SCHEDULES OF OPERATING REVENUES**

		<u>2020</u>	<u>2019</u>
<b>Rent revenue</b>			
5120	Tenant rents	\$ 17,027	\$ 7,046
5121	Tenant assistance payments	51,595	50,926
5100T	Gross rent potential	<u>68,622</u>	<u>57,972</u>
<b>Vacancies</b>			
5220	Apartments	(14,732)	(13,574)
5200T	Total vacancies	<u>(14,732)</u>	<u>(13,574)</u>
5152N	Net rental revenue	<u>53,890</u>	<u>44,398</u>
<b>Financial revenue</b>			
5440	Financial revenue - replacement reserve	771	727
5400T	Total financial revenue	<u>771</u>	<u>727</u>
<b>Other revenue</b>			
5910	Laundry income	63	232
5920	Tenant charges	445	985
5900T	Total other revenue	<u>508</u>	<u>1,217</u>
5000T	Total revenue	<u>55,169</u>	<u>46,342</u>

**SCHEDULES OF OPERATING EXPENSES**

<b>Administrative expenses</b>			
6311	Office supplies	2	42
6311	Telephone and answering service	53	55
6320	Property management fees	2,558	2,348
6320	Asset management fees	1,440	720
6330	Manager's salary	3,506	2,708
6340	Legal fees	-	9
6350	Audit fees	1,400	2,520
6351	Accounting services	1,713	547
6390	Bank service charges	2	5
6390	Seminars and training	11	87
6390	Supportive service expenses	5,900	4,800
6390	Miscellaneous administrative	371	240
	Total administrative expenses	<u>16,956</u>	<u>14,081</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, 2020 and 2019**

**SCHEDULES OF OPERATING EXPENSES (Continued)**

		<u>2020</u>	<u>2019</u>
<b>Utilities</b>			
6450	Electricity	\$ 926	\$ 533
6451	Water	2,122	1,473
6452	Gas	899	800
6453	Sewer	1,117	871
	Total utilities	<u>5,064</u>	<u>3,677</u>
<b>Operating and maintenance</b>			
6510	Repairs payroll	766	1,415
6515	Repairs materials	475	971
6520	Janitorial contracts	420	840
6520	Exterminating contracts	1,380	1,505
6520	Ground contracts	2,100	2,100
6520	Repairs contract	3,949	4,098
6525	Trash removal	1,103	1,012
6590	Miscellaneous operating and maintenance	60	-
	Total operating and maintenance	<u>10,253</u>	<u>11,941</u>
<b>Taxes and insurance</b>			
6711	Payroll taxes	332	353
6722	Workers' compensation	201	126
6723	Health insurance and other employee benefits	763	804
6720	Property and liability insurance	1,968	1,962
6720	Earthquake insurance	120	204
	Total taxes and insurance	<u>3,384</u>	<u>3,449</u>
<b>Financial expenses</b>			
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>44,683</u>	<u>42,174</u>
5060T	Operating profit before depreciation	10,486	4,168
6600	Depreciation expense	<u>2,835</u>	<u>4,427</u>
5060N	Operating income (loss)	<u>\$ 7,651</u>	<u>\$ (259)</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, 2020 and 2019**

**CASH ON HAND AND IN BANK**

	<u>2020</u>	<u>2019</u>
Unrestricted accounts		
Operating and savings accounts	\$ 16,433	\$ 17,892
Restricted accounts		
Tenant security deposits	5,405	5,227
Operating reserve	28,396	27,666
Replacement reserve	69,898	44,584
Total cash	<u>\$ 120,132</u>	<u>\$ 95,369</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>2020</u>	<u>2019</u>
Balance, July 1	\$ 44,584	\$ 60,175
Monthly deposits	1,543	2,142
Deposit prior year unauthorized release	23,000	4,540
Interest earned	771	727
Releases (unauthorized)	-	(23,000)
Balance, June 30	<u>\$ 69,898</u>	<u>\$ 44,584</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>2020</u>	<u>2019</u>
Balance, July 1	\$ 27,666	\$ 26,798
Deposits	730	868
Balance, June 30	<u>\$ 28,396</u>	<u>\$ 27,666</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, 2020**

**CHANGES IN PROPERTY**

	Cost			
	Balance July 1, 2019	Additions	Removals	Balance June 30, 2020
Buildings and improvements	\$ 384,741	\$ -	\$ -	\$ 384,741
Furnishings and equipment	12,289	-	-	12,289
Total property	\$ 397,030	\$ -	\$ -	\$ 397,030
Accumulated depreciation	\$ 377,133	2,835	-	379,968

**ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

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

**SCHEDULE OF NOTES PAYABLE**

	2020		2019	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<b><u>Hilton Street</u></b>				
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. Interest expense for the years ended June 30, 2020 and 2019 was \$9,026 and \$9,026, respectively. Interest payments made during the years ended June 30, 2019 and 2018 were \$32,226 and \$29,952, respectively.	\$ 115,047	\$ 300,856	\$ 138,247	\$ 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	\$ 115,047	\$ 318,741	\$ 138,247	\$ 318,741

**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, 2020**

**GROSS POTENTIAL RENTS**

	<u>2020</u>	<u>2019</u>
Tenant rental payments	\$ 15,394	\$ 4,793
Housing assistance payments	38,496	39,605
Vacancy loss and concessions	14,732	13,574
Total gross potential rents	<u>\$ 68,622</u>	<u>\$ 57,972</u>

**MANAGEMENT FEE**

Property management fee of \$2,558 was incurred during the year ending June 30, 2020 for services provided by HIP Housing Affordable Ventures, Inc.

**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	\$ 55,169	
Less interest on reserves	<u>(771)</u>	
Adjusted operating income		\$ 54,398
Operating expenses		<u>(35,657)</u>
Adjusted net income		18,741
Other activity		
Deposits to replacement reserve	\$ (1,543)	
Additional deposit to replacement reserve	(23,000)	
Deposits to operating reserve	<u>(730)</u>	
Total other activity		<u>(25,273)</u>
Net operating cash flow		<u>\$ (6,532)</u>
Net cash flow available for distribution		
HCD maximum distribution	\$ -	
HCD deferred loan payment	<u>-</u>	
		<u>\$ -</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, 2020, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statement, and have issued our report thereon dated December 1, 2020.

**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.

*Sybil Narasky Daley LLP*

Moraga, California  
December 1, 2020



**HUMAN INVESTMENT PROJECT, INC.  
CERTIFICATION OF OFFICERS  
Year Ended June 30, 2020**

**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, 2020, 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

December 1, 2020

\_\_\_\_\_  
Date

*Gina Quiney*

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

December 1, 2020

\_\_\_\_\_  
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, 2020, 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

December 1, 2020

\_\_\_\_\_  
Date

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