San Luis Obispo County Housing Trust Fund

Financial Statements

Year Ended December 31, 2018
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Independent Auditors’ Report

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

We have audited the accompanying financial statements of San Luis Obispo County Housing Trust Fund (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements 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 of 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 San Luis Obispo County Housing Trust Fund as of December 31, 2018, 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 Title 2 U.S. Code of Federal Regulations 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards
In accordance with Government Auditing Standards, we have also issued a report dated March 18, 2019, on our consideration of San Luis Obispo County Housing Trust Fund's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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.

Glenn Burdette Attest Corporation
San Luis Obispo, California

March 18, 2019
San Luis Obispo County Housing Trust Fund  
Statement of Financial Position  
December 31, 2018

### Assets

**Current assets:**
- Cash and cash equivalents: $1,075,645
- Grants receivable: $80,161
- Accounts receivable: $1,480
- Interest receivable: $10,158
- Prepaid expenses: $5,375
- Notes and accrued interest receivable, current portion: $712,870

**Total current assets:** $1,885,689

**Notes and accrued interest receivable, net of current portion:** $11,452,073

**Total assets:** $13,337,762

### Liabilities and Net Assets

**Current liabilities:**
- Accounts payable: $8,103
- Accrued payroll liabilities: $9,830
- Accrued interest payable: $7,270
- Accrued vacation payable: $17,432
- Current portion of notes payable, net of unamortized debt issuance costs: $768,740

**Total current liabilities:** $811,375

**Long-term liabilities:**
- Line of credit: $1,000,000
- Notes payable, net of current portion and unamortized debt issuance costs: $3,729,180

**Total long-term liabilities:** $4,729,180

**Total liabilities:** $5,540,555

**Net assets:**
- Without donor restrictions: $5,925,791
- With donor restrictions: $1,871,416

**Total net assets:** $7,797,207

**Total liabilities and net assets:** $13,337,762

*The accompanying notes are an integral part of these financial statements.*
San Luis Obispo County Housing Trust Fund
Statement of Activities and Changes in Net Assets
December 31, 2018

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal grants</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Contributions and grants</td>
<td>213,727</td>
<td>215,077</td>
</tr>
<tr>
<td>Fee income</td>
<td>57,000</td>
<td>57,000</td>
</tr>
<tr>
<td>Interest income - program</td>
<td>431,547</td>
<td>431,547</td>
</tr>
<tr>
<td>Interest income - investment</td>
<td>7,048</td>
<td>7,048</td>
</tr>
<tr>
<td>In-kind contributed services</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td><strong>Total revenues and other support</strong></td>
<td><strong>734,322</strong></td>
<td><strong>1,001,350</strong></td>
</tr>
</tbody>
</table>

Net assets released from restrictions

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,005</td>
<td>(10,005)</td>
<td>-</td>
</tr>
</tbody>
</table>

Expenses:

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Services</td>
<td>294,526</td>
<td>294,526</td>
</tr>
<tr>
<td>Supporting Services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administration</td>
<td>131,083</td>
<td>131,083</td>
</tr>
<tr>
<td>Fundraising</td>
<td>43,937</td>
<td>43,937</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>469,546</strong></td>
<td><strong>469,546</strong></td>
</tr>
</tbody>
</table>

Change in net assets

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>274,781</td>
<td>991,345</td>
<td>1,266,126</td>
</tr>
</tbody>
</table>

Net assets - beginning of year

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,651,009</td>
<td>805,072</td>
<td>6,456,081</td>
</tr>
<tr>
<td>Prior year restatement</td>
<td>75,000</td>
<td>75,000</td>
</tr>
</tbody>
</table>

Net assets - beginning of year, restated

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,651,009</td>
<td>880,072</td>
<td>6,531,081</td>
</tr>
</tbody>
</table>

Net assets - end of year

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5,925,790</td>
<td>$1,871,417</td>
<td>$7,797,207</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
San Luis Obispo County Housing Trust Fund
Statement of Functional Expenses
December 31, 2018

<table>
<thead>
<tr>
<th>Personnel costs:</th>
<th>Program Services</th>
<th>General and Administration</th>
<th>Fund-Raising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>$158,137</td>
<td>$50,301</td>
<td>$23,469</td>
<td>$231,907</td>
</tr>
<tr>
<td>Payroll taxes and benefits</td>
<td>41,976</td>
<td>13,352</td>
<td>6,230</td>
<td>61,558</td>
</tr>
<tr>
<td>Total personnel costs</td>
<td>200,114</td>
<td>63,653</td>
<td>29,699</td>
<td>293,465</td>
</tr>
<tr>
<td>Occupancy</td>
<td>12,673</td>
<td>2,535</td>
<td>1,690</td>
<td>16,897</td>
</tr>
<tr>
<td>Education and training</td>
<td>2,194</td>
<td>439</td>
<td>293</td>
<td>2,925</td>
</tr>
<tr>
<td>Travel and entertainment</td>
<td>5,148</td>
<td>1,030</td>
<td>686</td>
<td>6,864</td>
</tr>
<tr>
<td>Professional services</td>
<td>50,585</td>
<td>9,675</td>
<td>70,260</td>
<td></td>
</tr>
<tr>
<td>Office expense</td>
<td>976</td>
<td>195</td>
<td>130</td>
<td>1,301</td>
</tr>
<tr>
<td>Printing and postage</td>
<td>192</td>
<td>38</td>
<td>26</td>
<td>256</td>
</tr>
<tr>
<td>Insurance</td>
<td>3,944</td>
<td>789</td>
<td>526</td>
<td>5,259</td>
</tr>
<tr>
<td>Interest</td>
<td>50,184</td>
<td></td>
<td></td>
<td>50,184</td>
</tr>
<tr>
<td>Telephone and communications</td>
<td>2,633</td>
<td>527</td>
<td>351</td>
<td>3,510</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>3,876</td>
<td>775</td>
<td>517</td>
<td>5,168</td>
</tr>
<tr>
<td>Dues and subscriptions</td>
<td>2,593</td>
<td>519</td>
<td>346</td>
<td>3,457</td>
</tr>
<tr>
<td>Grants</td>
<td>10,000</td>
<td></td>
<td></td>
<td>10,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$294,526</strong></td>
<td><strong>$131,083</strong></td>
<td><strong>$43,937</strong></td>
<td><strong>$469,546</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
San Luis Obispo County Housing Trust Fund  
Statement of Cash Flows  
December 31, 2018

Cash flows from operating activities:

- Change in net assets $ 1,266,126

Changes in operating assets and liabilities:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants receivable</td>
<td>(80,161)</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(162)</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>12,207</td>
</tr>
<tr>
<td>Notes receivable</td>
<td>(3,920,175)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(1,140)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>4,580</td>
</tr>
<tr>
<td>Accrued payroll liabilities</td>
<td>421</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>4,939</td>
</tr>
<tr>
<td>Accrued vacation payable</td>
<td>(2,243)</td>
</tr>
</tbody>
</table>

Net cash used in operating activities (2,715,608)

Cash flows from financing activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from borrowing on line of credit</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Proceeds from borrowing on notes payable</td>
<td>375,000</td>
</tr>
<tr>
<td>Repayment of notes payable</td>
<td>(18,188)</td>
</tr>
</tbody>
</table>

Net cash provided by financing activities 1,356,812

Net decrease in cash (1,358,796)

Cash and cash equivalents - beginning of year 2,434,441

Cash and cash equivalents - end of year $ 1,075,645

Supplemental schedule of investing and financing activities:

- Cash paid for interest during the year $ 45,245

The accompanying notes are an integral part of these financial statements.
Note 1: Nature of Business

The San Luis Obispo County Housing Trust Fund (the Organization) is a nonprofit 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 the board of directors and its elected officers who are responsible for the development of policies. The Executive Director and staff conduct the Organization’s activities in accordance with board-established policy.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting which requires that revenues be recorded when earned and expenses be recorded when incurred and accordingly reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition. At December 31, 2018, there was $819,834 in cash equivalents.

Allowance for Doubtful Accounts

It is the policy of management to review the outstanding grants and accounts receivable at year-end, as well as historical bad debt write-offs and aging analysis, and establish an allowance for doubtful accounts for estimated uncollectible amounts. At December 31, 2018, management believed that no allowance for doubtful accounts was necessary for grants or accounts receivable.
Note 2: Summary of Significant Accounting Policies (Continued)

Notes and Accrued Interest Receivable

Notes and accrued interest receivable are carried at unpaid principal and accrued interest 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; however, the Organization has established a board designated reserve of net assets of $600,000 for potential future losses as of December 31, 2018. Loans are considered impaired if full principal 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 of 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, 2018 is not required, however the Organization has established a board designated reserve of net assets of $300,000 for potential operating losses as of December 31, 2018, which in management’s opinion would be sufficient to cover any potential losses, including any losses on interest receivables, less grant revenues than budgeted, and greater expenses than budgeted.

Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and Assets

The Organization records the value of donated goods and services when there is an objective basis available to measure their fair market value. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with these skills, and would otherwise be purchased by the Organization.

During the year ended December 31, 2018, the Organization recorded $25,000 of donated professional services.
Note 2: Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

The Organizations manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with notes receivable is considered to be limited due to high historical collection rates and because over 99% of the notes are secured by real property. At December 31, 2018, three borrowers covering fifteen separate projects make up 76% of notes receivable.
Note 2: Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Management has determined that the Organization is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Functional Expense Allocations

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

The Organization expenses advertising costs as incurred. There was no advertising expense for the year ended December 31, 2018.

Change in Accounting Principle

On August 18, 2016, Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset 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. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.
Note 3: Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$570,645</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>80,161</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>1,480</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>10,158</td>
</tr>
<tr>
<td>Notes and accrued interest receivable, current portion</td>
<td>712,870</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,375,314</strong></td>
</tr>
</tbody>
</table>

The Organization has an operating reserve policy and occasionally the Board designates a portion of any operating surplus to its operating reserve, which was $300,000 at December 31, 2018.

The current grants receivable of $80,161 consist of contracts with the City of San Luis Obispo and the County of San Luis Obispo. These amounts will be drawn down in 2019.

As part of its liquidity management, the Organization has a policy to structure its notes receivable so that maturities generally correspond with the maturity dates of its loans payable to ensure adequate cash to satisfy its financial obligations. The Organization has extended some of the maturity dates to borrowers on notes receivable in the current year. The Organization will work with some lenders to extend the maturity dates on certain notes payable that are coming due in 2020.

The Organization has investment policies which allow a portion of its cash to be invested for up to 24 months based on its anticipate need or use. In practice, all of the Organization’s cash has been placed in demand deposits at banks and credit unions.

Note 4: Notes Receivable

At December 31, 2018, notes receivable consisted of the following:

- Loan #5001, collateralized by deed of trust, with a fixed interest rate of 4.25%, payable in monthly installments of principal and interest at $1,575, with the final payment due July 2025. $109,562

- Loan #5005, collateralized by deed of trust, with a fixed interest rate of 4.50%, interest payable monthly, extended with principal due August 2019. The Organization intends to extend this due date through August 2020 and as such the balance is included in future minimum payments using this date. 285,000
Note 4: Notes Receivable (Continued)

Loan #5013, collateralized by deed of trust, with a fixed interest rate of 5.50%, payable in 179 monthly installments of principal and interest at $1,990, with one final payment estimated at $244,243 due July 2027. $ 312,031

Loan #5014, collateralized by deed of trust, with a simple fixed interest rate of 4.00%, payable in one installment of principal and interest due December 2031. 248,986

Loan #5015, collateralized by deed of trust, with a fixed interest rate of 5.50%, payable in 51 monthly installments of principal and interest at $2,287, with one final payment estimated at $393,817 extended to May 2019. The Organization intends to extend the terms on this note and have included this extension of terms in the future minimum payments schedule under the extended terms. 387,890

Loan #5016, collateralized by deed of trust, with a simple fixed interest rate of 5.00%, payable in one installment of principal and interest due December 2022. 232,884

Loan #5020, collateralized by deed of trust, with a fixed interest rate of 5.50%, payable in 92 monthly installments of principal and interest at $852, with one final payment estimated at $104,700 due May 2029. 140,339

Loan #5021, unsecured, 0% interest, principal only payable in monthly installments of $500, with final payment due September 2021. 5,138

Loan #5023, collateralized by deed of trust, with a simple fixed interest rate of 4.50%, payable in one installment of principal and interest due June 2022. 487,995

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 2022. 368,430

Loan #5026, collateralized by deed of trust, with a simple fixed interest rate of 4.00% to be accrued, with annual payments of 50% of residual receipts beginning May 2017 and one final principal and interest payment due June 2037. 229,950

Loan #5027, collateralized by deed of trust, with a simple fixed interest rate of 4.00% to be accrued, with annual payments of 50% of residual receipts beginning June 2018 and a final principal and interest payment due June 2037. 456,325
Note 4: Notes Receivable (Continued)

Loan #5028, collateralized by deed of trust, with a simple fixed interest rate of 4.00%, with annual payments of 50% of residual receipts beginning 1-year following construction period and a final principal and interest payment due June 2037. $ 637,800

Loan #5029, collateralized by deed of trust, with a fixed interest rate of 4.75%, interest payable monthly, payments of principal 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 principal amount of $35,000 plus accrued interest, maturity date is December 2019. 635,000

Loan #5030, collateralized by deed of trust, with a simple fixed interest rate of 2.50%, payable in 115 monthly installments of principal and interest at $500, due May 2026. 39,986

Loan #5031, 1/3 participant in underlying $3,000,000 note issued by Coast National Bank, collateralized by deed of trust, with a fixed interest rate of 5.70%, payable in 119 monthly installments of principal and interest at $18,934, with on final payment estimated at $2,292,435 due April 2027. 895,216

Loan #5032, collateralized by deed of trust, with a simple fixed interest rate of 4.00%, with annual payments of 50% of residual receipts beginning 1-year following construction period and a final principal and interest payment due March 2034. 206,089

Loan #5034, collateralized by deed of trust, with a simple fixed interest rate of 4.00%, with annual payments of 50% of residual receipts beginning 1-year following construction period and a final principal and interest payment due November 2035. 324,953

Loan #5035, collateralized by deed of trust, with a simple fixed interest rate of 4.00%, with annual payments of 50% of residual receipts beginning 1-year following construction period and a final principal and interest payment due May 2036. 489,848

Loan #5036, collateralized by deed of trust, with a simple fixed interest rate of 4.00%, with annual payments of 50% of residual receipts beginning 1-year following construction period and a final principal and interest payment due November 2036. 417,973

Loan #5037, collateralized by deed of trust, with a simple fixed interest rate of 4.00%, with annual payments of 50% of residual receipts beginning 1-year following construction period and a final principal and interest payment due March 2037. 350,582
Note 4: Notes Receivable (Continued)

Loan #5038, collateralized by deed of trust, with a fixed interest rate of 2.00%, payable in one installment of principal and interest due May 2023. $ 605,919

Loan #5039, collateralized by deed of trust, with a simple fixed interest rate of 5.00%, payable in one installment of principal and interest due March 2023. 1,433,730

Loan #5040, collateralized by deed of trust, with a fixed interest rate of 2.00%, payable in monthly installments of principal and interest at $1,116 with the final payment due September 2048. 298,084

Loan #5041, collateralized by deed of trust, with a simple fixed interest rate of 4.00%, accrued interest due at completion of construction, with annual payments of 50% of residual receipts beginning 1-year following construction period and a final principal and interest payment due November 2038. 362,209

Loan #5042, collateralized by deed of trust, with a simple fixed interest rate of 4.00%, accrued interest due at completion of construction, with annual payments of 50% of residual receipts beginning 1-year following construction period and a final principal and interest payment due November 2038. 603,024

Loan #5043, collateralized by deed of trust, with a fixed interest rate of 5.50%, interest payable monthly, with principal due November 2023. 1,600,000

Less current portion (712,870)

Notes and accrued interest receivable, net of current portion $ 11,452,073

At December 31, 2018, aggregate maturities of notes receivable were as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$ 712,870</td>
</tr>
<tr>
<td>2020</td>
<td>366,654</td>
</tr>
<tr>
<td>2021</td>
<td>90,097</td>
</tr>
<tr>
<td>2022</td>
<td>1,135,838</td>
</tr>
<tr>
<td>2023</td>
<td>3,721,644</td>
</tr>
<tr>
<td>Thereafter</td>
<td>6,137,840</td>
</tr>
<tr>
<td>Total</td>
<td>$ 12,164,943</td>
</tr>
</tbody>
</table>
Note 5: Line of Credit

During the year ended December 31, 2018, the Organization had an unsecured line of credit agreement with Pacific Premier Bank. The line of credit allows for borrowings up to $2,000,000 with a maturity date of July 11, 2023. Interest accrues at the rate of 3.75% per annum and is payable in annual installments beginning July 11, 2019. There was $1,000,000 outstanding on the line of credit at December 31, 2018. The line of credit has a business debt coverage ratio covenant which the Organization was in compliance with at December 31, 2018.

Note 6: Notes Payable

At December 31, 2018 notes payable consisted of the following:

- Note payable to the Sisters of Charity of Cincinnati, Inc., dated May 1, 2016, payable in quarterly payments of $5,554, including interest accrued at 3.00% per annum, and one final payment of $75,000 at the maturity date of May 1, 2021. $ 122,920
- Note payable to the United States Department of Agriculture, dated May 1, 2018, payable in annual interest-only payments at 1.00% per annum beginning May 1, 2019, and one final payment of principal and interest on May 1, 2048. 25,000
- Note payable to Rabobank, dated July 21, 2014, payable in full with no interest on August 1, 2019. 500,000
- Note payable to Pacific Western Bank, dated August 8, 2014, payable in full with no interest on August 8, 2019. 250,000
- Note payable to Adrian Dominican Sisters, dated February 15, 2015, interest is due quarterly, payable in full, including any unpaid accrued interest at 3.00% per annum, on February 15, 2020. 200,000
- Note payable to Pacific Premier Bank, dated April 17, 2015, payable in full with no interest on April 17, 2020. 1,000,000
- Note payable to Rabobank, dated May 13, 2015, payable in full with no interest on May 1, 2020. 500,000
- Note payable to Adrian Dominican Sisters, dated June 15, 2016, interest is due quarterly, payable in full, including any unpaid accrued interest at 3.00% per annum, on June 15, 2020. 50,000
Note 6: Notes Payable (Continued)

Note payable to Founders Community Bank, dated September 16, 2015, payable in full with no interest on September 18, 2020. $ 250,000

Note payable to Sisters of Saint Francis, dated April 15, 2011, interest due annually, payable in full, including any unpaid accrued interest at 3.00% per annum, on April 15, 2021. 50,000

Note payable to Rabobank, dated September 22, 2016, interest due monthly, payable in full, including any unpaid accrued interest at 2.25% per annum, on September 30, 2021. 200,000

Note payable to Dignity Health, dated March 1, 2016, interest paid quarterly, payable in full, including any unpaid accrued interest at 2.00% per annum, on March 1, 2023. 500,000

Note payable to Dignity Health, dated June 1, 2016, interest paid quarterly, payable in full, including any unpaid accrued interest at 3.00% per annum, on June 1, 2023. 500,000

Note payable to the Community Foundation of San Luis Obispo County, dated August 31, 2018, interest paid quarterly, payable in full, including any unpaid accrued interest at 3.00% per annum, on August 31, 2023. 350,000

Less current portion 4,497,920

Notes payable, net of current portion (768,740) $ 3,729,180

At December 31, 2018, aggregate maturities of notes payable were as follows:

<table>
<thead>
<tr>
<th>For the Year Ending December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$ 768,740</td>
</tr>
<tr>
<td>2020</td>
<td>2,019,308</td>
</tr>
<tr>
<td>2021</td>
<td>334,873</td>
</tr>
<tr>
<td>2022</td>
<td>811</td>
</tr>
<tr>
<td>2023</td>
<td>1,350,819</td>
</tr>
<tr>
<td>Thereafter</td>
<td>23,369</td>
</tr>
<tr>
<td>Total</td>
<td>$ 4,497,920</td>
</tr>
</tbody>
</table>

Less current portion (768,740) $ 3,729,180
Note 7: Grant Requirements

The Organization receives 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 was 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.

Note 8: Commitments and Contingencies

Operating Leases

The Organization has a lease for its office facility, which is classified as an operating lease. The original term of the was extended through December 31, 2020. 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 $16,897 for the year ended December 31, 2018. Future minimum lease payments of 100% of the rental obligation under this lease agreement as of December 31, 2018 are as follows:

<table>
<thead>
<tr>
<th>For the Year Ending December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$28,680</td>
</tr>
<tr>
<td>2020</td>
<td>$29,544</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$58,224</strong></td>
</tr>
</tbody>
</table>

Note 9: Designations and Restrictions on Net Assets

At December 31, 2018, the Organization had the following net assets without donor restrictions:

- Undesignated: $5,025,791
- Designated by the Board for loan losses: $600,000
- Designated by the Board for operating reserve: $300,000

**Total:** $5,925,791
Note 9:  Designations and Restrictions on Net Assets (Continued)

At December 31, 2018, the Organization had the following net assets with donor restrictions:

<table>
<thead>
<tr>
<th>Purpose restrictions:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted loan funds - permanently restricted</td>
<td>$231,416</td>
</tr>
<tr>
<td>Rental deposit program</td>
<td>65,000</td>
</tr>
<tr>
<td>Time-restricted for future periods:</td>
<td></td>
</tr>
<tr>
<td>Capital Magnet Fund</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Local Housing Trust Fund Program</td>
<td>575,000</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$1,871,416</td>
</tr>
</tbody>
</table>

Note 10:  Prior Year Restatement

The Organization recorded a prior year restatement in these financial statements related to a grant received in 2015 for a rental deposit program that they were accounting for as an agency relationship. The impact of the prior year restatement was to increase temporarily restricted net assets and decrease deferred income by $75,000.

Note 11:  Subsequent Events

Events subsequent to December 31, 2018 have been evaluated through March 18, 2019, which is the date the financial statements were available to be issued.

Subsequent to year end, the Organization entered into two new notes receivable:

- Loan #5044 was dated March 1, 2019 for $200,000 secured by a leasehold deed of trust with a simple fixed interest rate of 4.00%. Accrued interest is due at the end of construction with annual payments of 50% of residual receipts beginning 1-year following the construction period. There is a final interest and principal payment due in March 2039.

- Loan #5045 was dated March 11, 2019 for $1,000,000 and is secured by a deed of trust with an initial interest rate of 5.50%. Monthly interest only payments are due beginning May 1, 2019. All principal and unpaid interest is due November 2023.
Federal Awards
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 of
San Luis Obispo County Housing Trust Fund

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 (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 misstatement 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 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 control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Luis Obispo County Housing Trust Fund'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, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Glenn Burdette Attest Corporation
San Luis Obispo, California

March 18, 2019
Independent Auditors’ Report on Compliance For Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance

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

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 U. S. Office of Management and Budget (OMB) 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, 2018. 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 federal statutes, regulations, and the terms and conditions of its
federal awards applicable to federal programs.

Auditor’s 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part
200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform
Guidance). Those standards and 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 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 on 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, 2018.

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 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 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 control over 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 charges 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.
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.

Glenn Burdette Attest Corporation
San Luis Obispo, California

March 18, 2019
San Luis Obispo County Housing Trust Fund
Schedule of Expenditure of Federal Awards
Year Ended December 31, 2018

<table>
<thead>
<tr>
<th>Federal Grantor/Pass-through Grantor/Program Title</th>
<th>Federal CFDA Number</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Department of the Treasury Capital Magnet Fund</td>
<td>21.011</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>US Department of Agriculture Intermediary Relending Program</td>
<td>10.767</td>
<td>25,000</td>
</tr>
</tbody>
</table>

Total expenditures of federal awards $1,025,000

The accompanying notes are an integral part of this schedule.
Note 1: Basis of Presentation

The purpose of the accompanying schedule of expenditures of federal awards (the schedule) is to present a summary of those activities of the San Luis Obispo County Housing Trust Fund (Organization) for the year ended December 31, 2018, which have been financed by federal awards. For purposes of the schedule, federal awards include all federal grants received directly from the federal government and sub-awards from nonfederal organizations made under federally sponsored agreements. Because the schedule presents only a selected portion of the activities of the Organization, it is not intended to and does not present either the financial position or changes in net position of the Organization.

The information in this 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 Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in the basic financial statements.

Note 2: Expenditures

The expenditures reported in the schedule follow the cost principles contained in the Uniform Guidance. The cost principles indicate that certain types of expenditures are not allowable and certain allowable costs are limited as to reimbursement. There were no sub-recipients for the year ended December 31, 2018.

Note 3: Indirect Cost Rate

The Organization has elected to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance, but has no grant in the current year that allow indirect costs.

Note 4: Loans Outstanding

The Organization had $25,000 in loans outstanding under the USDA Intermediary Relending Program (CFDS – 10.767). The $25,000 loan was made in the year ended December 31, 2018 and is included on the schedule at that value.
San Luis Obispo County Housing Trust Fund  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2018

Section I: Summary of Auditors’ Results

Financial Statements

(a) Type of auditors’ report issued on financial statements: Unmodified.

(b) Internal control over financial reporting:
   - Material weakness(es) identified: No.
   - Significant deficiencies identified not considered to be material weaknesses: None reported.

(c) Noncompliance material to financial statements noted: No.

Federal Awards

(d) Internal control over major programs:
   - Material weakness(es) identified: No.
   - Significant deficiencies identified not considered to be material weaknesses: None reported.

(e) Type of auditors’ report issued on compliance for major programs: Unmodified.

(f) Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a): No.

(g) Dollar threshold used to distinguish between Type A and Type B programs: $750,000.

(h) Major program(s):
   - US Department of the Treasury: Capital Magnet Fund (CFDA 21.011)

(i) Auditee qualified as low-risk auditee: No.

Section II: Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None

Section III: Findings and Questioned Costs for Federal Awards

None
San Luis Obispo County Housing Trust Fund
Status of Prior Year Findings and Questioned Costs – December 31, 2017
Year Ended December 31, 2018

Section IV: Status of Prior Year Findings and Questioned Costs

No single audit required in the prior year.