

**SAN LUIS OBISPO COUNTY
HOUSING TRUST FUND**

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

For the Year Ended
December 31, 2008

SAN LUIS OBISPO COUNTY HOUSING TRUST FUND

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

For the Year Ended December 31, 2008

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Changes in Net Assets	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
NOTES TO FINANCIAL STATEMENTS	8-12

CROSBY COMPANY, CERTIFIED PUBLIC ACCOUNTANT

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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, 2008, 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, 2008, 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 COMPANY
Certified Public Accountant

September 30, 2009

SAN LUIS OBISPO COUNTY HOUSING TRUST FUND

STATEMENT OF FINANCIAL POSITION

December 31, 2008

ASSETS		
Current assets:		
Cash and cash equivalents	\$	832,639
Grant receivable		10,000
Interest receivable		3,757
Prepaid expenses		2,435
Notes receivable (current portion)		62,563
Total current assets		911,394
Non-current assets:		
Notes receivable (net current portion)		703,289
Total assets		\$ 1,614,683
LIABILITIES		
Current liabilities:		
Accounts payable	\$	778
Accrued payroll liabilities		4,891
Accrued interest payable		3,216
Accrued vacation payable		4,528
Notes payable (current portion)		12,587
Total current liabilities		26,000
Long-term liabilities:		
Lines of credit		232,857
Notes payable (net current portion)		956,272
Total long-term liabilities		1,189,129
Total liabilities		1,215,129
NET ASSETS		
Unrestricted		
Designated		84,678
Undesignated		146,369
Permanently restricted		
Total net assets		399,554
Total liabilities and net assets		\$ 1,614,683

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, 2008

	Operating Fund <u>Unrestricted</u>	Permanently Restricted	<u>Totals</u>
REVENUE AND SUPPORT			
Grants	\$ 83,946	\$ -	\$ 83,946
Contributions	35,608	5,011	40,619
In-kind donations	720		720
Interest income	72,332		72,332
Total revenue	192,606	5,011	197,617
EXPENSES			
Program services	137,972		137,972
Management and general	34,783		34,783
Fundraising	13,025		13,025
Total expenses	185,780		185,780
Change in net assets	\$ 6,826	\$ 5,011	\$ 11,837

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, 2008

	<u>Operating Fund Unrestricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
NET ASSETS - December 31, 2007	\$ 224,221	\$ 163,496	\$ 387,717
Change in net assets	6,826	5,011	11,837
NET ASSETS - December 31, 2008	\$ 231,047	\$ 168,507	\$ 399,554

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, 2008

FUNCTIONAL EXPENSES

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Totals</u>
Salary and wages	\$ 66,495	\$ 13,299	\$ 8,866	\$ 88,660
Payroll taxes and benefits	18,723	3,745	2,496	24,964
Rent	5,869	1,174	782	7,825
Training and meetings	214	43	28	285
Accounting and legal	1,693	15,237		16,930
Automobile and travel expense	475	95	63	633
Professional services	3,856	244	162	4,262
Office expense	399	80	53	532
Pension expense	1,038	208	138	1,384
Printing	62	13	8	83
Insurance	1,544	309	206	2,059
Interest	35,923			35,923
Telephone and communications	1,217	243	162	1,622
Miscellaneous	130	26	17	173
Dues and subscriptions	334	67	44	445
Total functional expenses	\$ 137,972	\$ 34,783	\$ 13,025	\$ 185,780

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, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets

\$ 11,837

Adjustment to reconcile change in net assets to net cash provided by operating activities:

Decrease in grant receivable

37,096

Decrease in interest receivable

3,656

Increase in prepaid expenses

(46)

Decrease in notes receivable

738,684

Decrease in accounts payable

(1,084)

Increase in accrued payroll tax liabilities

2,002

Decrease in accrued interest payable

(2,311)

Increase in accrued vacation payable

184

Total adjustments

778,181

Net cash provided by operating activities

790,018

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment on notes payable

(227,216)

Net cash used by financing activities

(227,216)

NET CHANGE IN CASH

562,802

CASH AT BEGINNING OF YEAR

269,837

CASH AT END OF YEAR

\$ 832,639

Supplemental information:

Cash paid for interest was \$38,234 for the year ended December 31, 2008.

There was no cash paid for income taxes for the year ended December 31, 2008.

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

SAN LUIS OBISPO COUNTY HOUSING TRUST FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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 *permanently restricted fund* represents funds subject to restrictions of gift instruments requiring in perpetuity that the principal be invested or used to provide housing loans 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 two banks, one of which exceeds the Federal Deposit Insurance Corporation limit, which covers up to \$250,000 of the Organization's combined accounts. Effective October 3, 2008, the FDIC temporarily increased insured deposits up to \$250,000 and is scheduled to return to \$100,000 after December 31, 2013.

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, 2008

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 equipment, commercial services and supplies used directly by the organization are valued at their appraised values at the time of the gift.

Rental Agreement

The San Luis Obispo Housing Trust Fund has entered into a rental agreement for office space on a month to month basis.

Concentration of Revenue Risk

The Organization's three largest grants provided approximately 36% 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. Based on these loan agreements, there has been no evidence of default on any of the notes receivable.

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, 2008

NOTE 4: LINES OF CREDIT

The San Luis Obispo County Housing Trust Fund established a ten year, \$1,000,000 line-of-credit, on April 5, 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, 2007 was \$232,857. Interest is currently fixed at 3.0%. The interest rate will adjust to the Wall Street Journal prime minus 1.0% on February 20, 2009 and then remain fixed through the term of the loan.

The San Luis Obispo County Housing Trust Fund established a ten year, \$1,000,000 line-of-credit, on July 15, 2005, with Mid-State Bank and Trust, now Rabobank, N.A. 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 there was no balance outstanding at December 31, 2008. Interest is calculated using a 5.0% fixed rate until June 30, 2010. At that time, the interest rate will adjust to the Wall Street Journal prime minus 1.0% and remain fixed for the balance of the loan term.

NOTE 5: NOTES PAYABLE

<u>Lender</u>	<u>Current</u>	<u>Long -Term</u>	<u>Total</u>
Rabobank, N.A., for \$100,000, dated January 12, 2007, unsecured, interest is computed at 0.0% fixed rate, due January 15, 2012.	\$ -	\$ 100,000	\$ 100,000
Adrian Dominican Sisters, for \$65,000, dated December 15, 2007, unsecured, interest is computed at 3.0% fixed rate, payable quarterly, due December 15, 2012.	-	65,000	65,000
The Erich & Hannah Sachs Foundation, for \$200,000, dated March 15, 2006, unsecured, interest is computed at 3.0% fixed rate, payable semi-annually, due March 15, 2011.	-	200,000	200,000
Seton Enablement Fund, Inc., for \$50,000, dated March 1, 2006, unsecured, interest is computed at 3.0% fixed rate, payable quarterly, due March 1, 2011.	12,587	16,272	28,859
Catholic Healthcare West, for \$500,000, dated April 1, 2006, unsecured, interest is computed at 3.0% fixed rate, payable quarterly, due March 31, 2011.	-	500,000	500,000
Sisters of St. Francis of Philadelphia, for \$50,000, dated April 21, 2006, unsecured, interest is computed at 3.0% fixed rate, payable annually, due April 14, 2011.	-	50,000	50,000

See accountants' report.

SAN LUIS OBISPO COUNTY HOUSING TRUST FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE 5: NOTES PAYABLE (Continued)

Sisters of St. Joseph in California Los Angeles Province, for \$25,000, dated May 8, 2007, unsecured, interest is computed at 3.0% fixed rate, payable semi-annually, due May 8, 2012.

	-	25,000	25,000
Totals	\$ <u>12,587</u>	\$ <u>956,272</u>	\$ <u>968,859</u>

The required note principal and interest payments are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 12,587	\$ 25,925	\$ 38,512
2010	12,969	25,543	38,512
2011	753,303	14,725	768,028
2012	<u>190,000</u>	<u>2,325</u>	<u>192,325</u>
Totals	\$ <u>968,859</u>	\$ <u>68,518</u>	\$ <u>1,037,377</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 up to 5% 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, 2008 was \$1,384.

The Organization also offers an Internal Revenue Code Section 125 health care direct reimbursement program. The program is available to employees eligible for health plan benefits, effective October 1, 2003.

SAN LUIS OBISPO COUNTY HOUSING TRUST FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE 7: NET ASSETS

At December 31, 2008, net assets were restricted by donors or designated by the Organization as follows.

Unrestricted net assets:		
Designated for losses/contingencies	\$	80,000
Designated for Moylan Fund		4,678
Undesignated		<u>146,369</u>
Total unrestricted net assets		<u>231,047</u>
Permanently restricted for loan funds		<u>168,507</u>
Total permanently restricted net assets		<u>168,507</u>
Total net assets	\$	<u><u>399,554</u></u>

See accountants' report.