

**SAN LUIS OBISPO COUNTY
HOUSING TRUST FUND**

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

For the Year Ended
December 31, 2004

SAN LUIS OBISPO COUNTY HOUSING TRUST FUND
INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
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CROSBY & CINDRICH, CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

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Independent Auditors' Report

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

We have audited the accompanying statement of financial position of San Luis Obispo County Housing Trust Fund (a nonprofit organization), as of December 31, 2004, and the related statements of activities, functional expenses, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Luis Obispo County Housing Trust Fund, as of December 31, 2004, and the results of its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

CROSBY & CINDRICH
Certified Public Accountants
A Professional Corporation

April 28, 2005

SAN LUIS OBISPO COUNTY HOUSING TRUST FUND

STATEMENT OF FINANCIAL POSITION

December 31, 2004

ASSETS

Current assets:

Cash and cash equivalents

\$ 114,684

Prepaid expenses

3,445

Total assets

\$ 118,129

LIABILITIES AND NET ASSETS

Current liabilities:

Accrued vacation payable

\$ 2,827

Accrued health insurance reimbursement

9,000

Total liabilities

11,827

Net assets:

Unrestricted

100,199

Temporarily restricted

84

Permanently restricted

6,019

Total net assets

\$ 106,302

Total liabilities and net assets

\$ 118,129

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

SAN LUIS OBISPO COUNTY HOUSING TRUST FUND

STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2004

	Operating Fund Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenue:				
Grants	\$ 225,075			\$ 225,075
Contributions	19,697		\$ 1,075	20,772
Special events - net of \$925 in direct expenses	51			51
Interest income	835	\$ 55		890
Total revenue	245,658	55	1,075	246,788
Expenses:				
Program services	102,522			102,522
Management and general	34,910			34,910
Fundraising	31,113			31,113
Total expenses	168,545			168,545
Increase in net assets	\$ 77,113	\$ 55	\$ 1,075	\$ 78,243

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

SAN LUIS OBISPO COUNTY HOUSING TRUST FUND

STATEMENT OF CHANGES IN NET ASSETS

For The Year Ended December 31, 2004

	<u>Operating Fund Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
NET ASSETS - December 31, 2003	\$ 23,086	\$ 29	\$ 4,944	\$ 28,059
Increase in net assets	77,113	55	1,075	78,243
NET ASSETS - December 31, 2004	\$ 100,199	\$ 84	\$ 6,019	\$ 106,302

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

SAN LUIS OBISPO COUNTY HOUSING TRUST FUND

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2004

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Totals</u>
Salary and wages	\$ 52,296	\$ 17,432	\$ 17,432	\$ 87,160
Payroll taxes and benefits	9,911	3,304	3,304	16,519
Rent	5,355	1,760	535	7,650
Training and meetings	1,148	377	115	1,640
Accounting and legal	1,003	330	100	1,433
Automobile and travel expense	1,393	458	139	1,990
Professional services	20,128	7,786	8,022	35,936
Office expense	835	256	78	1,169
Furnishings and equipment	1,005	330	100	1,435
Pension expense	1,788	596	596	2,980
Postage	157	52	15	224
Printing	638	210	63	911
Insurance	2,569	844	257	3,670
Advertising and recruitment	409	134	41	584
Telephone and communications	1,601	290	88	1,979
Miscellaneous	1,871	615	187	2,673
Repairs and maintenance	117	38	12	167
Dues and subscriptions	298	98	29	425
Total	\$ 102,522	\$ 34,910	\$ 31,113	\$ 168,545

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

SAN LUIS OBISPO COUNTY HOUSING TRUST FUND

STATEMENT OF CASH FLOWS For The Year Ended December 31, 2004

<i>Cash flows from operating activities:</i>	
Increase in net assets	\$ 78,243
Adjustment to reconcile increase in net assets to net cash provided by operating activities:	
Increase in prepaid expenses	(801)
Increase in accrued vacation payable	2,827
Increase in health insurance reimbursement	7,200
Total adjustments	9,226
Net cash provided by operating activities	87,469
<i>Net increase in cash</i>	87,469
<i>Cash at beginning of year</i>	27,215
<i>Cash at end of year</i>	\$ 114,684

Supplemental information:

There was no cash paid for interest or income taxes for the year ended December 31, 2004.

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

SAN LUIS OBISPO COUNTY HOUSING TRUST FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 1: HISTORY AND ORGANIZATION

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

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

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

Cash and Cash Equivalents

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

Contributions

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

See accountants' report.

SAN LUIS OBISPO COUNTY HOUSING TRUST FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

Income Tax

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

Donated Services

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

Concentration of Revenue Risk

The Organization's three largest grants provided approximately 87% of the Organization's support.

NOTE 3: LINE OF CREDIT

Effective February 20, 2004, the organization established a ten year, \$1,000,000 line-of-credit with Mission Community Bank, secured by future loans that will be assigned as collateral. As of December 31, 2004, there was no balance due on this line-of-credit.

NOTE 4: EMPLOYEE BENEFITS/RETIREMENT PLAN

San Luis Obispo County Housing Trust Fund offers an Internal Revenue Code Section 403(b) deferral program which the Organization contributes 3% of each qualified employees salary to a money purchase pension plan. Total pension expense for the year was \$2,980.

The Organization also offers a health care direct reimbursement program. The program is available to employees eligible for health plan benefits, effective October 1, 2003. Total health care direct reimbursement program expense for the year was \$7,200.

See accountants' report.