

**SAN LUIS OBISPO COUNTY  
HOUSING TRUST FUND**

INDEPENDENT AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS

For the Year Ended  
December 31, 2005

**SAN LUIS OBISPO COUNTY HOUSING TRUST FUND**  
INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS  
For the Year Ended December 31, 2005

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**CROSBY & CINDRICH, CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION**

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**Independent Auditors' Report**

To the Board of Directors  
San Luis Obispo County Housing Trust Fund  
San Luis Obispo, California

We have audited the accompanying statement of financial position of San Luis Obispo County Housing Trust Fund (a nonprofit organization), as of December 31, 2005, and the related statements of activities, functional expenses, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Luis Obispo County Housing Trust Fund, as of December 31, 2005, and the results of its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**CROSBY & CINDRICH  
Certified Public Accountants  
A Professional Corporation**

June 15, 2006

# SAN LUIS OBISPO COUNTY HOUSING TRUST FUND

## STATEMENT OF FINANCIAL POSITION

December 31, 2005

<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$	84,442
Interest receivable		3,803
Prepaid expenses		3,652
Grant receivable		32,456
Notes receivable (current portion)		48,909
Total current assets		173,262
<b>Non-current assets:</b>		
Notes receivable (net current portion)		883,948
Total assets		\$ 1,057,210
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accrued payroll tax liabilities	\$	130
Accrued interest payable		88
Accrued vacation payable		3,247
Total current liabilities		3,465
<b>Long-term liabilities:</b>		
Line of credit - Mid State Bank		665,000
Line of credit - Mission Community Bank		232,857
Note payable - Sisters of Saint Dominic		35,000
Total long-term liabilities		932,857
Total liabilities		936,322
<b>NET ASSETS</b>		
Unrestricted		100,578
Permanently restricted		20,310
Total net assets		\$ 120,888
Total liabilities and net assets		\$ 1,057,210

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

# SAN LUIS OBISPO COUNTY HOUSING TRUST FUND

STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2005

<b>REVENUE AND SUPPORT</b>	Operating Fund <u>Unrestricted</u>	Temporarily Restricted	Permanently Restricted	<u>Totals</u>
Grants	\$ 127,945	\$ -	\$ -	\$ 127,945
Contributions	30,071		14,235	44,306
In-kind donations	4,068			4,068
Loan fees	3,800			3,800
Interest income	14,000		56	14,056
Other income	413			413
Net assets released from restriction	84	(84)		
Total revenue	180,381	(84)	14,291	194,588
<b>EXPENSES</b>				
Program services	120,477			120,477
Management and general	32,304			32,304
Fundraising	27,221			27,221
Total expenses	180,002			180,002
Change in net assets	\$ 379	\$ (84)	\$ 14,291	\$ 14,586

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

# SAN LUIS OBISPO COUNTY HOUSING TRUST FUND

## STATEMENT OF CHANGES IN NET ASSETS

For The Year Ended December 31, 2005

	<u>Operating Fund Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
<b><i>NET ASSETS - December 31, 2004</i></b>	\$ 100,199	\$ 84	\$ 6,019	\$ 106,302
Change in net assets	379	(84)	14,291	14,586
<b><i>NET ASSETS - December 31, 2005</i></b>	\$ 100,578	\$ -	\$ 20,310	\$ 120,888

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

# SAN LUIS OBISPO COUNTY HOUSING TRUST FUND

## STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2005

FUNCTIONAL EXPENSES	Program <u>Services</u>	Management & General	Fundraising	<u>Totals</u>
Salary and wages	\$ 71,625	\$ 14,325	\$ 9,550	\$ 95,500
Payroll taxes and benefits	14,513	2,903	1,934	19,350
Rent	5,963	1,193	794	7,950
Training and meetings	827	355	1,182	2,364
Accounting and legal	3,827	11,480		15,307
Automobile and travel expense	1,198	276	369	1,843
Professional services	4,052		12,154	16,206
Office expense	612	141	189	942
Furnishings and equipment	1,944		216	2,160
Loan servicing and fees	1,580			1,580
Pension expense	1,994	399	266	2,659
Postage	96	22	29	147
Printing	460	106	142	708
Insurance	1,825	609		2,434
Interest	8,092			8,092
Telephone and communications	1,368	274	182	1,824
Miscellaneous	99	20	13	132
Dues and subscriptions	402	201	201	804
 Total functional expenses	 \$ 120,477	 \$ 32,304	 \$ 27,221	 \$ 180,002

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

# SAN LUIS OBISPO COUNTY HOUSING TRUST FUND

## STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2005

### CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 14,586
Adjustment to reconcile increase in net assets to net cash used by operating activities:	
Increase in interest receivable	(3,803)
Increase in prepaid expenses	(207)
Increase in grant receivable	(32,456)
Increase in notes receivable	(932,857)
Increase in accrued payroll tax liabilities	130
Increase in accrued interest payable	88
Increase in accrued vacation payable	420
Decrease in health insurance reimbursement	(9,000)
Total adjustments	(977,685)
Net cash used by operating activities	(963,099)

### CASH FLOWS FROM FINANCING ACTIVITIES

Borrowing on line of credit	913,512
Repayment on line of credit	(15,655)
Borrowing on long term debt	35,000
Net cash provided by financing activities	932,857

### NET DECREASE IN CASH

(30,242)

### CASH AT BEGINNING OF YEAR

114,684

### CASH AT END OF YEAR

\$ 84,442

#### **Supplemental information:**

There was no cash paid for income taxes for the year ended December 31, 2005.  
Cash paid for interest was \$8,004 for the year ended December 31, 2005.



# SAN LUIS OBISPO COUNTY HOUSING TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005

### **NOTE 1: HISTORY AND ORGANIZATION**

The San Luis Obispo County Housing Trust Fund is a California non-profit, non-stock, public benefit corporation that was incorporated in 2003, under the laws of the State of California. The mission of the San Luis Obispo Housing Trust Fund is to increase the supply of affordable housing for very low, low and moderate income residents of San Luis Obispo County, including households with special needs. Rather than directly develop or manage affordable housing, the Housing Trust Fund provides financing and technical assistance to private developers, non-profit corporations and local governments to support the creation and preservation of affordable housing.

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### *Basis of Accounting*

The financial statements are presented on the accrual basis of accounting. The financial resources are maintained in accordance with the principles of fund accounting.

The *unrestricted operating fund* is utilized to record contributions, fund-raising, fees and other forms of unrestricted revenue and expenditures related to the general operations and fund-raising efforts of the Organization

The *temporarily restricted fund* is utilized to record resources received by the Organization that are temporarily restricted as to use by the donor or grantor. When the restriction expires, the net assets of this fund are reclassified to unrestricted net assets.

The *permanently restricted fund* represents funds subject to restrictions of gift instruments requiring in perpetuity that the principal be invested and only the income, or some portion thereof, be used for operations.

#### *Cash and Cash Equivalents*

Cash and cash equivalents includes all liquid investments including money market accounts and certificates of deposits. The Organization maintains all cash and cash equivalents with one bank, exceeding the Federal Deposit Insurance Corporation limit, which covers up to \$100,000 of the Organization's combined accounts.

#### *Contributions*

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All pledges receivable and amounts received that are restricted for future periods or donor-restricted for specific purposes are reported as temporarily restricted. When the donor stipulated time restriction ends or a purpose restriction is accomplished, then the restricted net assets are reclassified to unrestricted net assets and are reported in the statement of support, revenues, allocations and expenses as net assets released from restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

# SAN LUIS OBISPO COUNTY HOUSING TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### *Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### *Income Tax*

San Luis Obispo County Housing Trust Fund is recognized by the Internal Revenue Service as a qualified section 501(c)(3), non-profit organization, and as such, is not liable for Federal income or State Franchise tax.

#### *Donated Services*

San Luis Obispo County Housing Trust Fund receives donations of time and services from members of the community and volunteers. The value of these donations is not reflected in the accompanying financial statements since no objective basis is available to measure the value of these services. In-kind donations of fixed assets and supplies used directly by the organization are valued at their appraised values at the time of the gift.

#### *Concentration of Revenue Risk*

The Organization's three largest grants provided approximately 63% of the Organization's support.

### **NOTE 3: NOTES RECEIVABLE**

Notes receivable are carried at unpaid principal balances, net of any allowance for note losses. Management's periodic evaluation of the adequacy of the allowance is based on past loan experience. Currently, management has determined that an allowance for doubtful accounts would be immaterial based on the Organization's credit policies, prior collection experience, and current economic conditions. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. The Organization's practice would be to charge off any note or portion of a note when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating financial condition, or for other reasons.

Interest on the notes receivable is recognized over the term of the note and is calculated using the contractual interest rates indicated on each note on principal amounts outstanding.

# SAN LUIS OBISPO COUNTY HOUSING TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005

### NOTE 4: LINES OF CREDIT

The San Luis Obispo County Housing Trust Fund established a ten year, \$1,000,000 line-of-credit, on February 20, 2004, with Mission Community Bank. This loan is secured by the assignment of deeds of trust from future loans made by the San Luis Obispo Housing Trust Fund. The loan is due February 20, 2014 and the current balance outstanding at December 31, 2005 was \$232,857. Interest is currently fixed at 3%. The interest will adjust to the Wall Street Journal prime minus 1% on February 20, 2009 and then remain fixed through the term of the loan.

The San Luis Obispo County Housing Trust Fund established an additional ten year, \$1,000,000 line-of-credit, on July 14, 2004, with Mid-State Bank and Trust. This loan is also secured by the assignment of deeds of trust from future loans made by the San Luis Obispo Housing Trust Fund. The loan is due June 30, 2015 and the current balance outstanding at December 31, 2005 was \$665,000. Interest is calculated using a 5% fixed rate until June 30, 2010. At that time, the interest rate will adjust to the Wall Street Journal prime minus 1% and remain fixed for the balance of the loan term.

### NOTE 5: NOTE PAYABLE

The San Luis Obispo Housing Trust Fund established an unsecured note payable with the Sisters of Saint Dominic; a Michigan based unincorporated religious association, for \$35,000, on November 11, 2005. Interest is calculated at a 2% fixed rate and payable quarterly. The principal amount is due and payable on November 15, 2008.

The required note principal and interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$	\$ 701	\$ 701
2007		701	701
2008	<u>35,000</u>	<u>701</u>	<u>35,701</u>
Totals	<u>\$ 35,000</u>	<u>\$ 2,103</u>	<u>\$ 37,103</u>

### NOTE 6: EMPLOYEE BENEFITS/RETIREMENT PLAN

San Luis Obispo County Housing Trust Fund offers an Internal Revenue Code Section 403(b) deferral program which the Organization contributes 3% of each qualified employees salary to a money purchase pension plan. Both full and part time employees become eligible for this benefit after completing six months of employment. Total pension expense for the year ended December 31, 2005 was \$2,659.

The Organization also offers an Internal Revenue Code Section 123 health care direct reimbursement program. The program is available to employees eligible for health plan benefits, effective October 1, 2003.