

HOUSING INITIATIVE PARTNERSHIP, INC.

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

JUNE 30, 2016 AND 2015

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Independent Auditor's Report

To the Board of Directors
Housing Initiative Partnership, Inc.
Hyattsville, MD

Report on the Financial Statements

We have audited the accompanying financial statements of Housing Initiative Partnership, Inc., (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 Housing Initiative Partnership, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2016, on our consideration of Housing Initiative Partnership, 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 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 Housing Initiative Partnership, Inc.'s internal control over financial reporting and compliance.

Jane Marusa & McQuade PA

Columbia, MD
October 25, 2016

HOUSING INITIATIVE PARTNERSHIP, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 1,043,231	\$ 872,791
Accounts receivable	62,924	13,857
Grants receivable	510,894	466,364
Due from related party	954	68,534
Total Current Assets	1,618,003	1,421,546
PROPERTY AND EQUIPMENT		
Furniture and equipment	47,440	47,440
Construction in progress	1,383,908	1,057,598
	1,431,348	1,105,038
Less accumulated depreciation	(37,378)	(30,790)
Total Property and Equipment, Net	1,393,970	1,074,248
OTHER ASSETS		
Cash - restricted	190,249	395,838
Security deposits	5,173	5,173
Notes receivable	284,988	284,988
Total Other Assets	480,410	685,999
TOTAL ASSETS	\$ 3,492,383	\$ 3,181,793

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

HOUSING INITIATIVE PARTNERSHIP, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015
(continued)

	2016	2015
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 57,479	\$ 15,272
Accrued expenses	79,414	98,947
Line of credit obligations	-	113,416
Notes payable, current	-	5,505
Total Current Liabilities	136,893	233,140
OTHER LIABILITIES		
Partner's deficit in Mt. Rainier L.L.P.	1,191,552	1,146,065
LONG TERM LIABILITIES		
Notes payable, net of current amount	280,003	280,003
Total Liabilities	1,608,448	1,659,208
NET ASSETS		
Unrestricted	1,883,935	1,502,585
Temporarily restricted	-	20,000
Total Net Assets	1,883,935	1,522,585
 TOTAL LIABILITIES AND NET ASSETS	 \$ 3,492,383	 \$ 3,181,793

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

HOUSING INITIATIVE PARTNERSHIP, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Federal grants	\$ 1,086,521	\$ -	\$ 1,086,521
State and local government revenue	1,350,234	-	1,350,234
Grants and contributions	509,100	-	509,100
Sale of homes	1,109,327	-	1,109,327
Development fees	178,334	-	178,334
Management fees	29,200	-	29,200
Program income	31,090	-	31,090
Interest income	37	-	37
Net assets released from restrictions	20,000	(20,000)	-
Total Revenue and Support	4,313,843	(20,000)	4,293,843
EXPENSES			
Program Services:			
Single-family development	1,868,738	-	1,868,738
Multi-family development	183,247	-	183,247
Resident services	83,043	-	83,043
Home ownership counseling	828,937	-	828,937
Rehabilitation management	629,101	-	629,101
Total Program Services	3,593,066	-	3,593,066
Supporting Services:			
Fundraising	91,811	-	91,811
Management and general	202,129	-	202,129
Total Supporting Services	293,940	-	293,940
Total Expenses	3,887,006	-	3,887,006
CHANGE IN NET ASSETS FROM OPERATIONS	426,837	(20,000)	406,837
LOSS FROM INVESTMENT IN MT. RAINIER L.L.P.	(45,487)	-	(45,487)
CHANGE IN NET ASSETS	381,350	(20,000)	361,350
NET ASSETS, beginning of year	1,502,585	20,000	1,522,585
NET ASSETS, end of year	\$ 1,883,935	\$ -	\$ 1,883,935

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

HOUSING INITIATIVE PARTNERSHIP, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Federal grants	\$ 1,154,269	\$ -	\$ 1,154,269
State and local government revenue	791,399	20,000	811,399
Grants and contributions	288,592	-	288,592
Sale of homes	1,314,588	-	1,314,588
Development fees	131,515	-	131,515
Management fees	30,300	-	30,300
Program income	22,323	-	22,323
Interest income	45	-	45
Net assets released from restrictions	443,900	(443,900)	-
Total Revenue and Support	4,176,931	(423,900)	3,753,031
EXPENSES			
Program Services:			
Single-family development	2,061,931	-	2,061,931
Multi-family development	77,979	-	77,979
Resident services	99,195	-	99,195
Homeownership counseling	1,001,601	-	1,001,601
Rehabilitation management	205,177	-	205,177
Total Program Services	3,445,883	-	3,445,883
Supporting Services:			
Management and general	220,632	-	220,632
Total Supporting Services	220,632	-	220,632
Total Expenses	3,666,515	-	3,666,515
CHANGE IN NET ASSETS FROM OPERATIONS	510,416	(423,900)	86,516
NET ASSETS, merged entity	197,355	329,000	526,355
LOSS FROM INVESTMENT IN MT. RAINIER L.L.P.	(112,666)	-	(112,666)
CHANGE IN NET ASSETS	595,105	(94,900)	500,205
NET ASSETS, beginning of year	907,480	114,900	1,022,380
NET ASSETS, end of year	\$ 1,502,585	\$ 20,000	\$ 1,522,585

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

HOUSING INITIATIVE PARTNERSHIP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Program Services				Supporting Services		Total Expenses		
	Single-Family Development	Multi-Family Development	Resident Services	Home Ownership Counseling	Rehabilitation Management	Total Programs		Fundraising	Management and General
Salaries	\$ 63,788	\$ 34,075	\$ 60,308	\$ 574,361	\$ 74,876	\$ 807,408	\$ 67,633	\$ 83,869	\$ 958,910
Payroll taxes	5,249	3,000	4,499	45,743	5,999	64,490	6,555	3,945	74,990
Employee benefits	6,553	3,745	5,617	57,106	7,489	80,510	6,553	6,554	93,617
Total Personnel Expenses	75,590	40,820	70,424	677,210	88,364	952,408	80,741	94,368	1,127,517
Accounting	-	-	-	-	-	-	-	76,400	76,400
Advertising and marketing	-	-	-	-	-	-	-	1,746	1,746
Bad debt	-	127,933	-	-	-	127,933	-	-	127,933
Bank and credit card fees	392	224	336	3,413	448	4,813	-	782	5,595
Board meetings	-	-	-	-	-	-	-	793	793
Community and resident services	-	6,081	-	-	-	6,081	383	-	6,464
Computer support	1,667	953	1,429	14,531	1,906	20,486	-	3,335	23,821
Construction costs	-	-	-	-	523,910	523,910	-	-	523,910
Consultants	1,042	596	893	9,082	1,191	12,804	-	2,084	14,888
Cost of real estate development	1,769,447	-	-	-	-	1,769,447	-	-	1,769,447
Depreciation	461	264	395	4,019	527	5,666	461	461	6,588
Dues and memberships	462	264	396	4,023	528	5,673	-	922	6,595
Fees and licenses	471	269	404	4,106	538	5,788	-	943	6,731
Grants	25	-	-	9,000	-	9,025	-	-	9,025
Insurance	1,656	946	1,420	14,434	1,893	20,349	1,656	1,657	23,662
Interest	8,955	-	-	-	-	8,955	-	-	8,955
Legal fees	-	-	-	-	-	-	-	10,068	10,068
Office supplies	914	522	783	7,961	1,044	11,224	914	912	13,050
Printing and postage	1,205	689	1,033	10,504	1,378	14,809	1,205	1,205	17,219
Rent	5,063	2,893	4,340	44,123	5,787	62,206	5,063	5,063	72,332
Repairs and maintenance	154	88	132	1,344	176	1,894	154	156	2,204
Telephone and website	1,234	705	1,058	10,756	1,411	15,164	1,234	1,234	17,632
Training	-	-	-	14,431	-	14,431	-	-	14,431
Total	\$ 1,868,738	\$ 183,247	\$ 83,043	\$ 828,937	\$ 629,101	\$ 3,593,066	\$ 91,811	\$ 202,129	\$ 3,887,006

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

HOUSING INITIATIVE PARTNERSHIP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Program Services						Management and General	Total Expenses
	Single-Family Development	Multi-Family Development	Resident Services	Home Ownership Counseling	Rehabilitation Management	Total Programs		
Salaries	\$ 84,226	\$ 51,884	\$ 68,387	\$ 673,163	\$ 64,150	\$ 941,810	\$ 89,021	\$ 1,030,831
Payroll taxes	6,358	3,974	5,564	51,663	4,769	72,328	7,153	79,481
Employee benefits	9,433	5,896	8,254	76,647	7,075	107,305	10,613	117,918
Total Personnel Expenses	100,017	61,754	82,205	801,473	75,994	1,121,443	106,787	1,228,230
Accounting	-	-	-	-	-	-	79,130	79,130
Advertising and marketing	-	-	-	-	-	-	3,850	3,850
Bank and credit card fees	230	144	202	1,872	173	2,621	259	2,880
Board meetings	-	-	-	-	-	-	949	949
Community and resident services	-	4,089	-	-	-	4,089	-	4,089
Computer support	2,024	1,265	1,771	16,444	1,518	23,022	2,276	25,298
Construction costs	-	-	-	-	114,621	114,621	-	114,621
Consultants	1,679	1,050	1,469	13,645	1,260	19,103	1,889	20,992
Cost of real estate development	1,940,447	-	-	-	-	1,940,447	-	1,940,447
Depreciation	-	-	-	-	-	-	1,992	1,992
Dues and memberships	294	184	258	2,392	221	3,349	331	3,680
Fees and licenses	1,573	983	1,376	12,777	1,179	17,888	1,769	19,657
Grants	275	-	-	-	-	275	-	275
Insurance	2,656	1,660	2,324	21,581	1,992	30,213	2,989	33,202
Interest	1,776	-	-	-	-	1,776	-	1,776
Legal	-	-	-	-	-	-	6,078	6,078
Office supplies	1,704	1,065	1,491	13,848	1,278	19,386	1,919	21,305
Postage and printing	1,883	1,177	1,648	15,298	1,412	21,418	2,118	23,536
Rent	5,511	3,444	4,822	44,777	4,133	62,687	6,201	68,888
Repairs and maintenance	318	199	278	2,582	238	3,615	357	3,972
Telephone and website	1,544	965	1,351	12,548	1,158	17,566	1,738	19,304
Training	-	-	-	42,364	-	42,364	-	42,364
Total	\$ 2,061,931	\$ 77,979	\$ 99,195	\$ 1,001,601	\$ 205,177	\$ 3,445,883	\$ 220,632	\$ 3,666,515

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

HOUSING INITIATIVE PARTNERSHIP, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets from operations	\$ 406,837	\$ 86,516
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	6,588	1,992
(Increase) decrease in assets:		
Accounts receivable	(49,067)	49,123
Grants receivable	(44,530)	(18,087)
Due from related parties	67,580	(538)
Restricted cash	205,589	(340,539)
Security deposit	-	(3,048)
Increase (decrease) in liabilities:		
Accounts payable	42,207	(76,438)
Accrued expenses	(19,533)	40,895
Net Cash Provided by (Used for) Operating Activities	615,671	(260,124)
CASH FLOW FROM INVESTING ACTIVITIES		
Cost of purchase and development of real estate	(1,485,637)	(1,269,130)
Proceeds from sale of developed real estate	1,159,327	1,314,588
Purchase of property and equipment	-	(7,049)
Net Cash (Used for) Provided by Investing Activities	(326,310)	38,409
CASH FLOW FROM FINANCING ACTIVITIES		
Cash acquired through merger of HIP Services, Inc.	-	359,834
Proceeds from line of credit	220,684	92,537
Principal repayments on line of credit	(226,189)	(100,585)
Principal repayments on note payable	(113,416)	(10,625)
Net Cash (Used for) Provided by Financing Activities	(118,921)	341,161
NET CHANGE IN CASH	170,440	119,446
CASH, beginning of year	872,791	753,345
CASH, end of year	\$ 1,043,231	\$ 872,791

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

HOUSING INITIATIVE PARTNERSHIP, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015
(continued)

	2016	2015
SUPPLEMENTARY INFORMATION		
Cash paid for interest	\$ 8,955	\$ 1,776
SUPPLEMENTAL SCHEDULE OF NON CASH TRANSACTIONS		
Non cash assets received and liabilities assumed after combination:		
Assets received:		
Grants receivable	\$ -	\$ 53,800
Due from related party	-	159,596
Property and equipment, net	-	5,799
Total assets received	-	219,195
Liabilities assumed:		
Accounts payable and accrued expenses	-	(52,674)
Net liabilities assumed	-	(52,674)
NET ASSETS RECEIVED	\$ -	\$ 166,521

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

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE A – ORGANIZATION AND PURPOSE

Housing Initiative Partnership, Inc. (“HIP”) was organized in October of 1988 as a not-for-profit organization dedicated to creating affordable housing in Prince George’s County, Maryland. HIP’s goal is to provide housing to low and middle-income families. HIP is state and locally certified as a Community Housing Development Organization (“CHDO”) and, therefore, is eligible to apply for Home Program Set-Aside Funds.

HIP has the following program services:

Single-Family Home Development - HIP purchases and renovates vacant homes for the purpose of selling them to qualified low and moderate-income buyers. In some circumstances, houses are torn down and replaced with new homes. For the fiscal year ended June 30, 2016, six properties were purchased and five were sold and for the fiscal year ended June 30, 2015, four properties were purchased and seven were sold.

Multi-family Development - HIP develops multi-family rental property for low and moderate-income tenants. In some cases, HIP enters into a partnership with other for-profit or non-profit developers to develop rental housing in Maryland. For the year ended June 30, 2016, HIP was involved in the development of 100 family rental units and lease-up of another 62 family rental units.

Resident Services - Resident Services Coordinators provide recreational activities and information and referral services to residents of Mount Rainier Artists Apartments, Newton Green Senior Apartments in Bladensburg, and the Renaissance Square Artists Apartments in Hyattsville. Services include linkages to social services, budget counseling, parenting skills training, and education. A Resident Services Coordinator also provides on-site recreational activities, food pantries, and other social activities to residents of Elkton Senior Apartments and New East Crossing Apartments in Cecil County, Maryland.

Home Ownership Counseling – Under this program HIP provides homebuyer education and counseling, foreclosure prevention education and counseling, and financial education and counseling. Homebuyer education and counseling services include eight-hour educational workshops and individual counseling for first-time homebuyers. The foreclosure prevention program works with families, who are in danger of losing their homes, to develop a budget, evaluate their options, and negotiate with their mortgage servicers for the best possible outcome. The financial education and counseling services under the “Bounce Back” program has targeted homeowners who have recovered from default, has now been expanded to assist low-income renters and families at risk of homelessness. The goal of the program is to strengthen participants’ finances so that they can acquire and maintain stable and affordable housing options. Counseling services are provided in the Hyattsville, Germantown and

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(continued)

NOTE A – ORGANIZATION AND PURPOSE – continued

Home Ownership Counseling (continued) – Gaithersburg offices. In fiscal year 2016, HIP provided individual housing counseling to 898 Maryland residents, and held 25 homeowner education workshops with 466 attendees. The average reduction a homeowner saw in their monthly mortgage payment as a result of HIP intervention was \$395. In fiscal year 2015, HIP provided individual housing counseling to 1,218 Maryland residents, and held 28 homeowner education workshops with 585 attendees. The average reduction a homeowner saw in their monthly mortgage payment as a result of HIP Services was \$402.

Rehabilitation Management - Under a partnership with the Prince George’s County Department of Housing and Community Development and the Redevelopment Authority of Prince George’s County, HIP assisted low-income homeowners in qualifying for no-interest deferred loans to undertake necessary repairs and maintenance to their homes. HIP pre-screened potential borrowers and packaged loans, developed scopes of work for renovations, assisted homeowners in selecting general contractors and oversaw the renovations. The Redevelopment Authority acted as the lender. In fiscal year 2016, 41 homeowners were assisted.

Home Restoration Program – HIP worked with Prince George’s County’s Transforming Neighborhoods Initiative team in Kentland and Palmer Park to target three streets for intensive façade improvements, including new siding, windows, fixtures, landscaping, fencing and walkways. 25 low-income home owners were assisted in the first phase of this program completed in Spring, 2016.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting. Therefore revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Basis of Presentation

HIP is the general partner and owns a 99% interest in Mount Rainier Artist Apartments Limited Liability Partnership (“Mt. Rainier LLP”). These financial statements should be read in conjunction with HIP’s consolidated financial statements.

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Presentation (continued)

Financial statement presentation follows Financial Standards Accounting Board (“FASB”) Accounting Standards Codification (“ASC”) Topic *Not-for-Profit-Entities*. In accordance with the topic, HIP is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, the net assets of HIP and changes therein are classified and reported as followed:

Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met by either actions of HIP and/or the passage of time. For the years ended June 30, 2016 and 2015, temporarily restricted net assets totaled \$0 and \$20,000 respectively.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by HIP. There were no permanently restricted net assets as of June 30, 2016 and 2015.

Cash

HIP maintains its cash balances in banks that are insured by the Federal Deposit Insurance Corporation (“FDIC”). At times, the account balances may exceed the limits of the FDIC. Management believes it is not exposed to any significant credit risk on cash.

Restricted Cash

Restricted cash represents funds that are restricted by Prince George’s County to be used for home construction.

Accounts Receivable

Accounts receivable are stated as the amount management expects to collect from balances outstanding at year-end. Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection of information, and existing economic conditions. Accounts deemed uncollectible are charged off based on specific circumstances of the parties involved. As of June 30, 2016 and 2015, management has determined that all significant receivables are collectible within one year or less; therefore, an allowance for doubtful accounts has not been established.

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Grants Receivable

Grants receivable are stated as the amount management expects to collect from balances outstanding at year-end. Grants receivable include amounts carried at the original invoice amount billed to the government for services performed in accordance with the terms of the grant and are all due within one year. As of June 30, 2016 and 2015, management has determined that all significant receivables are collectible within one year or less; therefore, an allowance for doubtful accounts has not been established.

Notes Receivable

Notes receivable are stated as the amount management expects to collect from outstanding balances. HIP uses the allowance method to account for uncollectible loans. The allowance is based on management's analysis and prior experience of unpaid loans.

Property and Equipment

Property and equipment are stated at cost. Property and equipment with a minimum cost basis of \$500 are capitalized. Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets of three to five years. Maintenance and repairs which do not improve or extend the life of the respective asset are charged to expense when incurred.

Construction in Progress

Construction in progress consists of homes under construction that are carried at the lower-of-cost or net realizable value. Net realizable value is determined based on individual projects and is the estimated selling price plus other estimated revenue such as specific project contributions, grants, and incentive fees. Reacquisition, land acquisition and improvement, development and construction, taxes, insurance, and interest costs are a part of the cost of a home under construction. Once a project is completed, the homes are listed for sale.

Revenue Recognition

Grants and contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue Recognition (continued)

Gross revenue from the sale of homes under the home construction program is recognized at the closing date of the sale.

Development fees are earned by HIP on the construction and development of the single or multiple family homes held in the construction-in-progress account.

Management fees are monies received from multifamily properties in which an affiliate of HIP is part of the ownership structure and for which HIP provides on-site recreational and social services for low-income tenants.

Program income is the fee collected from clients and home owners who attend home ownership counseling classes.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. These estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

NOTE C – LINE OF CREDIT

HIP secured a line of credit with Washington Area Community Investment Fund for an amount up to \$250,000. HIP is required to make interest payments only. Interest accrues at 7% per annum and is due monthly. Interest expense on the line of credit totaled \$2,712 and \$507 for the years ended June 30, 2016 and 2015, respectively. The line of credit is secured by certain real property. As of June 30, 2016 and 2015, the amount outstanding balance on the line of credit totaled \$0 and \$113,416, respectively. This line of credit was closed and not renewed as of September 2015.

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(continued)

NOTE D – NOTES RECEIVABLE

In connection with the Maryland Community Legacy Program, which is under the Department of Housing and Community Development, HIP borrowed funds (see Note E) and then entered into separate notes receivable agreements with eleven qualifying homeowners. The program is intended to preserve existing communities as desirable places to live and provide financial assistance to sponsors for the development of community legacy projects. The notes receivable were made between 2005 and 2010, and HIP has given such notes, ranging from \$20,000 - \$50,000, at zero interest and no monthly payments. Per the promissory notes, the principal on each shall be payable upon the sale of each property secured by a deed. At June 30, 2016 and 2015, the balance of the notes receivable totaled \$284,988 for both years.

The Community Legacy High Risk Rehabilitation Loans were made in 2002 to ten qualifying applicants for repairs and improvements to their homes. These loans were made at a zero percent rate of interest for a period of ten years, in amounts that ranged from \$2,500 to \$6,300. The repayment of monthly principal ranged from \$25 to \$44. If timely payments are made for the first eighty months, the last 40 months of the loan will be forgiven. As of June 30, 2016 and 2015, none of the borrowers were paying the principal regularly. An allowance for doubtful accounts was established based on management's analysis and prior experience of unpaid loans. At June 30, 2016 and 2015, the balance of loans receivable, net of the allowance of doubtful accounts of \$19,286, was zero for both years.

On May 15, 2007, HIP entered into a loan agreement with Renaissance Square Artists' Housing, LLP (the "Square") in the amount of \$722,500. Interest and principal shall be due and payable in consecutive annual installments in the amount equal to the lesser of surplus cash, as defined, or the scheduled payment, as defined. The outstanding principal balance together with accrued interest shall be paid on August 1, 2048. Interest on the loan accrues at 4.9%. The loan is secured by a lien on the land, building, and building improvements of the Square. Since it is not likely that the Square will have surplus cash to pay off this loan, an allowance for doubtful accounts has been set up for the full amount of the loan.

NOTE E – NOTES PAYABLE

During May 2015, HIP secured a note payable with Sandy Spring Bank that matured in May 2016. Interest accrued at a rate of prime plus 1% per annum over the prime rate published in the Wall Street Journal. For the year ended June 30, 2016 this rate was 4.25%. Interest expense on this note totaled \$5,818 for the year ended June 30, 2016. Monthly interest and principal payments are due each month on this unsecured note. The entire amount borrowed during the year was paid in full as of May 2016.

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(continued)

NOTE E – NOTES PAYABLE - continued

The Bank of America note payable dated February 2010 was due in full by March 2016 at an interest rate of prime plus 6.75% per annum. This note was paid in full by March 2016. Interest expense on this note totaled \$0 and \$937 for the years ending June 30, 2016 and 2015, respectively. This note had an outstanding balance of \$0 and \$5,505 as of June 30, 2016 and 2015, respectively.

In connection with the Maryland Community Legacy Program, which is under the Department of Housing and Community Development, HIP borrowed funds and then entered into note receivable agreements with eleven qualifying homeowners (see Note C). The program is intended to preserve existing communities as desirable places to live and provide financial assistance to sponsors for the development of community legacy projects. The principal and the interest on all these borrowings have been deferred until May 31, 2030. The total amount outstanding on this loan was \$280,003 as of June 30, 2016 and 2015, respectively.

NOTE F – OPERATING LEASE

On April 2014, HIP signed a ten-year lease agreement for office space commencing September 1, 2014, and ending April 30, 2024. HIP will pay the agreed upon base rent which shall increase by 2.5% each year, beginning the second anniversary of the agreement. HIP will also be responsible for its share of the operating and common area expenses. The future minimum rent payments are as follows for the years ending June 30:

2017	\$ 68,909
2018	70,631
2019	72,397
2020	74,207
2021	76,062
Thereafter	225,853
	<u>\$ 588,059</u>

Rent expense for the years ended June 30, 2016 and 2015, totaled \$72,332 and \$68,888 respectively.

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(continued)

NOTE G – PENSION PLAN

HIP established a pension plan under Section 403(b) of the Internal Revenue Code for all eligible employees. Under the provisions of the plan, employees can elect to contribute up to a certain amount of their wages as determined by IRS regulations each year. There were no employer contributions for the years ended June 30, 2016 and 2015. However, the Board approved a \$48,000 payment towards the founding Executive Director's retirement, who retired in October 2012. This amount is to be paid in four annual installments of \$12,000 each year. The balance of this liability totaled \$0 and \$12,000, as of June 30, 2016 and 2015, respectively, and is included in the accompanying statements of financial position as accrued expenses.

NOTE H – INCOME TAXES

HIP is recognized as exempt from federal income tax, except on unrelated business activities, under the provisions of Section 501(c)(3) of the Internal Revenue Code.

HIP believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

HIP's information tax returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. HIP's Form 990 information returns for the years ending June 30, 2013 through June 30, 2015 are open for a tax examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

NOTE I – RELATED PARTY TRANSACTIONS

HIP is the general partner and owns a 99% interest in the Mt. Rainier LLP. Mt Rainier reimburses HIP for the actual expenses related to employee salaries. For the years ended June 30, 2016 and 2015, the balance of the receivable from Mt. Rainier LLP totaled \$954 and \$68,534, respectively. During the year, HIP forgave \$68,535 of receivables due from Mt. Rainier LLP due to the low possibility of collection. These amounts are recorded on the statement of financial position as a due from related party.

NOTE J – RISKS AND UNCERTAINTIES

HIP invests in various real estate properties. Real estate properties are exposed to various risks such as interest rate, market, and credit risks. Because of the level of risk associated with the real estate market, it is at least reasonably possible that changes in the values of real estate will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(continued)

NOTE K – INVESTMENT IN LIMITED LIABILITY PARTNERSHIP

HIP is the general partner and owns a 99% interest in the Mt. Rainier LLP. The purpose of Mt. Rainier LLP is to provide affordable rental housing for artists whose income is below fifty percent of the median income for the state. The "due from related party" account represents the allocated salary of the maintenance staff of the Mt. Rainier LLP, which is to be reimbursed to HIP. The increase in the partners' deficit each year is caused by the increase in the accrued interest payable on the two outstanding loans. One loan is the HOME loan with Prince George's County and the second is with the Maryland Department of Housing and Community Development. Both loan principles are to be paid from available cash flows, if any, and will otherwise accrue until the loan's maturity. The equity method was used to state the financial position of Mt. Rainier LLP as follows:

	2016	2015
BALANCE SHEET		
ASSETS		
Cash	\$ 15,447	\$ 20,415
Accounts receivable	4,062	\$ -
Property and equipment, net	956,415	1,019,323
Other assets	144,685	133,405
Total Assets	\$ 1,120,609	\$ 1,173,143
LIABILITIES AND PARTNERS' CAPITAL		
Accounts payable	\$ 2,325	\$ -
Prepaid rent	611	5
Due to related party	954	68,534
Tenants security deposits held in trust	7,048	6,635
Accrued interest payable	723,294	665,646
Mortgage payable	1,020,000	1,020,000
HOME loan payable	569,965	569,965
Total Liabilities	2,324,197	2,330,785
Partners' Deficit	(1,203,588)	(1,157,642)
Total Liabilities and Partners' Deficit	\$ 1,120,609	\$ 1,173,143

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(continued)

NOTE K – INVESTMENT IN LIMITED LIABILITY PARTNERSHIP – continued

	2016	2015
INCOME STATEMENT		
REVENUE		
Rental income	\$ 95,003	\$ 96,132
In-kind	68,535	-
Total Revenue	163,538	96,132
EXPENSES	209,519	209,936
NET LOSS	\$ (45,981)	\$ (113,804)
PARTNERS' DEFICIT , beginning of year	(1,157,642)	(1,043,838)
Net loss	(45,981)	(113,804)
PARTNERS' DEFICIT , end of year	\$ (1,203,623)	\$ (1,157,642)
HIP's share - 99% of net loss	\$ (45,521)	\$ (112,666)
Partner's share - 1% of net loss	(460)	(1,138)
Total Loss	\$ (45,981)	\$ (113,804)
HIP's share - 99% of Partner's deficit	\$ (1,191,587)	\$ (1,146,066)
Partner's share - 1% of Partner's deficit	(12,036)	(11,576)
Total Deficit	\$ (1,203,623)	\$ (1,157,642)

NOTE L – SUBSEQUENT EVENTS

In preparing these financial statements, HIP's management has evaluated events and transactions for potential recognition or disclosure through October 25, 2016, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required additional disclosure or recognition.



**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
Housing Initiative Partnership, Inc.
Hyattsville, MD

We have audited, in accordance with the 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 Housing Initiative Partnership, Inc. ("HIP"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 25, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered HIP'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 for expressing an opinion on the effectiveness of HIP's internal control. Accordingly, we do not express an opinion on the effectiveness of HIP's internal control.

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

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. [Ref No. 2016-001].

To the Board of Directors
Housing Initiative Partnership, Inc.

Compliance and Other Matters

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

HIP's Response to Findings

Housing Initiative Partnership, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. HIP'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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jane Marice & M^aQuade PA

Columbia, MD
October 25, 2016



**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control over Compliance
Required by the Uniform Guidance**

To the Board of Directors
Housing Initiative Partnership, Inc.
Hyattsville, MD

Report on Compliance for Each Major Federal Program

We have audited Housing Initiative Partnership, Inc.'s ("HIP") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Compliance Supplement* that could have a direct and material effect on each of HIP's major federal programs for the year ended June 30, 2016. HIP's major federal program are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of HIP's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about HIP's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of HIP's compliance.

To the Board of Directors
Housing Initiative Partnership, Inc.

Opinion on Each Major Federal program

In our opinion, HIP complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

HIP's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. HIP's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of HIP is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered HIP's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of HIP's internal control over compliance.

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

To the Board of Directors
Housing Initiative Partnership, Inc.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-001 that we consider to be material weaknesses.

Housing Initiative Partnership, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Housing Initiative Partnership, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Jane Marice & McQuade PA

Columbia, MD
October 25, 2016

HOUSING INITIATIVE PARTNERSHIP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures
U. S. Department of Housing and Urban Development			
Pass Through from Prince George's County and Redevelopment Authority of Prince George's County, Maryland/Community Development Block Grant			
Community Development Block Grant ARRA Entitlement Grants	14.253	491197v1	\$ 107,524
Community Development Block Grant ARRA Entitlement Grants	14.253	Not available	85,164
Community Development Block Grant Entitlement Grants	14.218	800198	381,519
Pass Through from Department of Housing and Community Development of Prince George's County			
Community Development Block Grant/Foreclosure Prevention Program and Financial Coaching Program	14. XXX		29,595
HOME Investment Partnership Program	14.239	13757	391,941
Pass Through from Enterprise Community Partners, Inc.			
Section 4 Capacity Building for Community Development and Affordable Housing	14.252	14SG5005	14,122
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,009,865
Federal Grants			\$ 1,086,521
Expenditures incurred in the prior year but recorded in the current year			(76,656)
Total per schedule of federal awards			<u>\$ 1,009,865</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of HIP under programs of the federal government for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (“Uniform Guidance”). Therefore some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein, certain types of expenses are not allowable or are limited as to reimbursement. HIP elected not to use the 10 percent de minimus indirect cost rate. Pass through amounts, programs, agencies, and entity identifying numbers are presented where available. The expenditures per the schedule of expenditures of federal awards are reported in the statement of activities in the audited financial statements as follows:

Federal Grants	\$ 1,086,521
Expenditures incurred in the prior year but recorded in the current year	<u>(76,656)</u>
Total per schedule of federal awards	<u><u>\$ 1,009,865</u></u>

**HOUSING INITIATIVE PARTNERSHIP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiencies	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weakness identified?	Yes
Significant deficiencies identified that are not considered to be material weakness?	None Reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	Yes

Major program

Name of Federal Program or Cluster:	Community Development Block Grant ARRA Entitlement Grants Community Development Block Grant Entitlement Grants
CFDA Number	14.253 14.218
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

HOUSING INITIATIVE PARTNERSHIP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016
(continued)

SECTION II – FINDING RELATED TO FINANCIAL STATEMENTS

FINDING # 2016-001 Preparation of the Schedule of Expenditures of Federal Awards (“SEFA”) and the overall Financial Statements

Criteria: In accordance with the Uniform Guidance, the auditee is responsible for the accurate preparation of the schedule of expenditures of federal awards and financial statements.

Conditions: An error was noted in the preparation of the financial statements. Expenditures of \$291,941 were not recorded under the HOME Investment Partnership Program and \$76,656 were overstated under the Community Development Block Grant/Entitlement Grants.

Context: Error in the financial statements and the SEFA were noted during the auditor’s inquiry of revenue completion procedures.

Effect: The SEFA improperly understated a federal program’s expenditure in the amount of \$291,941 and overstated another federal program’s expenditures in the amount of \$76,656. An incomplete SEFA could lead to other omissions or other compliance requirements.

Cause: The expenditures were incurred but not invoiced as of the end of the year. The auditor inquired of the program manager if there were any other expenses that had been incurred on the grant but no draws had been made as of the date of the financial statements and the auditor was informed of these expenses.

Recommendation: We recommend that the management perform a thorough review of the schedule of expenditures of federal awards to ensure that it includes all expenditures incurred during the year.

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

SEE FINDING # 2016-001

SECTION IV – SCHEDULE OF PRIOR YEAR FINDINGS

None

HOUSING INITIATIVE PARTNERSHIP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016
(continued)

CORRECTIVE ACTION PLAN

Management is committed to correcting any and all errors and discrepancies that have occurred during the preparation of the Schedule of Expenditures of Federal Awards (“SEFA”) as it pertains to Finding #2016-001. Management will enact the recommendations of the Auditors and perform a thorough review of the SEFA to ensure that it includes all expenditures incurred during the fiscal year. Additionally, management will work with the outside accountant to complete and review the SEFA on a quarterly basis from here forward to ensure fiscal year end accuracy. This corrective actual plan will be carried out by Maryann Dillon, Executive Director of Housing Initiative Partnership, Inc.