

HOUSING INITIATIVE PARTNERSHIP, INC.

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

JUNE 30, 2019 AND 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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.

Independent Auditor's Report
Housing Initiative Partnership, Inc.
Page Three

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2019 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

September 24, 2019
Columbia, MD

HOUSING INITIATIVE PARTNERSHIP, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 502,403	\$ 1,385,030
Accounts receivable	678,201	596,406
Grants receivable	35,000	139,500
Prepaid	5,173	7,550
Due from related party	21,404	10,418
Total Current Assets	1,242,181	2,138,904
PROPERTY AND EQUIPMENT		
Furniture and equipment	66,157	66,157
Less accumulated depreciation	(53,822)	(47,161)
Property and Equipment, Net	12,335	18,996
OTHER ASSETS		
Construction in progress	2,234,599	1,234,553
Cash - restricted	24,121	22,054
Investments	433,131	412,343
Prepaid interest	71,300	-
Notes receivable	284,988	284,988
Total Other Assets	3,048,139	1,953,938
TOTAL ASSETS	\$ 4,302,655	\$ 4,111,838
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 117,989	\$ 56,183
Deferred income	-	67,941
Accrued expenses	116,988	106,179
Total Current Liabilities	234,977	230,303
LONG TERM LIABILITIES		
Partner's deficit in Mt. Rainier L.L.P. (Note L)	1,439,892	1,344,930
Note payable	280,003	280,003
Total Long Term Liabilities	1,719,895	1,624,933
TOTAL LIABILITIES	1,954,872	1,855,236
NET ASSETS		
Without donor restrictions	2,278,783	2,117,102
With donor restrictions	69,000	139,500
Total Net Assets	2,347,783	2,256,602
TOTAL LIABILITIES AND NET ASSETS	\$ 4,302,655	\$ 4,111,838

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

HOUSING INITIATIVE PARTNERSHIP, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without donor Restrictions	With donor Restrictions	Total
REVENUE AND SUPPORT			
Federal grants	\$ 1,608,866	\$ -	\$ 1,608,866
State and local government revenue	808,897	-	808,897
Grants and contributions	437,878	69,000	506,878
Sale of homes	463,750	-	463,750
Development fees	454	-	454
Management fees	49,208	-	49,208
Program income	25,405	-	25,405
Investment gain, net	13,291	-	13,291
Interest income	17,089	-	17,089
Net assets released from restrictions	139,500	(139,500)	-
Total Revenue and Support	3,564,338	(70,500)	3,493,838
EXPENSES			
Program Services:			
Single-family development	780,575	-	780,575
Multi-family development	79,358	-	79,358
Resident services	148,772	-	148,772
Housing counseling	1,159,518	-	1,159,518
Homeowner rehabilitation	796,798	-	796,798
Total Program Services	2,965,021	-	2,965,021
Supporting Services:			
Fundraising	128,695	-	128,695
Management and general	213,981	-	213,981
Total Supporting Services	342,676	-	342,676
Total Expenses	3,307,697	-	3,307,697
CHANGE IN NET ASSETS FROM OPERATIONS	256,641	(70,500)	186,141
LOSS FROM INVESTMENT IN MT. RAINIER L.L.P.	(94,960)	-	(94,960)
CHANGE IN NET ASSETS	161,681	(70,500)	91,181
NET ASSETS, beginning of year	2,117,102	139,500	2,256,602
NET ASSETS, end of year	\$ 2,278,783	\$ 69,000	\$ 2,347,783

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

HOUSING INITIATIVE PARTNERSHIP, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Without donor Restrictions	With donor Restrictions	Total
REVENUE AND SUPPORT			
Federal grants	\$ 618,408	\$ -	\$ 618,408
State and local government revenue	1,039,479	-	1,039,479
Grants and contributions	476,292	139,500	615,792
Sale of homes	1,164,000	-	1,164,000
Development fees	140,145	-	140,145
In-kind contributions	211,316	-	211,316
Management fees	48,500	-	48,500
Program income	38,422	-	38,422
Interest income	3,987	-	3,987
Total Revenue and Support	3,740,549	139,500	3,880,049
EXPENSES			
Program Services:			
Single-family development	1,655,948	-	1,655,948
Multi-family development	55,625	-	55,625
Resident services	138,360	-	138,360
Housing counseling	1,083,094	-	1,083,094
Façade improvement	404,352	-	404,352
Total Program Services	3,337,379	-	3,337,379
Supporting Services:			
Fundraising	118,425	-	118,425
Management and general	224,990	-	224,990
Total Supporting Services	343,415	-	343,415
Total Expenses	3,680,794	-	3,680,794
CHANGE IN NET ASSETS FROM OPERATIONS	59,755	139,500	199,255
LOSS FROM INVESTMENT IN MT. RAINIER L.L.P.	(63,951)	-	(63,951)
CHANGE IN NET ASSETS	(4,196)	139,500	135,304
NET ASSETS, beginning of year	2,121,298	-	2,121,298
NET ASSETS, end of year	\$ 2,117,102	\$ 139,500	\$ 2,256,602

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

HOUSING INITIATIVE PARTNERSHIP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services					Supporting Services			Total Expenses	
	Single-Family Development	Multi-Family Development	Resident Services	Housing Counseling	Homeowner Rehabilitation	Total Programs	Fundraising	Management and General		Total Support Services
Salaries	\$ 99,671	\$ 32,088	\$ 111,363	\$ 716,534	\$ 70,508	\$ 1,030,164	\$ 97,881	\$ 89,056	\$ 186,937	\$ 1,217,101
Payroll taxes	7,394	2,773	8,319	54,533	5,546	78,565	7,394	6,470	13,864	92,429
Employee benefits	7,247	2,718	8,153	53,445	5,435	76,998	7,247	6,340	13,587	90,585
Total Personnel Expenses	114,312	37,579	127,835	824,512	81,489	1,185,727	112,522	101,866	214,388	1,400,115
Accounting	-	-	-	-	-	-	-	80,551	80,551	80,551
Advertising and marketing	-	-	-	-	-	-	-	3,328	3,328	3,328
Bad debt	-	25,843	-	-	-	25,843	-	-	-	25,843
Bank and credit card fees	730	274	821	5,381	547	7,753	-	1,368	1,368	9,121
Board meetings	-	-	-	-	-	-	-	627	627	627
Community and resident services	-	8,957	-	-	-	8,957	2,875	-	2,875	11,832
Computer support	2,634	988	2,963	19,427	1,976	27,988	-	4,939	4,939	32,927
Construction costs	-	-	-	-	701,349	701,349	-	-	-	701,349
Consultants	1,043	391	1,173	7,691	782	11,080	-	1,955	1,955	13,035
Cost of real estate development	646,931	-	-	-	-	646,931	-	-	-	646,931
Depreciation	533	200	599	3,930	400	5,662	533	466	999	6,661
Dues and memberships	803	301	904	5,925	603	8,536	-	1,506	1,506	10,042
Fees and licenses	104	39	117	768	78	1,106	-	195	195	1,301
Grants	720	-	-	171,454	-	172,174	-	-	-	172,174
Insurance	1,824	684	2,052	13,453	1,368	19,381	1,824	1,596	3,420	22,801
Legal	-	-	-	-	-	-	-	6,008	6,008	6,008
Office supplies	1,281	480	1,441	9,449	961	13,612	1,281	1,123	2,404	16,016
Printing and postage	1,595	598	1,794	11,761	1,196	16,944	1,595	1,395	2,990	19,934
Rent	6,379	2,392	7,176	47,042	4,784	67,773	6,379	5,580	11,959	79,732
Repairs and maintenance	131	49	148	969	99	1,396	131	116	247	1,643
Telephone and website	1,555	583	1,749	11,468	1,166	16,521	1,555	1,362	2,917	19,438
Training	-	-	-	26,288	-	26,288	-	-	-	26,288
Total	<u>\$ 780,575</u>	<u>\$ 79,358</u>	<u>\$ 148,772</u>	<u>\$ 1,159,518</u>	<u>\$ 796,798</u>	<u>\$ 2,965,021</u>	<u>\$ 128,695</u>	<u>\$ 213,981</u>	<u>\$ 342,676</u>	<u>\$ 3,307,697</u>

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

HOUSING INITIATIVE PARTNERSHIP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services					Total Programs	Support Services			Total Expenses
	Single-Family Development	Multi-Family Development	Resident Services	Housing Counseling	Façade Improvement		Fundraising	Management and General	Total Support Services	
Salaries	\$ 92,490	\$ 35,079	\$ 101,612	\$ 627,458	\$ 90,007	\$ 946,646	\$ 91,463	\$ 99,275	\$ 190,738	\$ 1,137,384
Payroll taxes	7,166	2,687	8,061	50,160	7,166	75,240	7,166	7,165	14,331	89,571
Employee benefits	6,503	2,439	7,316	45,520	6,503	68,281	6,503	6,501	13,004	81,285
Total Personnel Expenses	106,159	40,205	116,989	723,138	103,676	1,090,167	105,132	112,941	218,073	1,308,240
Accounting	-	-	-	-	-	-	-	75,750	75,750	75,750
Advertising and marketing	-	-	-	-	-	-	-	3,881	3,881	3,881
Bank and credit card fees	232	87	261	1,626	232	2,438	-	466	466	2,904
Board meetings	-	-	-	-	-	-	-	1,833	1,833	1,833
Community and resident services	-	8,296	-	-	-	8,296	-	-	-	8,296
Computer support	2,096	786	2,358	14,671	2,096	22,007	-	4,191	4,191	26,198
Construction costs	-	-	-	-	281,680	281,680	-	-	-	281,680
Consultants	2,450	919	2,757	17,152	2,450	25,728	-	4,901	4,901	30,629
Cost of real estate development	1,529,803	-	-	-	-	1,529,803	-	-	-	1,529,803
Depreciation	508	190	571	3,554	508	5,331	508	507	1,015	6,346
Dues and memberships	718	269	808	5,028	718	7,541	-	1,437	1,437	8,978
Fees and licenses	207	78	233	1,448	207	2,173	-	412	412	2,585
Grants	773	-	-	202,586	-	203,359	-	-	-	203,359
Insurance	1,792	672	2,016	12,543	1,792	18,815	1,792	1,792	3,584	22,399
Interest	217	-	-	-	-	217	-	-	-	217
Legal	-	-	-	-	-	-	-	5,891	5,891	5,891
Office supplies	1,286	482	1,447	9,004	1,286	13,505	1,286	1,287	2,573	16,078
Postage and printing	1,872	702	2,106	13,105	1,872	19,657	1,872	1,872	3,744	23,401
Rent	6,263	2,349	7,046	43,840	6,263	65,761	6,263	6,262	12,525	78,286
Repairs and maintenance	42	16	47	291	42	438	42	39	81	519
Telephone and website	1,530	574	1,721	10,707	1,530	16,062	1,530	1,528	3,058	19,120
Training	-	-	-	24,401	-	24,401	-	-	-	24,401
Total	<u>\$ 1,655,948</u>	<u>\$ 55,625</u>	<u>\$ 138,360</u>	<u>\$ 1,083,094</u>	<u>\$ 404,352</u>	<u>\$ 3,337,379</u>	<u>\$ 118,425</u>	<u>\$ 224,990</u>	<u>\$ 343,415</u>	<u>\$ 3,680,794</u>

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

HOUSING INITIATIVE PARTNERSHIP, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets from operations	\$ 91,181	\$ 135,304
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,661	6,346
Stock donation	-	1,316
Unrealized gain on investments	(13,291)	-
Change in value of Mt. Rainier investment	94,962	63,951
(Increase) decrease in assets:		
Accounts receivable	(81,795)	85,724
Grants receivable	104,500	(139,500)
Due from related parties	(10,986)	(8,513)
Prepaid	(68,923)	(2,377)
Restricted cash	(2,067)	5,194
Increase (decrease) in liabilities:		
Accounts payable	61,806	(96,202)
Deferred income	(67,941)	67,941
Accrued expenses	10,809	19,149
Net Cash Provided by Operating Activities	124,916	138,333
CASH FLOW FROM INVESTING ACTIVITIES		
Cost of purchase and development of real estate	(1,463,798)	(1,188,578)
Purchase of investments	(7,495)	(411,245)
Proceeds from sale of developed real estate	463,750	1,164,000
Purchase of property and equipment	-	(4,464)
Net Cash Used for Investing Activities	(1,007,543)	(440,287)
NET CHANGE IN CASH	(882,627)	(301,954)
CASH, beginning of year	1,385,030	1,686,984
CASH, end of year	\$ 502,403	\$ 1,385,030

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

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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, 2019, three properties were purchased and two were sold and for the fiscal year ended June 30, 2018, five properties were purchased and five were sold.

In the fiscal year ended June 30, 2019, HIP continued predevelopment of nine new construction townhomes at Palmer Park Meadows and closed on a construction loan on June 28. Construction began in July 2019. HIP purchased this lot from the Prince George’s Housing Authority on March 31, 2016.

In the fiscal year ended June 30, 2019, HIP began predevelopment work on eight single family lots to be developed as energy efficient detached homes. Seven of the lots were purchased on June 27, 2018 from the Redevelopment Authority of Prince George’s County.

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. During the year ended June 30, 2018, HIP formed HIP Towne Courts, which will enter into a partnership to develop 42 family rental units later in the year 2019. HIP continued predevelopment work on the project throughout fiscal year 2019 and expects to close on construction in partnership with PIRHL Developers later in 2019. The project will be developed using Low Income Housing Tax Credits along with other funding sources.

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

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE A – ORGANIZATION AND PURPOSE – continued

Housing Counseling – Under this program HIP provides homebuyer education and counseling, foreclosure prevention education and counseling, and financial capability 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 capability counseling services initially targeted homeowners who have recovered from default and have 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 Gaithersburg offices. In fiscal year 2019, HIP provided 27 in-person homebuyer education workshops and online homebuyer classes to educate 429 prospective homebuyers and provided individual housing and financial capability counseling services to 1,026 Maryland residents. In fiscal year 2018, HIP provided 26 homebuyer education workshops and online homebuyer classes to 571 prospective homebuyers and provided individual housing and financial capability counseling services to 1,328 Maryland residents.

HIP provided 24 financial capability workshops and provided one-on-one financial capability counseling to 302 clients. Of that number, 101 were rental clients and 201 were post-purchase homeowner clients. HIP also documented that 73 participants demonstrated improved financial health at their follow up appointments, making improvements in either their credit, debt or savings.

HIP is the leading provider of Rapid Rehousing services in Prince George's County. Rapid Rehousing is a primary solution for ending homelessness, providing short-term rental assistance and case management services to help people quickly exit homelessness and secure permanent housing. By connecting people with a home, they are in a better position to address other challenges that may have led to their homelessness, such as obtaining employment or addressing mental health issues. In fiscal year 2019, HIP helped 60 families move into permanent housing. Fifty-eight of these families remain stably housed, and many continue to work with HIP's case manager to increase self-sufficiency to stay housed. HIP documented that 54 of these formerly homeless clients secured permanent rental housing and improved their financial health and money management skills to make timely rent payments.

In fiscal year 2018, HIP helped forty-four families move into permanent housing. Thirty of these families so far have completed the program and remain stably housed, while another four require longer term assistance and will be considered for other housing options.

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE A – ORGANIZATION AND PURPOSE – continued

Homeownership Rehabilitation: In May 2018, HIP entered into an agreement with Prince George’s County Department of Housing and Community Development (DHCD) and the Redevelopment Authority of Prince George’s County to manage the Homeowner Rehabilitation Assistance Program (HRAP) in which the County provides zero interest deferred loans to low-income homeowners to undertake necessary repairs to their homes. HIP pre-qualifies applicants for loans, engages consultants to prepare renovation scopes of work, bids out the work to qualified general contractors and supervises the work. For the fiscal year ended June 30, 2019, HIP approved 106 applications with an average loan amount of \$55,440. The average income of borrowers was \$47,491 and half the borrowers were seniors.

Façade Improvement Program – HIP worked with Prince George’s County’s Transforming Neighborhoods Initiative team in Kentland and Palmer Park to target sections of Kentland for intensive façade improvements, including new siding, windows, fixtures, landscaping, fencing and walkways. Twenty-five low-income home owners were assisted in the first phase of this program completed in Spring, 2016 and 25 additional home owners were helped from Spring, 2017 to Spring 2018. This program ended as of June 30, 2018.

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.

HIP is sole owner of Green Hippopotamus Development Corporation, who is the General Partner of Renaissance Square Artists’ Housing LLLP. The purpose of Renaissance Square Artists’ Housing LLLP is to acquire, own and operate Renaissance Square Artists’ Apartments using Low Income Housing Tax Credits.

HIP is also the owner of HIP Hurrah, Inc. HIP Hurrah, Inc. was formed to acquire, own and operate real estate using Low Income Housing Tax Credits. HIP Hurrah, Inc. has a 51% interest in Managing Members of North East Apartments, LLC and in Parklands Apartment, LLC, and an 11% interest in the General Partner of Bladensburg Commons LLLP.

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Presentation (continued)

In 2018, HIP Towne Courts LLC was created as a limited liability company by HIP for the sole purpose of acquiring and developing a multifamily property at 2010 West Street, Annapolis, MD, using Low Income Housing Tax Credits. HIP is the sole member of the LLC that is treated as a disregarded partnership for tax purposes. HIP Towne Courts will enter into a partnership with another LLC acting as general partner of this property later in 2019.

Adoption of New Accounting Pronouncement

For the year ended December 31, 2018, HIP adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 is the change to the net asset classes used in these consolidated financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Financial Statement Presentation

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 two classes of net assets. Accordingly, the net assets of HIP and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets not subject to donor-imposed restrictions or stipulations.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met by either actions of HIP and/or the passage of time, or that must be maintained permanently by HIP. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Cash

For purposes of the statement of cash flows, HIP considers all highly liquid investments with original maturities of less than three months to be cash equivalents, except those included as part of an investment portfolio. HIP maintains its cash balances in banks that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. 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, 2019 and 2018, management has determined that all significant receivables are collectible within one year or less; therefore, an allowance for doubtful accounts has not been established.

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, 2019 and 2018, 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. As of June 30, 2019 and 2018, management has determined an allowance for doubtful accounts for \$722,500.

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in support with donor restrictions. 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 statement of activities as net assets released from restrictions.

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

Federal, state and local government revenue is recognized as it is earned for the purpose that it is given.

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.

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Method Used for Allocation of Expenses for Management and General Activities

The financial statements report certain categories of expense that are attributable to more than one program or a supporting function as management and general activities. Expenses of this nature are allocated on a reasonable basis that is consistently applied. Allocated expenses include salaries, payroll taxes, rent, insurance, employee benefits and other general organizational expenses that are allocated among the programs and supporting services benefitted based on estimates of time spent.

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 – 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, 2016 through June 30, 2018 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 D – AVAILABLE RESOURCES AND LIQUIDITY

HIP regularly monitors liquidity required to meet its operating needs and other contractual commitments. HIP strives to maintain liquid financial assets sufficient to cover between three to six months of planned annual operating expenses in an operating reserve fund. HIP has various sources of liquidity at its disposal including cash and cash equivalents, line of credit of up to \$250,000, investments and accounts receivable.

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY - continued

In addition to financial assets available to meet general expenditures over the next twelve months, HIP operates with a balance budget and anticipates collecting sufficient revenue to cover general expenditures.

Although HIP had total donor restricted net assets of \$69,000 and \$139,500, as of June 30, 2019 and 2018, respectively, all of these amounts are expected to be received and available for general expenditure in the next twelve months.

The following table reflects HIP’s financial assets reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions, as of June 30:

	2019	2018
Cash	\$ 502,403	\$ 1,385,030
Investments	433,129	412,343
Current receivables	734,605	746,324
Total Financial Assets Available to meet Cash Needs for General Expenditures Within One Year	\$ 1,670,137	\$ 2,543,697

NOTE E – FAIR VALUE MEASUREMENTS AND INVESTMENTS

Housing Initiative Partnership, Inc. utilizes the framework established in FASB ASC 820 for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels within the hierarchy in order of priority are:

Level 1 - unadjusted quoted prices for identical assets or liabilities in an active market

Level 2 - quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets and liabilities in inactive markets, observable inputs other than quoted prices, or inputs derived from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs which are unobservable and significant to the fair value measurement.

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE E – FAIR VALUE MEASUREMENTS AND INVESTMENTS - continued

The following table sets forth by level, within the fair value hierarchy, the assets of reported at fair value on a recurring basis as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Investments at Fair Value				
Cash	\$ 15,896	\$ -	\$ -	\$ 15,896
Equities		-	-	-
Common Stock	1,916	-	-	1,916
Mutual Funds	209,490	-	-	209,490
Fixed Income				
Mutual Funds	185,465	-	-	185,465
Alternative investments	20,364	-	-	20,364
Total Investments	<u>\$ 433,131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 433,131</u>

The following table sets forth by level, within the fair value hierarchy, the assets of reported at fair value on a recurring basis as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Investments at Fair Value				
Cash	\$ 11,367	\$ -	\$ -	\$ 11,367
Equities				
Common Stock	1,506	-	-	1,506
Mutual Funds	198,873	-	-	198,873
Fixed Income				
Mutual Funds	180,563	-	-	180,563
Alternative investments	20,034	-	-	20,034
Total Investments	<u>\$ 412,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 412,343</u>

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes the valuation methods are appropriate and consistent with other market participants, the continued use of different methodologies or assumptions of determining the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Marketable securities are exposed to various risks such as interest rates, market, and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment will occur in the near term and those changes could materially affect the amounts reported in the statements of financial position.

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE F – 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 H) 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 \$10,000 - \$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, 2019 and 2018, the balance of the notes receivable totaled \$284,988 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 G - LINE OF CREDIT

HIP has a line of credit for an amount not to exceed \$250,000 with Capital One, N.A. The credit line is unsecured and the amount due is payable on demand until this credit line is terminated for any reason. The rate of interest is three percent over The Wall Street Journal Prime Rate which was 6.75 percent as of the date of the line of credit. There was no outstanding balance on this line of credit as of December 31, 2019 and 2018.

NOTE H – NOTE PAYABLE

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 F). 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, 2019 and 2018, respectively.

In connection with the Palmer Park Road Development Program, HIP entered into an agreement with City First Bank on June 4, 2019 for a \$1,573,679 construction loan. During the construction phase, interest shall accrue on the outstanding principal balance at a floating rate equal to the

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE H – NOTE PAYABLE - - continued

greater of (i) 6.45% per annum or (ii) the prevailing Prime Rate as published in the Wall Street Journal plus 95 basis points. Monthly payments of interest only at the variable rate shall be due and payable during the construction phase. The loan is due at the end of the construction phase with two extension of three months each available. During the term of the loan, the maximum loan to value ratio shall not exceed eighty percent. An interest reserve account of \$71,000 is to be established at the loan closing date. No amounts were outstanding on this loan as of June 30, 2019.

NOTE I – 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 as of June 30:

2020	\$	74,207
2021		76,062
2022		77,964
2023		79,913
2024		67,976
		<u>\$ 376,122</u>

Rent expense for the years ended June 30, 2019 and 2018, totaled \$79,732 and \$78,286 respectively.

NOTE J – 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 and other expense for a total of \$6,288. Mt. Rainier also paid HIP a management fee of \$9,300 and \$6,160 for the years ended June 30, 2019 and 2018. For the years ended June 30, 2019 and 2018, the balance of the receivable from Mt. Rainier LLP totaled \$12,294 and \$7,596, respectively. For the years ended June 30, 2019 and 2018, the balance of the receivable from HIP Towne Courts LLC totaled \$9,110 and \$2,822, respectively.

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE K – 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 to the plan for the years ended June 30, 2019 and 2018.

NOTE L – 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:

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE L – INVESTMENT IN LIMITED LIABILITY PARTNERSHIP – continued

	2019	2018
BALANCE SHEET		
ASSETS		
Cash	59,702	\$ 44,603
Accounts receivable	1,623	6,092
Property and equipment, net	777,265	840,767
Other assets	169,033	155,011
Total Assets	\$ 1,007,623	\$ 1,046,473
LIABILITIES AND PARTNERS' CAPITAL		
Accounts payable	\$ 1,591	\$ 3,808
Prepaid rent	725	1,595
Due to related party	12,294	7,596
Tenants security deposits held in trust	7,090	7,010
Accrued interest payable	850,391	795,013
Mortgage payable	1,020,000	1,020,000
HOME loan payable	569,966	569,966
Total Liabilities	2,462,057	2,404,988
Partners' Deficit	(1,454,434)	(1,358,515)
Total Liabilities and Partners' Deficit	\$ 1,007,623	\$ 1,046,473

HOUSING INITIATIVE PARTNERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE L – INVESTMENT IN LIMITED LIABILITY PARTNERSHIP – continued

	2019	2018
INCOME STATEMENT		
REVENUE		
Rental income	\$ 98,254	\$ 98,569
Other income	4,109	25,585
Total Revenue	102,363	124,154
EXPENSES		
Rental operations	79,356	97,083
Depreciation	63,502	63,785
Debt service	55,424	27,883
Total Expenses	198,282	188,751
NET LOSS	\$ (95,919)	\$ (64,597)
PARTNERS' DEFICIT, beginning of year	(1,358,515)	(1,293,918)
Net loss	(95,919)	(64,597)
PARTNERS' DEFICIT, end of year	\$ (1,454,434)	\$ (1,358,515)
HIP's share - 99% of net loss	\$ (94,960)	\$ (63,951)
Partner's share - 1% of net loss	(959)	(646)
Total Loss	\$ (95,919)	\$ (64,597)
HIP's share - 99% of Partner's deficit	\$ (1,439,892)	\$ (1,344,930)
Partner's share - 1% of Partner's deficit	(14,542)	(13,585)
Total Deficit	\$ (1,454,434)	\$ (1,358,515)

NOTE M – 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, 2019 AND 2018
(continued)

NOTE N – NET ASSETS WITH DONOR RESTRICTIONS

For the years ended June 30, 2019 and 2018, net assets with donor restrictions totaled \$60,000 and \$139,500, respectively. All restrictions were for time.

NOTE O – SUBSEQUENT EVENTS

In preparing these financial statements, HIP's management has evaluated events and transactions for potential recognition or disclosure through September 24, 2019, 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.



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**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, 2019, 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 September 24, 2019.

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. Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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*.

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 Warner & McQuade PA

Columbia, MD
September 24, 2019



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**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, 2019. HIP's major federal program is 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, 2019.

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.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Housing Initiative Partnership, Inc.

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 Marusa & M^aQuade PA

Columbia, MD
September 24, 2019

HOUSING INITIATIVE PARTNERSHIP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

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			
Housing Counseling Assistance Program	14.169	N/A	\$ 55,766
Continuum of Care Program	14.267		549,234
			<u>\$ 605,000</u>
Pass Through from Prince George's County and Redevelopment Authority of Prince George's County, Maryland/Community Development Block Grant			
Community Development Block Grant Entitlement Grants	14.218		237,827
Community Development Block Grant Entitlement Grants	14.218	PY 44 " Single Family Acquisition"	239,857
Community Development Block Grant Entitlement Grants	14.218	ARC No. 1011-2101-2018	49,998
			<u>527,682</u>
Pass Through from Department of Housing and Community Development of Prince George's County			
HOME Investment Partnership Program	14.239	816-1845-2017	448,684
			<u>448,684</u>
Pass Through from Department of Housing and Community Development of Prince George's County Department of Social Services			
Service linked Housing	14.267		17,500
			<u>17,500</u>
Pass Through from Enterprise Community Partners, Inc.			
Section 4 Capacity Building for Community Development and Affordable Housing	14.252	19SG1274	10,000
Total U.S. Department of Housing and Urban Development			<u>10,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,608,866</u></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, 2019 AND 2018

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, 2019. 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.

**HOUSING INITIATIVE PARTNERSHIP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019 AND 2018**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
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?	No
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)?	None Reported

Major programs

Name of Federal Program or Cluster: CFDA Number	Continuum of Care 14.267
Name of Federal Program or Cluster: CFDA Number	HOME Investment Partnership Program 14.239
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

HOUSING INITIATIVE PARTNERSHIP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019 AND 2018
(continued)

SECTION II – FINDING RELATED TO FINANCIAL STATEMENTS

None

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None

SECTION IV – SCHEDULE OF PRIOR YEAR FINDINGS

None