

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



**Financial Statements and
Independent Auditor's Report
June 30, 2010 and 2009**

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

JUNE 30, 2010 and 2009

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Independent Auditor's Report

To the Board of Directors
Housing Endowment and Regional Trust
of San Mateo County

We have audited the accompanying basic financial statements of the Housing Endowment and Regional Trust of San Mateo County (HEART) as of and for the years ended June 30, 2010 and 2009. These financial statements are the responsibility of HEART's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 audits provide 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 HEART as of June 30, 2010 and 2009, and the changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2011, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and should be considered in conjunction with this report in considering the results of our audits.

The Management's Discussion and Analysis on pages 3 through 6 and the budgetary comparison information on pages 23 through 24 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise of HEART's basic financial statements. The Status of Funds information on page 25 is presented for purposes of additional analysis and is not a required part of the basic financial statements of HEART. Such 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
March 7, 2011

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, 2010. 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, 2010 amounted to \$6,931,221, an increase of \$969,600 from prior year. The increase was due to the excess of revenues over expenses during the current year, as HEART received more donations through continued fundraising, and increase in securities collateral and investment earnings as more cash is held with the County Treasurer.
- Most of the \$6,931,221 in net assets was comprised of outstanding loans receivable from housing developers and surplus cash.
- HEART loaned \$140,281 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 \$1,191,306 comprising of contributions from member agencies (\$291,761) and donor contributions (\$899,545).

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 assets* 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.

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

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

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	2010	2009	2008
Cash and cash equivalents	\$ 2,067,860	\$ 1,381,608	\$ 3,006,852
Securities lending collateral	463,745	63,958	320,964
Receivable and prepaid expense	5,512,235	6,270,616	3,130,505
Restricted assets	1,937,661	937,123	1,404,699
Total Assets	9,981,501	8,653,305	7,863,020
Accounts payable	5,000	92,712	42,566
Securities lending collateral due	463,745	63,958	320,964
Long-term liabilities	2,581,535	2,535,014	1,762,514
Total Liabilities	3,050,280	2,691,684	2,126,044
Net assets-restricted	1,937,661	937,123	1,404,699
Net assets-unrestricted	4,993,560	5,024,498	4,332,277
Total Net Assets	\$ 6,931,221	\$ 5,961,621	\$ 5,736,976

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

- Total assets are \$9,981,501, an increase of \$1,328,196 or 15% compared to the previous fiscal year. The increase was mostly due to an increase in cash and cash equivalents, securities lending collateral, and restricted assets due to restricted grant received from large donor.
- Total liabilities increased \$358,596 or 13% between fiscal years to \$3,050,280. The increase was due to increase in securities lending collateral due and interest payable on long-term liabilities offset by decrease in accounts payable.
- Net Assets are \$6,931,221, an increase of \$969,600 or 16% compared to the previous fiscal year and are divided into restricted (\$1,937,661) and unrestricted (\$4,993,560) 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 was due to the excess of revenues over expenses during the current year.

Changes in Net Assets

Changes in Net Assets	2010	2009	2008
Revenues:			
Program Revenues:			
Operating grants and contributions	\$ 1,191,306	\$ 568,958	\$ 1,216,951
General Revenues	137,475	6,214	98,844
Total Revenues	<u>1,328,781</u>	<u>575,172</u>	<u>1,315,795</u>
Expenses:			
General management and admin support	282,472	271,710	251,367
Legal services	10,000	10,000	10,000
Interest on long-term debt	66,521	42,500	32,514
Miscellaneous	188	26,317	125
Total Expenses	<u>359,181</u>	<u>350,527</u>	<u>294,006</u>
Change in Net Assets	969,600	224,645	1,021,789
Net Assets - beginning	<u>5,961,621</u>	<u>5,736,976</u>	<u>4,715,187</u>
Net Assets - ending	<u>\$ 6,931,221</u>	<u>\$ 5,961,621</u>	<u>\$ 5,736,976</u>

- Revenues during the current period were \$1,328,781; an increase of \$753,609 or 131% compared to the prior fiscal year. This was primarily the result of an increase in operating grants and contributions revenue.
- Total expenses incurred during the year amounted to \$359,181; for an increase of \$8,654 or 2% compared to the prior fiscal year. This was due to increases in general and administrative support and interest on long-term debt offset by miscellaneous expenses.

Budgetary Analysis

	Final Amended Budget (1)	Actual Amount - Budgetary Basis (1)	Variance – Positive (Negative)
Total Revenues and Other Financing Sources	\$ 331,761	\$ 2,229,945	\$ 1,898,184
Total Expenditures and Other Financing Uses	(317,761)	(452,941)	(135,180)
Net Change in Fund Balance	<u>\$ 14,000</u>	<u>\$ 1,777,004</u>	<u>\$ 1,763,004</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 \$135,180. The negative variance was due to the amount spent on loans to developers from Program funds. Overall, there was a net favorable variance of \$1,763,004 during the year.

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

Beyond FY2010

HEART continues its efforts to raise funds from private sources through a capital campaign. HEART is also reviewing the draft of its new, detailed business plan, which the Board and staff will use to guide their efforts over the next five years.

In fiscal year 2010, HEART continued its down payment assistance loan program. In practice, HEART sells its loans immediately after closing to Meriwest Mortgage Company, HEART’s financial partner for the homebuyer assistance program. Since the close of FY2010, HEART has made ten additional homebuyer assistance loans and plans to significantly increase the number of homebuyer loans over the next several years.

In May 2010, HEART committed \$200 thousand to housing developer, Palo Alto Partners through the QuickStart Revolving Loan Fund. The agreement was executed in July 2010. Subsequent to year end, HEART’s Board of Directors approved a resolution to borrow from Franklin Templeton Bank & Trust a \$200 thousand loan and intends to make the proceeds from the loan available as part of its Quick Start Revolving Fund Loan Program to Palo Alto Partners. The agreement was executed in February 2011.

In December 2010, HEART committed \$180,000 QuickStart loan to EPA CAN DO for property acquisition in East Palo Alto. The organization is assembling parcels to create an affordable senior or multifamily rental housing development in the future.

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, 2010 and 2009

	Governmental Activities	
	2010	2009
Assets		
Cash and cash equivalents (Note 2)	\$ 2,067,860	\$ 1,381,608
Securities lending collateral (Note 2(g))	463,745	63,958
Receivables, net (Note 4):		
Interest	247,609	160,897
Loans	5,250,000	6,109,719
Prepaid expense (Note 3)	14,626	-
Restricted assets (Note 1 (b)):		
Temporarily restricted:		
Cash and cash equivalents	1,937,661	937,123
Total Assets	<u>9,981,501</u>	<u>8,653,305</u>
Liabilities		
Accounts payable (Note 5)	5,000	92,712
Securities lending collateral due (Note 2(g))	463,745	63,958
Noncurrent liabilities (Note 6):		
Due in more than one year	2,581,535	2,535,014
Total Liabilities	<u>3,050,280</u>	<u>2,691,684</u>
Net Assets		
Restricted for (Note 8):		
QuickStart Revolving Loan - housing developers	505,217	469,030
Debt service - Loan Loss Reserve Account	30,000	30,343
Home Buyer Assistance Loan Program	402,444	237,750
Grant- City of South San Francisco Housing	1,000,000	200,000
Unrestricted	4,993,560	5,024,498
Total Net Assets	<u>\$ 6,931,221</u>	<u>\$ 5,961,621</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, 2010 and 2009

	Governmental Activities	
	2010	2009
Expenses		
General management and administrative support	\$ 282,472	\$ 271,710
Legal services	10,000	10,000
Interest on long-term debt (Note 6)	66,521	42,500
Miscellaneous	188	26,317
Total Expenses	359,181	350,527
Program Revenues		
Operating grants and contributions (Note 7):		
Member agencies	291,761	291,761
County of San Mateo	-	200,000
Donors	899,545	77,197
Total Program Revenues	1,191,306	568,958
Net Program Revenue	832,125	218,431
General Revenues (Expenses)		
Investment earnings (Note 7(b))	137,475	6,214
Total General Revenues (Expenses)	137,475	6,214
Change in Net Assets	969,600	224,645
Net Assets - beginning	5,961,621	5,736,976
Net Assets - ending	\$ 6,931,221	\$ 5,961,621

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, 2010 and 2009

	2010	2009
Assets		
Cash and cash equivalents (Note 2)	\$ 2,067,860	\$ 1,381,608
Securities lending collateral (Note 2(g))	463,745	63,958
Interest receivable (Note 4 (a))	7,882	6,424
Prepaid expense (Note 3)	14,626	-
Cash - restricted (Note 1(b))	1,937,661	937,123
Total Assets	\$ 4,491,774	\$ 2,389,113
Liabilities and Fund Balance		
Liabilities:		
Accounts payable (Note 5)	\$ 5,000	\$ 92,712
Securities lending collateral due (Note 2(g))	463,745	63,958
Total Liabilities	468,745	156,670
Fund Balance (Note 8):		
Restricted	1,937,661	937,123
Committed	200,000	1,140,281
Assigned	1,885,368	155,039
Total Fund Balance	4,023,029	2,232,443
Total Liabilities and Fund Balance	\$ 4,491,774	\$ 2,389,113
Reconciliation of Fund Balance Sheets to the Statements of Net Assets:		
Total Fund Balance - Governmental Fund	\$ 4,023,029	\$ 2,232,443
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	5,250,000	6,109,719
Interest receivable	239,727	154,473
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund.		
	(2,581,535)	(2,535,014)
Net assets of governmental activities	\$ 6,931,221	\$ 5,961,621

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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenues (Note 7)		
Member agency contributions	\$ 291,761	\$ 291,761
County contributions	-	200,000
Donor contributions	899,545	77,197
Investment earnings	52,221	(112,126)
Total Revenues	<u>1,243,527</u>	<u>456,832</u>
Expenditures		
General management and administrative support	282,472	271,710
Legal services	10,000	10,000
Miscellaneous	188	26,317
Debt service (Note 6):		
Interest	20,000	20,000
Total Expenditures	<u>312,660</u>	<u>328,027</u>
Excess of Revenues Over Expenditures	930,867	128,805
Other Financing Sources (Uses)		
Loan proceeds	-	750,000
Loan repayments	1,000,000	-
Loan funding	(140,281)	(3,065,020)
Total Other Financing Sources (Uses)	<u>859,719</u>	<u>(2,315,020)</u>
Net Change in Fund Balance	1,790,586	(2,186,215)
Fund Balance - Beginning	<u>2,232,443</u>	<u>4,418,658</u>
Fund Balance - Ending	<u>\$ 4,023,029</u>	<u>\$ 2,232,443</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, 2010 and 2009**

	2010	2009
Amounts reported for governmental activities in the statements of activities (page 8) are different because:		
Net change in fund balance - governmental fund (page 10)	\$ 1,790,586	\$ (2,186,215)
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.	140,281	3,065,020
Loan repayments are 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.	(1,000,000)	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	85,254	118,340
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.	(46,521)	(22,500)
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)
Change in net assets of governmental activities	\$ 969,600	\$ 224,645

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, 2010 AND 2009

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 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), effective January 8, 2008. Contributions to HEART are tax deductible under Section 170 of the Code.

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.

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 has been 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 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, 2010 AND 2009

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.

(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, unrealized gains and losses, and Program Funds' revenues and expenditures are not included in the budget. See Note 1 of the notes to the required supplementary information for detail.

2. CASH AND CASH EQUIVALENTS

(a) Cash and Cash Equivalents

A portion of the cash reported in the *statements 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 held with the County Treasurer at fiscal year-end was \$3,027,425 (2009: \$907,736) and the book value was \$3,016,643 (2009: \$910,539).

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

2. CASH AND CASH EQUIVALENTS (Continued)

(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	10
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	
Local Agency Investment Fund (LAIF)	-	-	limit	-
Shares of beneficial interest	-	-	10	5
Mortgage backed securities	5 years	A	20	5

At June 30, 2010, 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 – U.S. Treasury Bills	0.096%	7/1/10 - 11/18/10	0.11	AAA
Not on securities loan – U.S. Treasury Notes	2.000 – 2.125%	7/1/10 - 5/31/15	0.54	
Loaned securities for cash collateral	0.096 – 0.248%	7/15/10 - 9/23/10	0.06	AAA
U.S. government agency securities:				
Not on securities loan	0.172 - 2.375%	8/30/10 - 7/28/15	1.42	AAA
Loaned securities for cash collateral	1.000 - 1.750%	12/15/11 - 5/7/13	2.01	AAA
U.S. government agency securities - floating rate	0.240 - 0.294%	10/27/10 - 5/1/12	1.09	AA, AA-, A+, A, A-
Corporate bonds				
Not on securities loan	1.375 - 5.900%	8/1/12 - 6/29/15	3.97	AA, AA-, A+, A, A-
Loaned securities for cash collateral	3.500%	6/29/15	5.00	AA, AA-, A+, A, A-

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

2. CASH AND CASH EQUIVALENTS (continued)

(b) Authorized Investments of the County Pool (Continued)

Investment Type	Interest Rate	Maturities	Weighted Average Maturity (Years)	Rating
Floating rate securities FDIC - Temporary Liquidity Guarantee Program (Corporate Bond)	0.406 - 0.554%	8/17/10 - 1/24/12	1.02	AA, AA-, A+, A, A-
FDIC - Temporary Liquidity Guarantee Program (Corporate Bond) - floating rate	1.70% - 1.85%	12/23/10 - 3/15/11	0.64	AAA
Certificate of Deposit	1.167%	12/9/10	0.44	AAA
Repurchase agreements	0.604%	1/19/12	1.56	AA+
	0.01%	7/1/10	-	AAA

(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 limits 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. The County Investment Pool was rated AAAs/S1 by Standard and Poor's.

Standard & Poor's, Fitch Ratings and Moody's Investors Service are major rating agencies that issue opinions on the quality of securities, which investors and investment managers may consider when assessing risk.

(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. For each authorized investment type, state law restricts the maximum percentages allowed in the portfolio and per issuer. See Note 2(b). As of June 30, 2010, the investment pool has more than five percent of its total investment with the following issuers: 10% in Federal Home Loan Bank, 12% in Federal Home Loan Mortgage Corporation and 10% in Federal National Mortgage Association. Remainder of investments has less than five percent of the total investment with one issuer.

(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 as it does not hold foreign securities.

(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. 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, 2010, the County Pool had a weighted average maturity of one year and its floating rate securities were \$125 million. These securities are tied to the three-month London Interbank Offered Rate (LIBOR) index.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

2. CASH AND CASH EQUIVALENTS (continued)

(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, 2010 and 2009 consisted of U.S. Treasury securities, U.S. government agency securities, and corporate bonds. In return, the County receives collateral in the form of cash equal to at least 102% of the transferred securities plus accrued interest for reinvestment. Collateral in the form of U.S. Treasury or Government Securities may not equal 102%, but should at least equal the value of transferred securities. The County authorized Bank of New York Mellon Corporation (BONY), the County's custodian, to invest in only U.S. Treasury securities and U.S. Federal Agency securities. As of June 30, 2010, all of the cash collateral was invested in repurchase agreements, with a weighted average maturity of one day (2009: one day). The County does not match the maturities of investments made with cash collateral with the securities on loan. HEART's pro-rated share of cash collateral as of June 30, 2010 amounted to \$463,745 (2009: \$63,958). The value of underlying securities loaned by the County Pool as of June 30, 2010 amounted to \$460,828 (2009: \$63,962). HEART has no exposure to credit risk related to securities lending transactions as of June 30, 2010 and 2009 because the market value of the invested cash collateral exceeds that of the borrowed securities. The repurchase agreements are unrated at June 30, 2010 and 2009.

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. In October 2010, the County ceased participation in the securities lending program.

(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, 2010, \$478,099 (2009: \$249,373) of HEART's deposits with financial institutions were in excess of federal depository insurance limits.

3. PREPAID EXPENSE

Prepaid expense as of June 30, 2010 of \$14,626 is comprised of amount paid to contractor for future services. Prepaid expense was zero in the prior year.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

4. RECEIVABLES

(a) Interest Receivable

The interest receivable balance reported in the governmental fund *balance sheets* at year-end of \$7,882 (2009: \$6,424) represents fourth quarter investment earnings due from the County Treasurer.

The interest receivable balance reported in the government-wide *statements of net assets* at year-end of \$247,609 (2009: \$160,897) includes investment earnings noted above plus \$239,727 (2009: \$154,473) in cumulative interest earned on loan receivables from developers.

(b) Loans Receivable

Loans receivable as of June 30, 2010 and 2009 consist of the following:

	2010	2009
<p>In September 2006, HEART loaned \$1,730,000 of program funds to The Crossings Phase II, L.P. for 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 loan has a term of 55 years from the issuance of the Certificate of Occupancy and bears interest at a rate of 3% per annum. The Certificate of Occupancy was issued on January 10, 2008.</p>	\$ 1,730,000	\$ 1,730,000
<p>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 loan has a term of 55 years from the issuance of the Certificate of Occupancy and/or Notice of Completion for the development, whichever is earlier, and bears interest at a rate of 3% per annum. The Notice of Completion was issued on December 11, 2008.</p>	510,000	510,000
<p>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 loan has a term of 3 years beginning December 10, 2007 which was extended to March 31, 2011 and bears interest at a rate of 2% per annum. No payment is required during the term of the loan and the entire principal balance plus all accrued interest is due and payable on March 31, 2011.</p>	750,000	750,000
<p>In December 2007, HEART signed a loan agreement with Trestle Glen Associates for \$1,760,000 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 loan has a term of 55 years from the issuance of the Certificate of Occupancy and/or Notice of Completion for the development, whichever is later, and bears interest at a rate of 3% per annum. The Certificate of Occupancy was issued on December 30, 2009.</p>	1,760,000	1,760,000
<p>Sub-total carried forward</p>	4,750,000	4,750,000

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

4. RECEIVABLES (continued)

(b) Loan Receivable (continued)

	2010	2009
Sub-total brought forward	\$ 4,750,000	\$ 4,750,000

In March 2009, HEART signed a loan agreement with Mid-Peninsula San Mateo Transit Associates, L.P. (Mid-Peninsula) for \$1,000,000, which was funded by the QuickStart Revolving Loan Funds (\$250,000) and by the CalHFA HELP Program loan (\$750,000) (see Note 6 below) to assist with the development of a 68-unit rental housing project in San Mateo, CA, which will provide housing for low and very-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 *statements of revenues, expenditures, and changes in fund balance* on page 10.

	-	1,000,000
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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 which was extended to February 28, 2012 and bears simple interest at a rate of 2% per annum. Interest rate is increased to 4% per annum from March 1, 2011 to February 28, 2012. No payment is required during the term of the loan and the entire principal balance plus all accrued interest is due and payable on February 28, 2012. The term of the loan may be extended by the Executive Director for an additional one year term at the sole discretion of HEART. During the current fiscal year, \$140,281 (2009: \$359,719) remaining of the total amount was disbursed to NCRP.

	500,000	359,719
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Total Loans Receivable	\$ 5,250,000	\$ 6,109,719
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5. ACCOUNTS PAYABLE

Accounts payable comprises of the following:

	2010	2009
General management and administrative support	\$ -	\$ 10,000
Loan funding	-	77,712
Interest on long-term debt	5,000	5,000
Total	\$ 5,000	\$ 92,712

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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, 2010 the outstanding loan amount was \$1,000,000.

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 principal balance plus accrued interest is due October 24, 2016. Interest is charged only on funds disbursed. In fiscal year 2008, HEART requested \$750,000 from CalHFA to fund the Trestle Glen Associates development noted in Note 4(b) above. In fiscal year 2009, HEART requested the remaining \$750,000 from CalHFA to fund the Mid-Peninsula San Mateo Transit Associates, L.P. 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 total interest accrued on long-term liabilities as of June 30, 2010 was \$81,535.

Changes in long-term liabilities:

Activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Loans Payable:				
Wells Fargo Loan	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
CalHFA Loan	1,500,000	-	-	1,500,000
Total Loans Payable	2,500,000	-	-	2,500,000
Accrued Interest Payable	35,014	46,521	-	81,535
 Total Long-term Liabilities	 \$ 2,535,014	 \$ 46,521	 \$ -	 \$ 2,581,535

No amounts are due within one year.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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 in fiscal years 2004/05, 2005/06, 2006/07 and 2007/08 and, as specified in the agreement, allocated the final \$200,000 payment in fiscal year 2008/09.

Grants

In November 2007, HEART was awarded a grant from Genentech, Inc. 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. In fiscal year 2008, HEART received the first \$200,000 installment. The remaining \$800,000 was received in the current fiscal year. Funds were expended for purposes of the grant subsequent to year end.

Donors

Other operating grants and contributions include contributions from private donors.

(b) Investment Earnings

Investment earnings reported in the governmental fund *statements of revenues, expenditures, and changes in fund balance* 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.

Investment earnings reported in the government-wide *statements of activities* includes earnings from the County investments noted above plus interest earned in the current year on loans made to developers.

8. FUND BALANCES / NET ASSETS

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which HEART is bound to honor constraints on the specific purpose for which amount in the fund can be spent. As of June 30, 2010, fund balance for the governmental fund consists of the following classifications:

- (a) *Restricted Fund Balance* – includes amounts that can be spent only for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

8. FUND BALANCES / NET ASSETS (continued)

- (b) *Committed Fund Balance* – includes amounts that can only be used for specific purposes determined by a formal action of HEART’s highest level decision-making authority, the Board of Directors. Commitments may be changed or lifted only by HEART taking the same formal action that imposed the constraint originally (i.e. resolution).
- (c) *Assigned Fund Balance* - comprise of amounts intended to be used by HEART for specific purposes that are neither restricted nor committed. *Intent* is expressed by (1) HEART’s Board of Directors or (2) a body (for example: a budget or finance committee) or official to which HEART’s Board of Directors has delegated the authority to assign amounts to be used for specific purposes.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, and assigned.

At fiscal year-end, fund balance reported on the *balance sheets* on page 9 includes:

	2010	2009
Restricted		
QuickStart Revolving Loan – housing developers (see Note 6)	\$ 505,217	\$ 469,030
Debt service – Loan Loss Reserve Account (see Note 1(b))	30,000	30,343
Home Buyer Assistance Loan Program (see Note 1(b))	402,444	237,750
Grant – City of South San Francisco Housing (see Note 7(a))	1,000,000	200,000
	1,937,661	937,123
Committed		
Approved Loans to developers (Note 9)	200,000	1,140,281
Assigned		
	1,885,368	155,039
Total Fund Balance (page 9)	\$ 4,023,029	\$ 2,232,443

The amount shown as restricted above is also reported as restricted net assets on the *Statement of Net Assets* on page 7.

9. COMMITMENTS

In May 2010, HEART’s Board of Directors approved a loan for \$200,000 to Palo Alto Partners for a rental housing development project in San Mateo, CA for low and moderate income households. The loan agreement was executed subsequent to year end.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

10. 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, 2010 and 2009, the annual amount contracted with County Counsel for legal representation was \$10,000.

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, 2010

	<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	\$ 291,761	\$ 291,761	\$ -
County contributions	-	-	-
Other contributions	20,000	899,545	879,545
Investment earnings	-	38,639	38,639
Service Fees	20,000	-	(20,000)
Total Revenues	<u>331,761</u>	<u>1,229,945</u>	<u>898,184</u>
Expenditures			
General management and administrative support	307,761	282,472	25,289
Legal services	10,000	10,000	-
Miscellaneous	-	188	(188)
Debt service:			
Interest	-	20,000	(20,000)
Total Expenditures	<u>317,761</u>	<u>312,660</u>	<u>5,101</u>
Excess of Revenues Over Expenditures	14,000	917,285	903,285
Other Financing Sources (Uses)			
Proceeds from developers	-	1,000,000	1,000,000
Loan funding	-	(140,281)	(140,281)
Total Other Financing Sources (Uses)	<u>-</u>	<u>859,719</u>	<u>859,719</u>
Net Change in Fund Balance	<u>\$ 14,000</u>	1,777,004	<u>\$ 1,763,004</u>
Fund Balance - beginning		<u>2,288,066</u>	
Fund Balance - ending		<u>\$ 4,065,070</u>	

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010

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, expenses, and unrealized gains and losses under GASB 28 and GASB 31, respectively, and Programs Funds' revenues or expenditures. 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	\$	1,777,004
Net unrealized gain on cash in County Investment Pool under GASB 31		13,582
Change in Fund Balance – GAAP basis	\$	1,790,586

2. EXPENDITURES IN EXCESS OF BUDGET

In fiscal year ended June 30, 2010, expenditures for miscellaneous expenses exceeded the budget by \$188 and expenditures for debt service-interest exceeded the budget by \$20,000. These expenditures were not budgeted by HEART. 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, 2010

	Program Funds	Administrative Funds	Total
Revenues			
Member Agency contributions	\$ -	\$ 291,761	\$ 291,761
Donor contributions	889,845	9,700	899,545
Investment earnings (Note 1)	38,639	-	38,639
Total Revenues	928,484	301,461	1,229,945
Expenditures			
General management and administrative support	-	282,472	282,472
Legal services	-	10,000	10,000
Miscellaneous	-	188	188
Debt service - interest	20,000	-	20,000
Total Expenditures	20,000	292,660	312,660
 Excess of Revenues Over Expenditures	 908,484	 8,801	 917,285
Other Financing Sources (Uses)			
Proceeds from developers	1,000,000	-	1,000,000
Loan funding	(140,281)	-	(140,281)
Total Other Financing Sources (Uses)	859,719	-	859,719
 Net Change in Fund Balance	 1,768,203	 8,801	 1,777,004
Fund Balance - beginning	2,267,669	3,145	2,270,814
Fund Balance - ending	\$ 4,035,872	\$ 11,946	\$ 4,047,818

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.