

*San Luis Obispo County Housing Trust Fund*

*Financial Statements*

*December 31, 2014*

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**Independent Auditors' Report on the Financial Statements**

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

We have audited the accompanying financial statements of the San Luis Obispo County Housing Trust Fund ("the Organization"), a non-profit organization, which comprise the statement of financial position as of December 31, 2014, and the related statement of activities and changes in net assets, functional expenses, and cash flows for the year 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.

***Auditors' Responsibility***

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 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Luis Obispo County Housing Trust Fund, as of December 31, 2014, and the changes in its net assets and its cash flows for the year 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2015, on our consideration of San Luis Obispo County Housing Trust Fund'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 San Luis Obispo County Housing Trust Fund's internal control over financial reporting and compliance.

*Caliber Audit + Attest, LLP*

San Luis Obispo, California  
June 18, 2015

*San Luis Obispo County Housing Trust Fund*

*Statement of Financial Position  
December 31, 2014*

**ASSETS**

***Current Assets***

Cash	\$ 1,004,380
Accounts receivable	305
Interest receivable	19,097
Prepaid expenses	11,348
Notes receivable, current portion	1,348,859
Total current assets	<u>2,383,989</u>

***Long-term notes receivable***

5,096,092

Total assets

\$ 7,480,081

**LIABILITIES AND NET ASSETS**

***Current Liabilities***

Accounts payable	\$ 5,565
Accrued payroll liabilities	6,548
Accrued interest payable	5,664
Accrued vacation payable	16,575
Current maturities of notes payable	250,000
Total current liabilities	<u>284,352</u>

***Long-term Liabilities***

Notes payable, less current maturities	<u>1,700,000</u>
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Total liabilities

1,984,352

***Commitments and Contingencies***

***Net Assets***

Unrestricted	2,072,183
Temporarily restricted	3,200,000
Permanently restricted	223,546
Total net assets	<u>5,495,729</u>

Total liabilities and net assets

\$ 7,480,081

*See Notes to Financial Statements.*

*San Luis Obispo County Housing Trust Fund*

*Statement of Activities and Changes in Net Assets  
Year Ended December 31, 2014*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><i>Public Support and Revenue:</i></b>				
<i>Public support:</i>				
Grants	\$ 105,667	\$ 1,210,000	\$ 600	\$ 1,316,267
Contributions	-	-	500	500
Fee income	76,258	-	-	76,258
Interest income - program	209,540	-	-	209,540
Interest income - investment	6,369	-	-	6,369
Total public support and revenue	<u>397,834</u>	<u>1,210,000</u>	<u>1,100</u>	<u>1,608,934</u>
Net assets released from restrictions	<u>634,500</u>	<u>(600,000)</u>	<u>(34,500)</u>	<u>-</u>
Total public support and revenues	<u>1,032,334</u>	<u>610,000</u>	<u>(33,400)</u>	<u>1,608,934</u>
<b><i>Functional Expenses:</i></b>				
Program services	228,621	-	-	228,621
Management and general	48,430	-	-	48,430
Fundraising	10,792	-	-	10,792
Total functional expenses	<u>287,843</u>	<u>-</u>	<u>-</u>	<u>287,843</u>
Change in net assets	744,491	610,000	(33,400)	1,321,091
Net assets - beginning of year	<u>1,327,692</u>	<u>2,590,000</u>	<u>256,946</u>	<u>4,174,638</u>
Net assets - end of year	<u>\$ 2,072,183</u>	<u>\$ 3,200,000</u>	<u>\$ 223,546</u>	<u>\$ 5,495,729</u>

*See Notes to Financial Statements.*

*San Luis Obispo County Housing Trust Fund*

*Statement of Functional Expenses  
Year Ended December 31, 2014*

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Personnel costs:				
Salaries and wages	\$ 124,271	\$ 14,620	\$ 7,310	\$ 146,201
Payroll taxes and benefits	35,115	4,131	2,066	41,312
Total personnel costs	<u>159,386</u>	<u>18,751</u>	<u>9,376</u>	<u>187,513</u>
Occupancy	12,203	1,436	718	14,357
Training and meetings	1,610	189	95	1,894
Accounting and legal	6,269	18,807	-	25,076
Automobile and travel expense	2,064	243	121	2,428
Professional services	2,679	8,037	-	10,716
Office expense	806	95	47	948
Printing and postage	209	25	12	246
Insurance	3,550	418	209	4,177
Interest	36,195	-	-	36,195
Telephone and communications	2,043	240	120	2,403
Miscellaneous	68	8	4	80
Dues and subscriptions	1,539	181	90	1,810
Total non-personnel costs	<u>69,235</u>	<u>29,679</u>	<u>1,416</u>	<u>100,330</u>
Total functional expenses	<u>\$ 228,621</u>	<u>\$ 48,430</u>	<u>\$ 10,792</u>	<u>\$ 287,843</u>

*See Notes to Financial Statements.*

*San Luis Obispo County Housing Trust Fund*

*Statement of Cash Flows  
Year Ended December 31, 2014*

***Cash flows from operating activities:***

Change in net assets \$ 1,321,091

***Adjustments to reconcile the change in net assets to net cash used in operating activities:***

***Changes in operating assets and liabilities:***

Accounts receivable (165)  
Interest receivable (11,478)  
Prepaid expenses (4,659)  
Notes receivable (3,132,152)  
Accounts payable 2,949  
Accrued payroll liabilities 30  
Accrued interest payable (338)  
Accrued vacation payable 4,962

Net cash used in operating activities (1,819,760)

***Cash flows from financing activities:***

Proceeds from notes payable 750,000  
Payments on notes payable (25,000)

Net cash provided by financing activities 725,000

***Net decrease in cash and cash equivalents*** (1,094,760)

***Cash and cash equivalents, beginning of year*** 2,099,140

***Cash and cash equivalents, end of year*** \$ 1,004,380

***Supplementary disclosures of cash flow information:***

Interest paid \$ 36,533

*See Notes to Financial Statements.*

*San Luis Obispo County Housing Trust Fund*

*Notes to Financial Statements*

*Note 1. Operations and Summary of Significant Accounting Policies*

***Nature of operations:***

The San Luis Obispo County Housing Trust Fund (“the Organization”) is a California non-profit, non-stock, public benefit corporation incorporated in 2003, under the laws of the State of California. The mission of the Organization 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 Organization provides financing and technical assistance to private developers, non-profit corporations and local governments to support the creation and preservation of affordable housing.

The Organization is governed by an elected board of directors and officers responsible for the development of policies. The Executive Director and staff conduct the Organization’s activities in accordance with board-established policy.

***Basis of accounting:***

The financial statements are presented on an accrual basis, which recognizes income when earned, and expenses when incurred.

***Financial statement presentation:***

To ensure the observance of limitations and restrictions placed on the use of resources, the accounts of the Organization are maintained in accordance with the principles of fund accounting. The Organization has presented its financial statements in accordance with generally accepted accounting principles for not-for profit organizations. Under this guidance, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

## *San Luis Obispo County Housing Trust Fund*

### *Notes to Financial Statements*

A summary of the net asset categories included in the accompanying financial statements is as follows:

***Unrestricted Net Assets:*** Unrestricted amounts represent all net assets that are not subject to donor-imposed stipulations. They may be designated for specific purposes or locations by action of the Board of Directors. Contributions with donor-imposed restrictions that are met during the same year as the contribution is made are included in unrestricted support that increases unrestricted net assets.

***Temporarily Restricted Net Assets:*** Temporarily restricted amounts represent deferred contributions that are subject to donor-imposed restrictions, either for a specific purpose or subject to the passage of time. When the restriction expires, the net assets of this fund are reclassified to unrestricted net assets.

***Permanently Restricted Net Assets:*** Permanently restricted amounts represent those assets subject to donor-imposed restrictions that must be maintained permanently by the Organization. Generally, these donor-imposed restrictions require the gift be invested or used to provide housing loans in perpetuity and the donors of these assets only permit the Organization to use all or part of the income earned on related investments for general operations or specific purposes.

#### ***Public support and revenue:***

All public support and revenue is considered to be available for unrestricted use unless specifically restricted by the donor or the terms of a grant. Revenue from public support is recognized at the time an unconditional promise to give or transfer of assets is made. Revenues from program fees are recognized over the terms of the program and the period of service provided. Grants from governmental and business entities are recognized as revenue in the period resources are actually received, and become available for the intended program activities.

#### ***Donated services and assets:***

The Organization receives donations of time and services from members of the community and volunteers related to program operations and fund-raising campaigns. The value of these donated services is not recorded in the 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 estimated fair values at the time of the donation. Such amounts totaled \$0, for the year ended December 31, 2014.

***San Luis Obispo County Housing Trust Fund***

***Notes to Financial Statements***

***Use of estimates:***

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

***Cash and cash equivalents:***

The Organization considers cash equivalents to be all short-term securities purchased with a maturity of three months or less.

The Organization maintains cash balances with financial institutions located in California. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA), with limits of up to \$250,000 of the Organization's combined accounts per financial institution. One of the Credit Unions utilized by the Organization, Coast Hills Federal Credit Union, provides additional insurance coverage of up to \$250,000 on only the specific qualifying amounts that exceed the maximum level of coverage provided by the NCUA. As of December 31, 2014, the excess in deposits over these insurance limits and supplemental insurance offered by one bank was \$706,240.

***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. The Organization has determined that an uncollectible allowance for interest receivable at December 31, 2014 is not required, and the balance is expected to be fully collectible within one year of the year end.

***Income tax status:***

The Organization's activities are generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Franchise Tax Code. Since the Organization is exempt from federal and state

***San Luis Obispo County Housing Trust Fund***

***Notes to Financial Statements***

income tax liability, no provision is made for current or deferred income tax expense. The Organization is not a private foundation. Management is not aware of any transactions that would impact the Organization's tax-exempt status.

For the year ended December 31, 2014, management of the Organization is not aware of any material uncertain tax positions to be accounted for in the financial statements under the principles of the *Income Taxes* topic of the FASB (*ASC*). The Organization recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense.

All tax exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations for years before 2011 or state income tax examinations for years before 2010.

***Functional expense allocations:***

Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates made by management.

***Advertising:***

The Organization expenses advertising costs as incurred. There was no advertising expense for the year ended December 31, 2014.

***Note 2. Notes Receivable***

Notes receivable consist of the following at December 31, 2014:

Loan #5001, collateralized by deed of trust, with a variable interest rate (5.00% at December 31, 2014) payable monthly, principal payable in annual installments of at least 50% of the difference between Borrower's income and/or revenues received from or on behalf of occupants of the property and the Borrower's cost of owning the property (including loan payments), with the final payment due April 1, 2035.	\$ 158,763
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*San Luis Obispo County Housing Trust Fund*

*Notes to Financial Statements*

Loan #5005, collateralized by deed of trust, with a fixed interest rate of 4.50% payable monthly, with the final payment due August 23, 2015.	285,000
Loan #5013, collateralized by deed of trust, with a fixed interest rate of 5.50% payable monthly, payable in 179 monthly installments of principal and interest at \$1,990, with one final payment estimated at \$244,243 due July 1, 2027	334,772
Loan #5014, collateralized by deed of trust, with a fixed interest rate of 4.00%, payable in one installment of principal and interest on the first portion of the note due September 28, 2015, and payable in one installment of principal and interest on the second portion of the note due December 16, 2031.	806,780
Loan #5015, collateralized by deed of trust, with a fixed interest rate of 5.50% payable monthly, payable in 179 monthly installments of principal and interest at \$2,287, with one final payment estimated at \$399,211 due May 1, 2018.	409,347
Loan #5016, collateralized by deed of trust, with a fixed interest rate of 5.00%, payable in one installment of principal and interest, due December 23, 2017.	193,980
Loan #5017, collateralized by deed of trust, with a fixed interest rate of 5.00%, interest payable monthly, with final payment due September 30, 2017.	79,061

*San Luis Obispo County Housing Trust Fund*

*Notes to Financial Statements*

Loan #5018, collateralized by deed of trust, with a fixed interest rate of 5.00% payable monthly, payments of principal and interest will be deferred until the earlier of 1) the sale of individual lots that are secured by the deed of trust or 2) the maturity date; upon sale of each lot, borrower will pay the principal amount of \$25,000 plus accrued interest, maturity date is September 4, 2016	636,083
Loan #5020, collateralized by deed of trust, with a fixed interest rate of 5.50% payable monthly, payable in 179 monthly installments of principal and interest at \$852, with one final payment estimated at \$104,700 due May 1, 2029.	148,765
Loan #5021, unsecured, with a fixed interest rate of 0.00%, principal payable in monthly installments of \$500, with final payment due September 1, 2021.	27,638
Loan #5023, collateralized by deed of trust, with a fixed interest rate of 4.50%, payable in one installment of principal and interest, due June 10, 2022.	413,534
Loan #5024, collateralized by deed of trust, with a fixed interest rate of 6.50%, payable in one installment of principal and interest, due December 10, 2015.	468,697
Loan #5024B, collateralized by deed of trust, with a fixed interest rate of 6.50%, payable in one installment of principal and interest, due December 10, 2015.	208,383

***San Luis Obispo County Housing Trust Fund***

***Notes to Financial Statements***

Loan #5025, collateralized by deed of trust, with a fixed interest rate of 5.50% payable in 92 monthly installments of principal and interest at \$2,500, with one final payment estimated at \$330,866 due August 1, 2022.	403,148
Loan #5029, collateralized by deed of trust, with a fixed interest rate of 4.75%, payable monthly, payments of principal and interest will be deferred until the earlier of 1) the sale of individual lots that are secured by the deed of trust or 2) the maturity date; upon sale of each lot, borrower will pay the principal amount of \$35,000 plus accrued interest, maturity date is December 30, 2019.	1,871,000
	6,444,951
Less current maturities	1,348,859
Total notes payable, less current maturities	\$ 5,096,092

Aggregate maturities of notes receivable at December 31, 2014, are as follows:

<b><i><u>Years Ending December 31,</u></i></b>	
2015	\$ 1,348,859
2016	664,035
2017	302,230
2018	417,856
2019	-
Thereafter	3,711,971
	\$ 6,444,951

***Note 3. Lines of Credit***

During the year ended December 31, 2014, the Organization had a line of credit agreement with Rabobank, N.A. The line of credit allows for borrowings up to \$1,000,000 with a maturity date of June 30, 2015. Interest accrues at the Wall Street Journal Prime Rate (3.25% at December 31, 2014) less 1%. The line of credit is unsecured. There was no outstanding balance as of December 31, 2014.

***San Luis Obispo County Housing Trust Fund***

***Notes to Financial Statements***

During the year ended December 31, 2014, the Organization had a line of credit agreement with Heritage Oaks Bank (formerly Mission Community Bank). The line of credit allows for borrowings up to \$1,000,000 with a maturity date of February 20, 2019. Interest accrues at the Wall Street Journal Prime Rate (3.25% at December 31, 2014) less 1%. The line of credit is unsecured. There was no outstanding balance as of December 31, 2014.

***Note 4. Notes Payable***

Notes payable consists of the following at December 31, 2014:

Catholic Healthcare West, unsecured, with a fixed interest rate of 3.00% payable in quarterly installments of \$3,750, with the final payment of principal and accrued interest due March 31, 2016.	\$ 500,000
Catholic Healthcare West, unsecured, with a fixed interest rate of 3.00% payable in quarterly installments of \$1,875, with the final payment of principal and accrued interest due May 1, 2015.	250,000
The Erich & Hannah Sachs Foundation, unsecured, with a fixed interest rate of 3.00% payable in semi-annual installments of \$3,000, with the final payment of principal and accrued interest due March 15, 2016.	200,000
The Erich & Hannah Sachs Foundation, unsecured, with a fixed interest rate of 2.50% payable in semi-annual installments of \$1,250, with the final payment of principal and accrued interest due August 16, 2016.	100,000
Sisters of St. Francis of Philadelphia, unsecured, with a fixed interest rate of 3.00% payable in semi-annual installments of \$250, with the final payment of principal and accrued interest due April 15, 2016.	50,000

***San Luis Obispo County Housing Trust Fund***

***Notes to Financial Statements***

San Luis Obispo County Community Foundation, unsecured, with a fixed interest rate of 3.00% payable in quarterly installments of \$750, with the final payment of principal and accrued interest due December 15, 2016.	100,000
Rabobank N. A., unsecured, with an interest rate of 0.00%, made on a rolling basis and therefore, with an indeterminable maturity	500,000
Pacific Western Bank, unsecured, with an interest rate of 0.00%, due August 8, 2019.	250,000
	1,950,000
Less current maturities	250,000
Total notes payable, less current maturities	\$ 1,700,000

Aggregate maturities of notes payable at December 31, 2014, are as follows:

<b><i><u>Years Ending December 31,</u></i></b>	
2015	\$ 250,000
2016	950,000
2017	-
2018	-
2019	250,000
Thereafter	500,000
	\$ 1,950,000

***Note 5. Grant Requirements***

The Organization receives a number of grants from various local, state, and federal governmental agencies. These grants are subject to audit by the corresponding oversight agency as to allowable costs paid with governmental funds and as to the share of costs contributed by the Organization. The Organization could be liable for as much as the full amount of governmental funds expended for the year if, under audit, the oversight agency were to determine that all costs charged to the project were disallowed. Management believes it is unlikely that the various agencies would disallow a significant portion of the costs.

*San Luis Obispo County Housing Trust Fund*

*Notes to Financial Statements*

**Note 6. Commitments and Contingencies**

***Operating Leases:***

The Organization has a lease for its office facility, which is classified as an operating lease. The term of the lease extend from January 1, 2014 through December 31, 2015. The Organization shares the facility with another tenant, who also shares 50% of the cost of the monthly rent. Rent expense relating to this lease (net of the other tenant's 50%) was \$14,356 for the year ended December 31, 2014. Future minimum lease payments of 100% of the rental obligation under this lease agreement as of December 31, 2014 are as follows:

<b><i>Years Ending December 31,</i></b>	
2015	\$ 25,464

**Note 7. Designations and Restrictions on Net Assets**

As of December 31, 2014, the Organization had designated the unrestricted net assets for the following:

Unrestricted Net Assets:	
Designated for loan funds	\$ 1,604,684
Designated for loan losses reserve	250,000
Designated for operating reserve	160,000
Undesignated	57,499
Total unrestricted net assets	<u>\$ 2,072,183</u>

As of December 31, 2014, temporarily restricted net assets related to time and program donor restrictions are as follows:

Temporarily restricted for loan funds	<u>\$ 3,200,000</u>
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As of December 31, 2014, permanently restricted net assets consisted of the following:

Permanently restricted for loan funds	<u>\$ 223,546</u>
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**Note 8. Retirement Plan**

The Organization maintains a tax deferred savings plan covering all eligible employees. The plan includes a deferred arrangement under section 403(b) of the Internal Revenue Code. The elective contributions to the 403(b) portion of the plan are funded by salary reductions of the participants. The Organization did not make any contributions to the plan for the year ended December 31, 2014.

*San Luis Obispo County Housing Trust Fund*

*Notes to Financial Statements*

***Note 9. Concentrations***

A significant portion of the Organization's revenues consists of Federal government grants from one provider. For the year ended December 31, 2014, approximately 68% of the Organization's total public support and revenue was provided by these Federal government grants.

For the year ended December 31, 2014, interest and fee income covered 100% of total operating expenses.

***Note 10. Subsequent Events***

The date to which events occurring after December 31, 2014 have been evaluated for possible adjustment to the financial statements or disclosure is June 18, 2015, which is the date on which the financial statements were available to be issued.

*San Luis Obispo County Housing Trust Fund*

*Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2014*

<i><u>Federal Grantor Program or Cluster Title</u></i>	<i><u>Federal CFDA Number</u></i>	<i><u>Pass-through Entity Identifying Number</u></i>	<i><u>Grant Number</u></i>	<i><u>Federal Expenditures</u></i>
Department of the Treasury: Community Development Financial Institutions Fund - CDFI FA Component, CDFI Program	21.020	N/A	141FA012630	\$ 500,000
Community Development Financial Institutions Fund - CDFI FA Component, CDFI Program	21.020	N/A	131FA011622	500,000
				<u>1,000,000</u> A MP
<i><b>Total expenditures of federal awards</b></i>				<u><u>\$ 1,000,000</u></u>

*See Notes to Schedule of Expenditures of Federal Awards.*

***San Luis Obispo County Housing Trust Fund***  
***Notes to Schedule of Expenditures of Federal Awards***

***Note 1. Basis of presentation***

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of San Luis Obispo County Housing Trust Fund (the Company) under programs of the federal government for the year ended December 31, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Company, it is not intended to and does not present the financial position, results of operations or cash flows of the Company.

***Note 2. Summary of significant accounting policies***

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

***Note 3. Federal loan program***

During the year ended December 31, 2014, San Luis Obispo County Housing Trust Fund acted as a pass-through agency for low income housing loans (subsidized and unsubsidized) to qualifying recipients in the amount of \$1,000,000.

***Note 4. Other information***

During the year ended December 31, 2014, San Luis Obispo County Housing Trust Fund did not receive any federal insurance or federal non-cash assistance and did not provide any amounts to sub-recipients.



**Independent Auditors' 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  
San Luis Obispo County Housing Trust Fund  
San Luis Obispo, California

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 San Luis Obispo County Housing Trust Fund (the Company), which comprise the balance sheet as of December 31, 2014, and the related statements of operations, shareholder's equity and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated June 18, 2015.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered San Luis Obispo County Housing Trust Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Luis Obispo County Housing Trust Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of San Luis Obispo County Housing Trust Fund'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 internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identify a deficiency in internal control, described in the accompany schedule of findings and questioned costs that we consider to be a significant deficiency:

-Reference Number 2014-001

*Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed In Accordance with  
Government Auditing Standards - Continued*

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether San Luis Obispo County Housing Trust Fund's financial statements are free from 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.

*San Luis Obispo County Housing Trust Fund's Response to Findings*

San Luis Obispo County Housing Trust Fund's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. San Luis Obispo County Housing Trust Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

*Purpose of this Report*

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company'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 Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Caliber Audit + Attest, LLO*

San Luis Obispo, California  
June 18, 2015



**Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133**

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

***Report on Compliance for Each Major Federal Program***

We have audited San Luis Obispo County Housing Trust Fund's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of San Luis Obispo County Housing Trust Fund's major federal programs for the year ended December 31, 2014. San Luis Obispo County Housing Trust Fund's major federal programs are identified in the summary of auditors' 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of San Luis Obispo County Housing Trust Fund'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 San Luis Obispo County Housing Trust Fund'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 San Luis Obispo County Housing Trust Fund's compliance.

***Opinion on Each Major Federal Program***

In our opinion, San Luis Obispo County Housing Trust Fund 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 December 31, 2014.

*Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 - Continued*

*Report on Internal Control over Compliance*

Management of San Luis Obispo County Housing Trust Fund is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered San Luis Obispo County Housing Trust Fund'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 OMB Circular A-133, 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 San Luis Obispo County Housing Trust Fund'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 and significant deficiencies. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Caliber Audit + Attest, LLP*

San Luis Obispo, California  
June 18, 2015

*San Luis Obispo County Housing Trust Fund  
Schedule of Findings and Questioned Costs  
December 31, 2014*

***Summary of Auditors' Results:***

1. The auditors' report expressed an unmodified opinion on the financial statements of San Luis Obispo County Housing Trust Fund.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the Independent Auditors' 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.
3. No instances of noncompliance material to the financial statements of San Luis Obispo County Housing Trust Fund were disclosed during the audit.
4. No deficiencies in internal control over major federal award programs were disclosed during the audit of Compliance for each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for San Luis Obispo County Housing Trust Fund expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The expenditures of Federal awards which were tested as a major program, consisted of the following:
  - Community Development Financial Institutions Fund, FA Component – CDFI Program, CFDA Number 21.020.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. San Luis Obispo County Housing Trust Fund was not determined to be a low-risk auditee.

*San Luis Obispo County Housing Trust Fund  
Schedule of Findings and Questioned Costs  
December 31, 2014*

*Findings – Financial Statement Audit*

*Significant deficiency*

**2014-001 - Payroll**

*Condition:* The Company does not maintain documentation of the Board of Directors' authorization pay rates for employees.

*Criteria:* Documentation of authorized pay rates should be maintained to provide reasonable assurance that individuals are only paid at the appropriate current pay rates that have been approved by management.

*Cause:* There is not a procedure in place to document the authorization of pay rates for all employees, or to properly document the authorization of changes in pay rates.

*Effect:* Because of the failure to properly document an employee's current pay rate by management, the Company's internal controls may fail to detect if employees were to be compensated at unauthorized amounts.

*Recommendation:* Procedures should be implemented requiring the completion of an appropriate and timely prepared form of pay rate authorization for all employees at time of hire, and also at any time an individual's pay rate is authorized for change.

*Views of responsible officials and planned corrective actions:* The Company agrees with the finding and the recommended procedures have been implemented.

*Findings and Questioned Costs – Major Federal Award Programs Audit*

*Questioned Costs*

*None*