

**HOUSING ENDOWMENT AND REGIONAL TRUST
OF SAN MATEO COUNTY**



**Financial Statements and
Independent Auditor's Report
June 30, 2008 and 2007**

**HOUSING ENDOWMENT AND REGIONAL TRUST
OF SAN MATEO COUNTY**

JUNE 30, 2008 and 2007

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 6
Basic Financial Statements:	
Government-Wide Financial Statements	
Statements of Net Assets	7
Statements of Activities	8
Fund Financial Statements	
Balance Sheets – governmental fund	9
Statements of Revenues, Expenditures and Changes in Fund Balance – governmental fund	10
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statements of Activities	11
Notes to the Financial Statements	12 - 22
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Governmental Fund	23
Notes to the Required Supplementary Information	24
Supplementary Information:	
Status of Funds	25

information has been subject to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

County of San Mateo Controller

Redwood City, California
April 14, 2009

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Housing Endowment and Regional Trust of San Mateo County (HEART), we offer our readers of HEART's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes.

Financial Highlights

- HEART's total net assets as of June 30, 2008 amounted to \$5,736,976, an increase of \$1,021,789 from prior year. The increase was due to the excess of revenues over expenses during the current year, as HEART continued fundraising and seeking investments for its housing programs.
- Most of the \$5,736,976 in net assets was comprised of outstanding loans receivable from housing developers and surplus cash.
- HEART loaned \$1,314,699 to developers during the current year to assist in the development of low-income housing for seniors and working families.
- Total program revenue for the year amounted to \$1,216,951 comprising of operating grants and contributions from member agencies (\$269,754), County of San Mateo (\$200,000), State of California (\$255,000) and donor contributions (\$492,197).

Overview of the Financial Statements

HEART's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide the reader with a broad overview of HEART's finances, in a manner similar to a private-sector business.

The *statements of net asset* present information on HEART's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of HEART is improving or deteriorating.

The *statements of activities* report how HEART's net assets changed during the most recent fiscal year. Changes in net assets are reported as soon as underlying events occur, regardless of the timing of the related cash flows. Thus, some revenues and expenses reported in this statement may result in cash flows only in future periods. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide financial statements can be found on pages 7 and 8 of this report.

**HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Fund Financial Statements

A fund is a group of related accounts that is used to control resources that have been segregated for specific activities or objectives. HEART uses fund accounting to ensure compliance with various legal requirements, such as the annually adopted budget. Accordingly, a budgetary comparison schedule has been included in the supplementary information section of the financial statements to demonstrate compliance with budget.

Fund financial statements report essentially the same information as in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year.

As required by accounting principles, the financial transactions of HEART are accounted for in a Special Revenue Fund, a governmental fund, as monies received by it are legally restricted to specific use. Monies allocated and disbursed to HEART can be expended only for purposes authorized under the Agreement.

The fund financial statements can be found on pages 9 through 11 of this report.

Notes to the Financial Statements

The *notes to the financial statements* on pages 12 through 22 provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Other Information

This report also presents certain required supplementary information concerning compliance with HEART's annual budget. This information, as well as associated notes, immediately follows the basic financial statements and the accompanying notes.

Financial Analysis

Net Assets

Net Assets	2008	2007	2006
Cash and cash equivalents	\$ 3,006,852	\$ 1,170,265	\$ 2,585,728
Securities lending collateral	320,964	216,811	407,680
Receivable and prepaid expense	3,130,505	3,519,096	42,786
Restricted assets	1,404,699	1,030,270	-
Total Assets	7,863,020	5,936,442	3,036,194
Accounts payable	42,566	4,444	15,670
Securities lending collateral due	320,964	216,811	407,680
Long-term liabilities	1,762,514	1,000,000	-
Total Liabilities	2,126,044	1,221,255	423,350
Net assets-restricted	1,404,699	1,030,270	-
Net assets-unrestricted	4,332,277	3,684,917	2,612,844
Total Net Assets	\$ 5,736,976	\$ 4,715,187	\$ 2,612,844

**HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

- Total assets are \$7,863,020, an increase of \$1,926,578 or 32% compared to the previous fiscal year. The increase was mostly due to an increase in cash and cash equivalents.
- Total liabilities increased \$904,789 or 74% between fiscal years to \$2,126,044. The increase was due to increased in accounts payable, securities lending collateral due and long-term liabilities.
- Net Assets are \$5,736,976, an increase of \$1,021,789 or 22% compared to the previous fiscal year and are divided into restricted (\$1,404,699) and unrestricted (\$4,332,277) portions. Restricted assets are monies received for specific programs that must be used exclusively for the purpose designated. Unrestricted net assets are available expendable assets that are not designated or restricted for specific use. The increase in net assets reflects the excess of operating grants, contributions and investment earnings over expenses.

Changes in Net Assets

Changes in Net Assets	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues:			
Program Revenues:			
Operating grants and contributions	\$ 1,216,951	\$ 2,258,817	\$ 454,192
General Revenues	98,844	119,401	61,890
Total Revenues	<u>1,315,795</u>	<u>2,378,218</u>	<u>516,082</u>
Expenses:			
General management and admin support	251,367	258,780	215,580
Legal services	10,000	10,000	10,000
Research	-	-	20,000
Branding and communication	-	2,587	21,514
Interest on long-term debt	32,514	4,444	-
Miscellaneous	125	64	-
Total Expenses	<u>294,006</u>	<u>275,875</u>	<u>267,094</u>
Change in Net Assets	1,021,789	2,102,343	248,988
Net Assets - beginning	<u>4,715,187</u>	<u>2,612,844</u>	<u>2,363,856</u>
Net Assets - ending	<u>\$ 5,736,976</u>	<u>\$ 4,715,187</u>	<u>\$ 2,612,844</u>

- Revenues during the current period were 1,315,795, a decrease of \$1,062,423 or 45% compared to the prior fiscal year. This was primarily the result of a decrease in operating grants and contributions revenue.
- Total expenses incurred during the year amounted to \$294,006; for an increase of \$18,131 or 7% compared to the prior fiscal year. This was due to an increase in interest on long-term debt.

**HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Budgetary Analysis

	<u>Final Amended Budget (1)</u>	<u>Actual Amount - Budgetary Basis (1)</u>	<u>Variance – Positive (Negative)</u>
Total Revenues and Other Financing Sources	\$ 271,790	\$ 3,800,643	\$ 3,528,853
Total Expenditures and Other Financing Uses	<u>(290,478)</u>	<u>(1,596,191)</u>	<u>(1,305,713)</u>
Net Change in Fund Balance	<u>\$ (18,688)</u>	<u>\$ 2,204,452</u>	<u>\$ 2,223,140</u>

(1) The ‘Final Amended Budget’ column represents the Administrative funds budget only. There was no budget adopted in the current year for Program funds. The ‘Actual Amount – Budgetary Basis’ column represents revenues and expenditures for both Program and Administrative funds during the year.

Actual expenditures exceeded the budgeted amount by \$1,305,713. The negative variance was due to the amount spent on loans to developers from Program funds. Overall, there was a net favorable variance of \$2,223,140 during the year.

The budgetary comparison information can be found on pages 23 through 24 of this report.

Beyond FY2008

HEART continues its efforts to raise funds from private sources through a capital campaign.

In late spring 2008, HEART launched “Opening Doors in Our Community,” a homebuyer assistance program. In summer 2008, in the next fiscal year, HEART made its first down payment assistance loan to a homebuyer. The loan was immediately purchased by Meriwest Mortgage Company, HEART’s financial partner for the homebuyer assistance program.

In February 2009, HEART committed \$1 million each to two housing developers, one in San Mateo through the QuickStart Revolving Loan Fund, and one in South San Francisco through the new Genentech Inc., South San Francisco Fund, which is being capitalized by a multi-year grant from Genentech Inc.

Requests for Information

This financial report is designed to provide a general overview of HEART’s finances for all those interested. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Housing Endowment and Regional Trust, 139 Mitchell Avenue, Suite 108, South San Francisco, CA 94080.

BASIC FINANCIAL STATEMENTS
Government-Wide Financial Statements

Housing Endowment and Regional Trust of San Mateo County
Statements of Net Assets
June 30, 2008 and 2007

	Governmental Activities	
	2008	2007
Assets		
Cash and cash equivalents (Note 2)	\$ 3,006,852	\$ 1,170,265
Securities lending collateral (Note 2(g))	320,964	216,811
Receivables, net (Note 4):		
Interest	62,331	14,096
Loans	3,044,699	3,490,000
Prepaid expense (Note 3)	23,475	15,000
Restricted assets (Note 1 (b)):		
Temporarily restricted:		
Cash and cash equivalents	1,404,699	1,030,270
Total Assets	<u>7,863,020</u>	<u>5,936,442</u>
Liabilities		
Accounts payable (Note 5)	42,566	4,444
Securities lending collateral due	320,964	216,811
Noncurrent liabilities (Note 6):		
Due in more than one year	1,762,514	1,000,000
Total Liabilities	<u>2,126,044</u>	<u>1,221,255</u>
Net Assets		
Restricted for (Note 8):		
QuickStart Revolving Loan - housing developers	963,707	1,000,192
Debt service - Loan Loss Reserve Account	30,292	30,078
Home Buyer Assistance Loan Program	210,700	-
Grant - City of Sout San Francisco Housing	200,000	
Unrestricted	4,332,277	3,684,917
Total Net Assets	<u>\$ 5,736,976</u>	<u>\$ 4,715,187</u>

The notes to the financial statements are an integral part of this statement.

Housing Endowment and Regional Trust of San Mateo County
Statements of Activities
For the Years Ended June 30, 2008 and 2007

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Expenses		
General management and administrative support	\$ 251,367	\$ 258,780
Legal services	10,000	10,000
Branding and communications	-	2,587
Interest on long-term debt (Note 6)	32,514	4,444
Miscellaneous	125	64
Total Expenses	<u>294,006</u>	<u>275,875</u>
Program Revenues		
Operating grants and contributions (Note 7):		
Member agencies	269,754	222,097
County of San Mateo	200,000	200,000
State of California	255,000	1,745,000
Donors	492,197	91,720
Total Program Revenues	<u>1,216,951</u>	<u>2,258,817</u>
Net Program Revenue	922,945	1,982,942
General Revenues (Expenses)		
Investment earnings (Note 7)	96,207	119,173
Securities lending income	18,642	9,385
Securities lending expenses	(16,005)	(9,157)
Total General Revenues (Expenses)	<u>98,844</u>	<u>119,401</u>
Change in Net Assets	1,021,789	2,102,343
Net Assets - beginning	<u>4,715,187</u>	<u>2,612,844</u>
Net Assets - ending	<u><u>\$ 5,736,976</u></u>	<u><u>\$ 4,715,187</u></u>

The notes to the financial statements are an integral part of this statement.

BASIC FINANCIAL STATEMENTS
Fund Financial Statements

Housing Endowment and Regional Trust of San Mateo County
Balance Sheets - Governmental Fund
June 30, 2008 and 2007

	2008	2007
Assets		
Cash and cash equivalents (Note 2)	\$ 3,006,852	\$ 1,170,265
Securities lending collateral (Note 2(g))	320,964	216,811
Interest receivable, net (Note 4 (a)):	26,198	14,096
Prepaid expense (Note 3)	23,475	15,000
Cash - restricted (Note 1(b))	1,404,699	1,030,270
Total Assets	\$ 4,782,188	\$ 2,446,442
Liabilities and Fund Balance		
Liabilities:		
Accounts payable (Note 5)	\$ 42,566	\$ 4,444
Securities lending collateral due	320,964	216,811
Total Liabilities	363,530	221,255
Fund Balance (Note 1(b)):		
Reserved for (Note 8):		
QuickStart Revolving Loan - housing developers	963,707	1,000,192
Debt Service - Loan Loss Reserve Account	30,292	30,078
Home Buyer Assistance Loan Program	210,700	-
Grant - City of South San Francisco Housing	200,000	-
Unreserved:		
Undesignated	3,013,959	1,194,917
Total Fund Balance	4,418,658	2,225,187
Total Liabilities and Fund Balance	\$ 4,782,188	\$ 2,446,442
Reconciliation of Fund Balance Sheets to the Statements of Net Assets:		
Total Fund Balance - Governmental Fund	\$ 4,418,658	\$ 2,225,187
Amounts reported for governmental activities in the statements of net assets (page 7) are different because:		
Long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the fund.		
Loans receivable	3,044,699	3,490,000
Interest receivable	36,133	-
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund.		
	(1,762,514)	(1,000,000)
Net assets of governmental activities	\$ 5,736,976	\$ 4,715,187

The notes to the financial statements are an integral part of this statement.

Housing Endowment and Regional Trust of San Mateo County
Statements of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues (Note 7)		
Member agency contributions	\$ 269,754	\$ 222,097
County contributions	200,000	200,000
Donor contributions	492,197	91,720
State aid	255,000	1,745,000
Investment earnings	60,074	119,173
Securities lending income	18,642	9,385
Total Revenues	<u>1,295,667</u>	<u>2,387,375</u>
Expenditures		
General management and administrative support	251,367	258,780
Legal services	10,000	10,000
Branding and communications	-	2,587
Miscellaneous	125	64
Securities lending expense	16,005	9,157
Debt service (Note 6):		
Interest	20,000	4,444
Total Expenditures	<u>297,497</u>	<u>285,032</u>
Excess of Revenues Over Expenditures	998,170	2,102,343
Other Financing Sources (Uses)		
Loan proceeds	750,000	1,000,000
Loan repayments	1,760,000	-
Loan funding	<u>(1,314,699)</u>	<u>(3,490,000)</u>
Total Other Financing Sources (Uses)	<u>1,195,301</u>	<u>(2,490,000)</u>
Net Change in Fund Balance	2,193,471	(387,657)
Fund Balance - Beginning	<u>2,225,187</u>	<u>2,612,844</u>
Fund Balance - Ending	<u>\$ 4,418,658</u>	<u>\$ 2,225,187</u>

The notes to the financial statements are an integral part of this statement.

**Housing Endowment and Regional Trust of San Mateo County
Reconciliation of the Statements of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Fund
to the Statements of Activities
For the Years Ended June 30, 2008 and 2007**

	2008	2007
Amounts reported for governmental activities in the Statements of Activities (page 8) are different because:		
Net change in fund balance - governmental fund (page 10)	\$ 2,193,471	\$ (387,657)
Loan funding is reported as financing uses in the governmental fund and thus contribute to the change in fund balance. In the statement of activities, however, these payments increase long-term assets and do not affect the statement of activities.	1,314,699	3,490,000
Loan repayments is reported as financing sources in the governmental fund and thus contribute to the change in fund balance. In the statement of activities, however, these proceeds decrease long-term assets and do not affect the statement of activities.	(1,760,000)	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	36,133	-
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.	(12,514)	-
Loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of activities, however, issuing debt increases long-term liabilities and does not affect the statement of activities.	(750,000)	(1,000,000)
Change in net assets of governmental activities (page 8)	\$ 1,021,789	\$ 2,102,343

The notes to the financial statements are an integral part of this statement.

BASIC FINANCIAL STATEMENTS
Notes to the Basic Financial Statements

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

On February 26, 2002, the County of San Mateo (County) approved establishment of a housing trust fund for the County and set aside \$3 Million from reserves to be used as the initial capitalization for the fund. A Joint Powers Agreement (Agreement) between the County and certain cities and towns within the County (Member Agencies) established the Housing Endowment and Regional Trust (HEART) in 2003 under the Joint Exercise of Powers Act per California Government Code Sections 6500 et seq. The Agreement will be in effect at least until March 30, 2013 and can be terminated thereafter according to the terms specified in the Agreement. HEART's general purpose is to support and generate funding that will result in permanent additions to the workforce and to meet critical housing needs in San Mateo County.

HEART is an entity separate from each participating entity and is under the direction of a Board of Directors (Board). The Board is comprised of 11 elected officials from the County and Member Agencies and 10 at-large members who are not publicly elected officials. The Board appoints a managing agent who is responsible for the day-to-day administration of HEART under its direction.

Effective January 8, 2008, HEART obtained a determination from the Internal Revenue Service of its tax-exempt status and classification as a public charity under Section 501(c)(3) of the Internal Revenue Code (Code). Contributions to HEART are tax deductible under Section 170 of the Code.

The County also made an initial allocation of \$75,000 for administrative costs in addition to the \$3 million initial capitalization. A portion of the initial capitalization is being allocated over a number of years as discussed in Note 7. The Member Agencies support HEART by contributing annual dues. The dues are assessed based upon Member Agency's population information currently in use by City/County Association of Governments of San Mateo County (C/CAG).

The financial transactions of HEART are accounted for in a Special Revenue Fund, as monies received by it are legally restricted to specific use. Monies allocated and disbursed to HEART can be expended only for purposes authorized under the Agreement.

(b) Measurement focus, basis of accounting, and financial statement presentation

Under the new financial reporting model, governments are required to present government-wide and fund financial statements along with reconciliation from the fund financial statements to the government-wide financial statements. The government-wide financial statements are reported on a basis of accounting similar to a commercial enterprise, which is different from the traditional basis of accounting used for the fund financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred regardless of when the related cash flows take place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues from reimbursement type programs are considered to be *available* when they are collectible within six months of the end of the current fiscal period in order to properly match revenues with related expenditures. Expenditures are recognized in the accounting period in which the liability is incurred.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents: Cash and cash equivalents include all monies held in banks, highly liquid investments with maturities of less than three months and cash held in the San Mateo County Investment Pool (County Pool). A portion of the cash balance is pooled with other funds of the County to earn a higher rate of return than could be earned by investing the funds individually. HEART considers its equity in the County's investment pool to be cash equivalents.

Receivables: All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Restricted Assets: Amounts set aside or maintained in separate bank accounts are classified as restricted assets on the balance sheet because use of the funds are limited by the grantor to benefit affordable housing in the city of South San Francisco and by the lending agencies to maintain a Loan Loss Reserve Account and for financing eligible housing developers and homeowners. See Note 8.

Long-term Obligations: Long-term debts are reported as liabilities in the government-wide financial statements. In the fund financial statements, governmental fund types report the face amount of the debt issued as other financing sources and interest and principal payments made in the current period are reported as debt service expenditures.

Fund Balance: The unreserved fund balance represents the amount available for future operations. Any reservations of fund balance for amounts not available for appropriation are separately reported.

(c) Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results based on subsequent events could differ from those estimates.

(d) Budgetary Information

HEART adopts an annual budget that can be amended throughout the year. The basis used to prepare the budget is the same as the basis used to reflect actual revenues and expenditures except that securities lending income and expenses and unrealized gains and losses are not included in the budget and in the current year HEART did not include Program Funds' revenues and expenditures in its budget. See Note 1 of the notes to the required supplementary information for detail.

(e) Reclassifications

Certain minor amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 and 2007

2. CASH AND CASH EQUIVALENTS

(a) Cash and Cash Equivalents

A portion of the cash reported in the *statement of net assets* is pooled with other funds in the County Pool, which is a governmental investment pool managed and directed by the elected San Mateo County Treasurer. The County Pool is not registered with the Securities and Exchange Commission. An oversight committee, comprised of local government officials and various participants, provide oversight to the management of the fund. HEART is a voluntary participant in the County Pool.

Cash and cash equivalents in the County Pool are reported at fair value, as required by GASB 31. The change in fair value for the year is recorded as unrealized gain or loss and reported as part of investment earnings. Fair value is based on information provided by the County Treasurer. The fair value of cash and cash equivalents at fiscal year-end was \$3,206,852 (2007: \$1,170,265) and the book value was \$3,227,439 (2007: \$1,179,871).

(b) Authorized Investments of the County Pool

The County Pool's Investment Policy and the California Government Code allow the County Pool to invest in the following, provided the credit ratings of the issuers are acceptable to the County Pool. The following also identifies certain requirements of the County Pool and California Government Code that address interest rate risk, credit risk, and concentrations of credit risk:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum % Allowed in Portfolio	Maximum % Investment in One Issuer
U.S. Treasury Obligations	15 years	-	100	100
Obligations of U.S. Agencies or government sponsored enterprises	15 years	-	100	100
Bankers acceptances	180 days	A-1/P-1	15	10
Collateralized time deposits within the state of California	1 year	-	30	10
Negotiable certificates of deposit	5 years	-	30	5
Commercial paper/Floating rate notes	270 days or less	A-1/P-1	40	10
Repurchase agreements	1 year	-	100	50
Reverse repurchase agreements	92 days	-	20	20
Corporate bonds and medium term notes	5 years	A	30	10
			Up to the current state limit	
Local Agency Investment Fund (LAIF)	-	-	-	-
Shares of beneficial interest	-	-	10	5
Mortgage backed securities	5 years	A	20	5

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 and 2007

2. CASH AND CASH EQUIVALENTS (continued)

At June 30, 2008, the County Pool was invested in the following securities:

Investment Type	Interest Rate	Maturities	Weighted Average Maturity (Years)	Rating
U.S. government securities:				
Not on securities loan	3.125-3.50%	9/15/08-5/31/13	4.72	Exempt
Loaned securities for cash collateral	2.50-3.50%	9/15/08-5/31/13	3.83	Exempt
U.S. government agency securities:				
Not on securities loan	2.27-3.875%	9/15/08-4/21/11	1.52	AAA
Loaned securities for cash collateral	2.375-3.75%	9/15/08-5/29/13	2.36	AAA
U.S. government agency securities: floating rate	2.310-2.747%	12/1/08-7/28/09	.75	AAA
Asset-backed securities	5.20%	2/16/10	1.63	AAA
Negotiable certificates of deposit	2.44-3.22%	7/7/08-6/12/09	.15	AA+, AA-, A+
Repurchase agreements	1.60%	7/1/08	-	AAA
Commercial paper – discount	2.15-3.08%	7/1/08-8/4/08	.02	A-1+, A-1
Corporate bonds	2.875-5.625%	8/1/08-5/20/13	1.88	AAA, AA, AA-, A+, A
Floating rate securities	2.478-4.778%	7/25/08-5/21/12	1.26	AAA, AA+, AA, AA-, AA+, A, A-, BBB+
Money market funds	2.31%	7/31/08	.08	Not rated
Local Agency Investment Fund (LAIF)	4.00%	On Demand	.08	Not rated

(c) County Pool: Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law and the San Mateo County's Investment Policy limit County Pool investments in commercial paper to the rating of A1 or better by Standards & Poor's or P-1 or better by Moody's Investors Service. State law and the San Mateo County's Investment Policy also limit County Pool investments in corporate bonds to the rating of A or higher by both Standards & Poor's and Moody's Investors Service. No limits are placed on the U.S. government agency securities and U.S Treasuries.

(d) County Pool: Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the County Pool's investment in a single issuer of securities. State law restricts the County Pool's investments in commercial paper to 40% of its investment pool and to 10% per issuer. State law also limits the County's investments in corporate bonds and medium term notes to 30% of its investment pool and 10% per issuer, and the bankers' acceptances to 15% of its investment pool and to 10% per issuer.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 and 2007

2. CASH AND CASH EQUIVALENTS (continued)

At June 30, 2008, the County Pool had 12.97% of its investment pool in Federal Home Loan Mortgage Corporation, 3.93% in Federal Home Loan Bank, 4.77% in Federal National Mortgage Association, .67% in Federal Farm Credit Bank, 30.35% in corporate bonds, 14.19% in commercial paper, 15.23% in U. S. Treasuries, .27% in Asset-backed securities, 1.81% in repurchase agreements, 12.83% in certificates of deposit, 1.71% in money market funds, and 1.27% in LAIF. The investment pool has five percent or more of its total investment with the following issuers: 13% in Federal Home Loan Mortgage Corporation, 11% in Lehman Brothers Holdings (commercial paper and corporate bonds), 11% in Wells Fargo & Company (negotiable certificate of deposit, commercial paper and corporate bonds), 9% in Deutsche Bank (negotiable certificate of deposit and commercial paper) and 5% in Morgan Stanley (corporate bonds and commercial paper).

(e) County Pool: Foreign Currency Risk

Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment or deposit. The County investment policy does not include specific provisions to address foreign currency risk.

(f) County Pool: Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. Duration is calculated as the weighted average time to receive interest and principal payments. The longer the duration of the portfolio, the greater its price sensitivity to changes in interest rates. The County Pool manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to five years or less in accordance with its investment policy. As of June 30, 2008, the County Pool had a weighted average maturity of 1.33 years and its floating rate securities were \$730 million. These securities are tied to the three-month London Interbank Offered Rate (LIBOR) index.

(g) Securities Lending Transactions

State Statutes and San Mateo County's Investment Policy permit the use of a securities lending program with its principal custodian bank. The investment policy allows the custodial bank (Custodian) to lend up to 20% of the portfolio within the guidelines of the investment policy. The custodial agreement authorizes the Custodian to loan securities in the County Pool. The loaned securities represent securities on loan to brokers or dealers by the County Pool. The County receives a fee from the borrower for the use of the loaned securities. If loaned securities are not returned by the borrower, the County's Custodian is responsible for replacement of the loaned securities with similar securities. All securities loan agreements can be terminated on demand within a period specified in each agreement by either the County or borrowers.

The loaned securities as of June 30, 2008 and 2007 consisted of U.S. Treasury notes and bonds, U.S. government agency securities. In return, the County receives collateral in the form of cash or securities equal to at least 102% of the transferred securities plus accrued interest for reinvestment. As of June 30, 2008, all of the cash collateral was invested in repurchase agreements, certificates of deposit and commercial paper with a weighted average maturity of 22 days (2007: 8 days). Commercial paper and certificate of deposits were rated at least A1 by Standards and Poor's and P-1 by Moody's. The repurchase agreements are held by Bank of New York

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 and 2007

2. CASH AND CASH EQUIVALENTS (continued)

Mellon Corporation in the County's name and were unrated by Standards and Poor's at June 30, 2008 and 2007. The County does not match the maturities of investments made with cash collateral with the securities on loan.

The relationship between the maturities of the investment pool and the County's loans is affected by the maturities of the securities loans made by the other entities that use the agent's pool, which San Mateo County cannot determine. Securities lending collateral represents investments in an investment pool purchased with cash collateral that may not be pledged or sold without default by the borrower.

Total cash collateral at fiscal year-end amounted to \$320,964 (2007: \$216,811). The value of underlying securities loaned by the County Pool as of June 30, 2008 amounted to \$314,945 (2007: \$212,820). HEART does not have any exposure to credit risk related to the securities lending transactions as of June 30, 2008 and 2007 because the market value of cash collateral exceeds that of the borrowed securities.

(h) Deposits with Financial Institutions: Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, an entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2008, \$804,699 (2007: \$830,270) of HEART's deposits with financial institutions was in excess of federal depository insurance limits.

3. PREPAID EXPENSE

Prepaid expense of \$23,475 (2007: \$15,000) is comprised of amount paid to contractor for future services.

4. RECEIVABLES

(a) Interest Receivable

The interest receivable balance reported in the governmental fund *balance sheet* at year-end of 26,198 (2007: \$14,096) represents fourth quarter investment earnings due from the County Treasurer.

The interest receivable balance reported in the government-wide *statement of net assets* at year-end of \$62,331 (2007: \$14,096) includes investment earnings noted above plus \$36,133 in interest earned on loan receivables from developers.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 and 2007

4. RECEIVABLES (continued)

(b) Loans Receivable

	2008	2007
Loans receivable as of June 30, 2008 and 2007 consist of the following:		
In September 2006, HEART loaned \$1,730,000 of program funds to The Crossings Phase II, L.P. to assist with the development of the 113-unit The Village at the Crossing project in San Bruno, CA, which will provide housing for very-low and extremely-low income households. The term of the loan is 55 years from the issuance of the Certificate of Occupancy and interest is at the rate of 3% per annum. The Certificate of Occupancy was issued on January 10, 2008.	\$ 1,730,000	\$ 1,730,000
In October 2006, HEART loaned \$1,760,000 of program funds to Northpoint Housing, Inc. to assist with the development of the 123-unit Colma Transit Village project in Colma, CA, which would provide housing for very-low and extremely-low income households. The loan was paid off by the developer in the current fiscal year. Loan repayments from the developer were recorded as other financing sources in the <i>statements of revenues, expenditures, and changes in fund balance</i> on page 10.	-	1,760,000
In June 2006, HEART signed a loan agreement with Hillcrest Senior Housing Corporation (HSHC) for \$510,000 to assist with construction financing of the 39-unit Hillcrest Gardens project in Daly City, CA which will provide housing for very-low and extremely-low income seniors. The term of the loan is 55 years from issuance of the Certificate of Occupancy and/or Notice of Completion for the development, whichever is earlier, and interest is at the rate of 3% per annum. The Notice of Completion was issued in the subsequent fiscal year.	510,000	-
In December 2007, HEART loaned \$750,000 of QuickStart Revolving Loan Funds, which was funded by the CalHFA HELP Program loan (see Note 6 below), to Trestle Glen Associates to assist with the development of a 119-unit rental housing project in Colma, CA, which will provide housing for very-low and extremely-low income households. The term of the loan is 3 years beginning December 10, 2007 and interest is at the rate of 2% per annum. No repayment is required during the term of the loan and the entire principal balance plus all accrued interest is due and payable on December 10, 2010.	750,000	-
Sub-total carried forward	\$ 2,990,000	\$ 3,490,000

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 and 2007

4. RECEIVABLES (continued)

(b) Loans Receivable (continued)

	2008	2007
Sub-total brought forward	\$ 2,990,000	\$ 3,490,000

In March 2008, HEART signed a loan agreement with National Church Residences of Pacifica, CA (NCRP) for \$500,000 to assist with the rehabilitation of a 100-unit rental housing development project in Pacifica, CA for very-low and extremely-low income seniors. Funds from the loan are disbursed to NCRP on a reimbursement basis for eligible project costs incurred. The term of the loan is 3-years beginning March 1, 2008 and the loan bears simple interest at a rate of 2% per annum. No repayment is required during the term of the loan and the entire principal balance plus all accrued interest is due and payable on March 1, 2011. The term of the loan may be extended by the Executive Director for up to two additional one year terms at the sole discretion of HEART. During the current fiscal year, \$54,699 of the total amount was disbursed to NCRP.

	54,699	-
Total Loans Receivable	\$ 3,044,699	\$ 3,490,000

5. ACCOUNTS PAYABLE

Accounts payable comprises of the following:

	2008	2007
General management and administrative support	\$ 20,000	\$ -
Loan disbursements	17,566	-
Interest on long-term debt	5,000	4,444
Total	\$ 42,566	\$ 4,444

6. LONG-TERM DEBT

Loans Payable

On January 24, 2007, HEART entered into a loan agreement with Wells Fargo Community Development Corporation for \$1,000,000. The loan is used to capitalize a QuickStart Revolving Loan Fund that will provide short-term, flexible financing to eligible affordable housing developers for predevelopment, construction and rehabilitation of affordable housing or to individual homeowners in low and moderate income areas for the construction of a second unit to their home. The loan is interest only and bears a rate of 2% per annum. The remaining principal balance plus accrued interest is due January 30, 2013. The interest is payable quarterly beginning June 30, 2007. Interest paid on long-term debt during the fiscal year was \$20,000. At June 30, 2008 the outstanding loan amount was \$1,000,000.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 and 2007

6. LONG-TERM DEBT (continued)

On October 24, 2006, HEART entered into a loan agreement with the California Housing Financing Agency (CalHFA) for \$1,500,000 (HELP Loan). Per the loan agreement, HELP Loan funds are to be used exclusively for a revolving loan fund program that will assist with land acquisition and predevelopment costs to allow for the development of multi-family rental projects. Projects financed under the HELP Program are restricted to developments affordable to households earning at or below 60% of the area median income. With these funds and other sources, HEART created the “QuickStart Revolving Loan Fund”.

Funds from the loan are disbursed to HEART on a request basis for eligible costs. The loan is interest only and bears a rate of 3% per annum. The remaining principal balance plus accrued interest is due October 24, 2016. Interest is charged only on funds disbursed. During the current fiscal year, HEART requested \$750,000 from CalHFA. The funds were used to fund the Trestle Glen Associates development noted in Note 4(b) above. Loan proceeds were recorded as other financing sources in the *statements of revenues, expenditures, and changes in fund balance* on page 10. The interest accrued as of June 30, 2008 was \$12,514.

Changes in long-term liabilities:

Activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Loans Payable:				
Wells Fargo Loan	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
CalHFA Loan	-	750,000	-	750,000
Total Loans Payable	1,000,000	750,000	-	1,750,000
Accrued Interest Payable	-	12,514	-	12,514
Total Long-term Liabilities	<u>\$ 1,000,000</u>	<u>\$ 762,514</u>	<u>\$ -</u>	<u>\$ 1,762,514</u>

No amounts are due within one year.

7. REVENUES

(a) Operating Grants and Contributions

Operating grants and contributions consist of the following:

Member Agencies Dues

Member Agencies are billed annually for dues to cover administrative expenses.

County Contribution

In accordance with an agreement between HEART and the County, the County set aside \$3,000,000 to be used as HEART’s initial capitalization and an additional \$75,000 for its administrative costs. The County allocated \$2,075,000 in fiscal year 2003/04 and \$200,000 for each of the fiscal years 2004/05, 2005/06, 2006/07 and 2007/08 and, as specified in the agreement, will allocate the final \$200,000 payment in the next fiscal year.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 and 2007

7. REVENUES (continued)

State of California

In June 2004, HEART was awarded a grant from the State of California Department of Housing and Community Development (State) in the amount of \$2,000,000. The grant is on a reimbursement basis and requires HEART to provide matching funds of at least \$2,000,000. The term is from June 2004 through May 2009. The monies are used by HEART to award funding to developers who are providing affordable housing to seniors and working families in San Mateo County. Of the total awarded amount, \$1,745,000 was reimbursed by the State in the fiscal year ended June 30, 2007. The remaining balance of \$255,000 was reimbursed during the current fiscal year. The monies were loaned to developers to fund the following developments in San Mateo County (also see Note 4(b) above for detail):

	2008	2007
The Village at the Crossing, San Bruno, CA	\$ -	\$ 880,000
Colma Transit Village, Colma, CA	-	865,000
Hillcrest Gardens, Daly City, CA	255,000	-
Total	\$ 255,000	\$ 1,745,000

Donor

Donor operating grants and contributions include contributions made from private donors.

(b) Investment Earnings

Investment earnings comprise of quarterly interest received from the County Treasurer on investments made by HEART in the County Pool. Interest is recorded in the year it is earned and is available to pay current liabilities.

8. RESTRICTED NET ASSETS/FUND BALANCE RESERVATIONS

Restricted Net Assets reported in the government-wide statement of net assets present net assets that are subject to constraints either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.

Reservations of fund balance is used to segregate portions of fund balance that are legally restricted to specific uses or are not available for appropriation. Reserved Fund Balance reported in the fund financial statement balance sheet at year-end represents unspent funds that are restricted for uses specified under a loan agreement and a mortgage company agreement.

Total Restricted Net Assets/Reserved Fund Balance as of June 30, 2008 was as follows:

	2008	2007
QuickStart Revolving Loan Fund (see Note 6)	\$ 963,707	\$ 1,000,192
Restricted Assets (see Note 1(b))	240,992	30,078
Grant – City of South San Francisco Housing (see Note 9)	200,000	-
Total Reserved Fund Balance / Restricted Net Assets (See Note 1 (b))	\$ 1,404,699	\$ 1,030,270

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 and 2007

9. GRANT AWARD

In March 2008, HEART was awarded a grant from Genentech in the amount of \$1,000,000 to benefit affordable housing in the City of South San Francisco. The grant period is from 2008 to 2012 and is payable in five equal installments of \$200,000. During the fiscal year, HEART received the first \$200,000 installment. As of June 30, 2008, no monies were expended for purposes of the grant.

10. COMMITMENTS

In December 2007, HEART signed a loan agreement with Trestle Glen Associates for \$1,760,000 for a rental housing development project in Colma, CA for very-low and extremely-low income households. The monies were disbursed in the subsequent fiscal year.

11. RISK MANAGEMENT

As per the Agreement, the County of San Mateo added HEART to its excess liability insurance coverage. The existing insurance coverage is current as of the issuance of this report. The County Counsel provides legal representation for any claims or litigation of HEART under a contract. For the years ended June 30, 2008 and 2007, the annual amount contracted with County Counsel for legal representation was \$10,000.

12. SUBSEQUENT EVENT

Subsequent to the June 30 fiscal year end, the financial markets experienced a significant decline in value that has been attributed to the credit crisis initiated by the sub-prime mortgage meltdown. The markets remain dynamic and fluid, and any judgment of the financial statements must be based on current information rather than fiscal year-end. As of October 1, 2008, the San Mateo County Investment Pool incurred a charge of \$155 million associated with investments relating to Lehman Brothers Holdings Inc. (Lehman), which in September 2008 had filed a petition under Chapter 11 of the U.S. Bankruptcy Code. The \$155 million charge for the Lehman investments write-off was shared among the pool participants based on their respective average daily cash balance relative to that of the County Pool. HEART's pro-rated share of this one-time charge was \$187,904, which was recorded as an investment loss on October 1, 2008.

REQUIRED SUPPLEMENTARY INFORMATION

Housing Endowment and Regional Trust of San Mateo County
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Governmental Fund
For the Year Ended June 30, 2008

	<u>Budgeted Amount</u> <u>Original/Final</u>	<u>Actual Amount</u> <u>Budgetary Basis</u> <u>(Note 1)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues			
Member Agency contributions	\$ 241,790	\$ 269,754	\$ 27,964
County contributions	-	200,000	200,000
Donor contributions	30,000	492,197	462,197
State aid	-	255,000	255,000
Investment earnings	-	73,692	73,692
Total Revenues	<u>271,790</u>	<u>1,290,643</u>	<u>1,018,853</u>
Expenditures			
General management and administrative support	280,478	251,367	29,111
Legal services	10,000	10,000	-
Miscellaneous	-	125	(125)
Debt service:			
Interest	-	20,000	(20,000)
Total Expenditures	<u>290,478</u>	<u>281,492</u>	<u>8,986</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,688)	1,009,151	1,027,839
Other Financing Sources (Uses)			
Loan proceeds	-	750,000	750,000
Loan repayments	-	1,760,000	1,760,000
Loan funding	-	(1,314,699)	(1,314,699)
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,195,301</u>	<u>1,195,301</u>
Net Change in Fund Balance	<u>\$ (18,688)</u>	2,204,452	<u>\$ 2,223,140</u>
Fund Balance - beginning		<u>2,252,045</u>	
Fund Balance - ending		<u>\$ 4,456,497</u>	

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2008

1. BUDGETS, BUDGETARY PROCESS, AND ENCUMBRANCES

The Board adopts an annual operating budget, which can be amended by the Board throughout the year. As discussed in Note 1(d) of the notes to the basic financial statements, the basis used to prepare the budget is the same as the basis used to reflect actual revenues and expenditures, except for securities lending income and expenses and unrealized gains and losses under GASB 28 and GASB 31, respectively, which are not included and in the current year HEART did not include Programs Funds' revenues or expenditures in its budget. The financial statements record securities lending income and expenses and unrealized gains and losses as required by Generally Accepted Accounting Principles (GAAP).

Adjustments were made to certain budgeted accounts to reflect changes made in financial statement presentation.

HEART uses an encumbrance system in IFAS to assist in controlling expenditures. Purchase orders, contracts, and other commitments for the expenditures of monies are recorded under this system in order to reserve applicable appropriations. Any encumbrances outstanding at year-end are recorded as reservations of fund balance as they do not constitute expenditures or liabilities.

The actual net change in fund balance under the budgetary basis on page 23 is reconciled to the change in fund balance under GAAP on page 10 as follows:

Explanation of difference between budgetary basis and GAAP basis:

Net Change in Fund Balance – budgetary basis	\$	2,204,452
Securities lending income not included in budgetary basis		18,642
Portion of interest income earned on securities lending transactions		(2,637)
Securities lending expense not included in budgetary basis		(16,005)
Net unrealized loss on cash in County Investment Pool under GASB 31		(10,981)
		(10,981)
Change in Fund Balance – GAAP basis	\$	2,193,471

2. EXPENDITURES IN EXCESS OF BUDGET

In fiscal year ended June 30, 2008, expenditures for miscellaneous expenses exceeded the budget by \$125 and expenditures for debt service-interest exceeded the budget by \$20,000; however, total expenditures for the year reflect a favorable balance.

SUPPLEMENTARY INFORMATION

Housing Endowment and Regional Trust of San Mateo County
Status of Funds
For the Year Ended June 30, 2008

	<u>Program Funds</u>	<u>Administrative Funds</u>	<u>Total</u>
Revenues			
Member Agency contributions	\$ -	\$ 269,754	\$ 269,754
County contributions	200,000	-	200,000
Donor contributions	484,697	7,500	492,197
State aid	255,000	-	255,000
Investment earnings (Note 1)	73,692	-	73,692
Total Revenues	<u>1,013,389</u>	<u>277,254</u>	<u>1,290,643</u>
Expenditures			
General management and administrative support	-	251,367	251,367
Legal services	-	10,000	10,000
Miscellaneous	-	125	125
Debt service - interest	20,000	-	20,000
Total Expenditures	<u>20,000</u>	<u>261,492</u>	<u>281,492</u>
Excess of Revenues Over (Under) Expenditures	993,389	15,762	1,009,151
Other Financing Sources (Uses)			
Loan proceeds	750,000	-	750,000
Loan repayments	1,760,000	-	1,760,000
Loan funding	(1,314,699)	-	(1,314,699)
Total Other Financing Sources (Uses)	<u>1,195,301</u>	<u>-</u>	<u>1,195,301</u>
Net Change in Fund Balance	2,188,690	15,762	2,204,452
Fund Balance - beginning	<u>2,234,644</u>	<u>149</u>	<u>2,234,793</u>
Fund Balance - ending	<u>\$ 4,423,334</u>	<u>\$ 15,911</u>	<u>\$ 4,439,245</u>

Notes:

- (1) All income received from investment earnings are categorized to Program Funds
- (2) The above schedule does not include adjustments made for GASB No. 28 and No. 31 as required by generally accepted accounting principles.