

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

SHORELINE PLAZA, INC.

SHORELINE PLAZA, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Shoreline Plaza, Inc.
Boise, Idaho

We have audited the accompanying statement of financial position of Shoreline Plaza, Inc. (the Corporation), a nonprofit organization, as of September 30, 2009, and the related statements of activities and cash flows, for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shoreline Plaza, Inc. as of September 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2010, on our consideration of Shoreline Plaza, Inc.'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 assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Shoreline Plaza, Inc. taken as a whole. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. In addition, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of

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Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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.

Eide Bailly LLP

Boise, Idaho
January 27, 2010

SHORELINE PLAZA, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2009

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	95,021
Tenant security deposits		59,610
Tenant accounts receivable, net of doubtful accounts		9,712
Accounts receivable HUD		14,897
Other accounts receivable		6,586
Prepaid expenses		57,164
Restricted investments		517,514
Unrestricted investments		658,770
Total current assets		<u>1,419,274</u>

LAND, BUILDING AND EQUIPMENT

Land		803,478
Land improvements		1,610,311
Buildings and improvements		12,635,876
Furniture and equipment		1,157,686
		<u>16,207,351</u>
Accumulated depreciation		<u>(7,917,227)</u>
		8,290,124

OTHER ASSETS

Restricted cash and investments		1,139,713
Land held for investment		423,872
Bond issuance costs, net		241,900
		<u>1,805,485</u>
	\$	<u><u>11,514,883</u></u>

LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$ 12,644
Employee accrued liabilities	12,937
Accrued interest payable	300,887
Payment in lieu of taxes	16,701
Tenant security deposits	59,610
Prepaid rent	13,586
Mortgage note payable - current portion	11,525
Bonds payable - current portion	235,000
Related party payable	59,042
Total current liabilities	<u>721,932</u>

LONG-TERM LIABILITIES

Mortgage note	77,964
Bonds payable	12,670,000
	<u>12,747,964</u>

NET ASSETS, UNRESTRICTED(1,955,013)\$ 11,514,883

SHORELINE PLAZA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2009

REVENUES	
Tenant rent	\$ 1,296,215
Tenant income, other	22,631
HUD contributions/grants	568,664
Other revenue	4,739
Total revenues	<u>1,892,249</u>
EXPENSES	
Administrative	267,893
Utilities	86,607
Tenant services	63,382
Ordinary maintenance and operations	251,120
General	86,199
Extraordinary maintenance	20,546
Depreciation and amortization	588,361
Total expenses	<u>1,364,108</u>
OPERATING INCOME	528,141
OTHER INCOME (EXPENSE)	
Contribution from governmental entity	15,547
Investment income - unrestricted	29,351
Investment income - restricted	12,854
Interest expense	(912,718)
Loss on sale of property	(2,780)
Total other expenses	<u>(857,746)</u>
CHANGE IN NET ASSETS	(329,605)
NET ASSETS, BEGINNING OF YEAR	<u>(1,625,408)</u>
NET ASSETS, END OF YEAR	<u><u>\$ (1,955,013)</u></u>

SHORELINE PLAZA, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (329,605)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	588,361
Loss on sale of property	2,780
Changes in operating assets and liabilities	
Accounts receivable	(16,446)
Prepaid expenses	371
Accounts payable and accrued liabilities	6,688
Interest payable	(4,702)
Prepaid rent	47
Related party	<u>(59,127)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	188,367
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of land, building and equipment	(44,740)
Net change in restricted cash and investments	54,310
Net change in unrestricted investments	<u>(21,690)</u>
NET CASH USED BY INVESTING ACTIVITIES	(12,120)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on mortgage	(10,568)
Payments on bonds	<u>(235,000)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(245,568)</u>
DECREASE IN CASH	(69,321)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>164,342</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 95,021</u></u>
SUPPLEMENTAL DISCLOSURES FOR CASH FLOW INFORMATION	
Interest paid	\$ 917,420

SHORELINE PLAZA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Shoreline Plaza, Inc. (the Corporation) was formed as a non-profit corporation under the laws of the State of Idaho on May 23, 1977, for the purpose of developing, constructing, owning, maintaining, and operating a multi-family housing development to provide housing for the elderly, handicapped, and disabled pursuant to Section 8 of the United States Housing Act of 1937, as amended, or other Federal, state or local assistance programs. The Corporation owns and operates five apartment projects: Shoreline Plaza Apartments, Liberty Apartments, Nez Perce Apartments, Vine Street Apartments, and Shoreline II Apartments.

Shoreline Plaza Apartments is an 80 unit complex located in Boise, Idaho. The apartments are exclusively for tenants that qualify for rental subsidies under the Section 8 program.

Liberty Apartments is a 48 unit complex located in Boise, Idaho. The complex is not operated as a low-income housing project; however, it does accept tenants who qualify under Section 8 program.

Nez Perce Apartments is a 26 unit complex located in Boise, Idaho. The complex is not operated as a low-income housing project; however, it does accept tenants who qualify under Section 8 program.

Vine Street Apartments is a 34 unit complex located in Boise, Idaho. The complex is not operated as a low-income housing project; however, it does accept tenants who qualify under Section 8 program.

Shoreline II Apartments is a 54 unit complex located in Boise, Idaho. The complex is not operated as a low-income housing project; however, it does accept tenants who qualify under Section 8 program.

The Corporation generally leases the units under an annual lease agreement.

Financial Reporting Entity

It was determined when the Corporation was created that in the event of dissolution, the net assets would revert to the Boise City Housing Authority (BCHA). In addition, the Corporation is governed by a Board of Directors that also serves as the Board of Commissioners of BCHA. Accordingly, the Corporation is considered a blended component unit of BCHA for reporting purposes, and the financial information of the Corporation is presented in BCHA's financial statements.

Tax Status

The Corporation is exempt from Federal and State income taxes under Internal Revenue Code Section 501(c)(4). Therefore, no provision for income taxes has been made in these financial statements.

In July 2006, Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, (FIN No. 48) was issued. Subsequent to its original issuance, the effective date of its implementation for nonpublic enterprises has been deferred, and is currently deferred for nonpublic entities until years beginning after December 15, 2008. The Corporation has elected to defer implementation of FIN No. 48, as allowable.

The Corporation undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities, as defined by FIN No. 48.

NOTES TO FINANCIAL STATEMENTS

Financial Statement Presentation

The Corporation's general accounting records are maintained, and its financial statements prepared, on the accrual basis of accounting. The financial statements are presented in accordance with Statement of Accounting Standards No. 117, Financial Statements of Not-for-Profit Organizations. The Corporation only holds unrestricted net assets, which are not subject to donor-imposed stipulations.

Cash and Cash Equivalents

Cash and cash equivalents are defined as all unrestricted cash with an original maturity of 90 days or less.

Restricted Cash and Investments

Restricted investments on bonds are invested and managed by U.S. Bank for which the balance and accruing interest cannot be withdrawn except as authorized by the bank for bond principal and interest payments. These accounts must remain intact until the bonds are fully repaid. Restricted cash for security deposits are held in interest bearing bank accounts along with accrued interest until such time as is necessary to refund the tenant or cover tenant move-out costs.

Investments

Investments are stated at fair value as determined by quoted market prices. The cost of investments sold for determining gain or loss is based on specific identification. Unrealized gains or losses are included in the Statement of Activities. The investments are not insured or collateralized.

Fair Value Measurements

The Corporation has determined the fair value of certain assets and liabilities in accordance with the provisions of FASB Statement No. 157, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles.

Statement No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. SFAS 157 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

The Corporation holds investments that are measured at fair value on a recurring basis. The related fair values of these investments are determined to be a level 1 hierarchy.

NOTES TO FINANCIAL STATEMENTS

Property and Equipment

Land, building, and equipment is recorded at cost. The Corporation capitalizes all fixed asset purchases with costs in excess of \$500, except for stoves, refrigerators, and air conditioners, which are capitalized regardless of the costs as required by HUD. Major maintenance projects in excess of \$5,000 are examined to determine whether they should be capitalized or expensed. Depreciation is computed by the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	6 to 30 years
Equipment and furnishings	3 to 10 years

Maintenance, repairs and minor renewals are charged to operations as incurred. When an asset is disposed of, accumulated depreciation is deducted from the original cost, and any gain or loss arising from its disposal is credited or charged to operations. Interest costs incurred during construction are capitalized net of earnings when they are material. Depreciation expense for the year was \$576,933.

Land Held for Investment

The Moore property is held for investment, and is valued at historical cost. Management estimates historical cost approximates market value.

Use of Estimates

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

Compensated Absences

Vacation is accrued retroactively to the first day of work upon completion of the introductory period of six months of service. Employees may accumulate leave based on their years of service, ranging from 192 to 336 hours.

Deferred Charges

Costs incurred to issue bonds for the Corporation have been capitalized and are amortized using the straight-line method over the life of the bond. Amortization expense for the year ended September 30, 2009 was \$11,428.

Concentrations of Credit Risk

Financial instruments that subject the Corporation to concentrations of credit risk consist principally of restricted and unrestricted cash and cash equivalents and unrestricted investments. The Corporation does not require collateral to support restricted cash or unrestricted investments.

The Corporation receives a substantial portion of its revenues from tenant rent subsidized HUD contributions.

NOTES TO FINANCIAL STATEMENTS

Subsequent Events

The Company has evaluated subsequent events through January 27, 2010, the date which the financial statements were available to be issued.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents, including tenant security deposits, at September 30, 2009 had a carrying amount of \$154,631 and a bank balance of \$171,952. The balance in excess of insured limits has been collateralized.

NOTE 3 – INVESTMENTS

The following table represents the fair value of investments by type at September 30, 2009:

First American Prime Obligations Fund CL D	\$ 1,657,226
Schwab Money Market Funds	53,289
Federal Home Loan Bank	150,091
Federal National Mortgage	99,902
Certificate of Deposit	<u>355,489</u>
	<u><u>\$ 2,315,997</u></u>

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended September 30, 2009:

Interest and dividends	\$ 33,107
Net realized and unrealized gains (losses)	<u>9,098</u>
	<u><u>\$ 42,205</u></u>

NOTE 4 – ACCOUNTS RECEIVABLE

Tenant accounts receivable is recorded net of an allowance for expected losses. Tenant accounts receivable are due at the beginning of each month, and are considered over due if payments are not made, or if the tenant has not obtained approval for specific arrangements for payment. Bad debts are accounted for using the allowance method. The allowance is estimated from historical performance and projections of trends. Bad debts are written off when management has exhausted all efforts to collect. The over due accounts are non-interest bearing. The tenant accounts receivable balance at September 30, 2009 was \$22,538 and the estimated allowance was \$12,826. All other receivable balances are considered fully collectible.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – LONG-TERM DEBT

Long-term debt at September 30, 2009 is as follows:

In 2001, the Corporation issued Multi-family Housing Revenue and Refunding Bonds, Series 2000, for \$14,285,000 for the benefit of the Corporation as borrower, to refund certain outstanding debt of the Corporation, to finance additional apartment projects, to finance the Nez Perce apartment project, and to finance the construction of additions and renovations to both the Vine and Liberty apartment projects. Principal payments are made from rental revenues received on the Corporation's apartment complexes. Bonds are secured by the potential rent revenues and the properties themselves.

Revenue and refunding bonds, due in annual installments through 2031 of \$175,000 to \$1,065,000; interest from 6.85% to 7.75% due semi-annually	\$ 12,905,000
Less current portion	<u>(235,000)</u>
	<u>\$ 12,670,000</u>

Bonds maturing on or after December 1, 2010, are subject to redemption on any date on or after December 1, 2009, at the option and written direction of the Corporation in accordance with the bond document. Bonds maturing on December 1, 2015, are subject to mandatory redemption at par plus accrued interest to the date of redemption in the years and amounts shown in the bond document. Bonds maturing on December 1, 2031, are subject to mandatory redemption at par plus accrued interest to the date of redemption in the years and amounts shown in the bond document. The bonds are also subject to extraordinary optional redemption in whole or in part prior to maturity under certain conditions dictated by the bond document.

The Corporation signed a fifteen-year mortgage for \$159,300 at 8% per annum for the Shoreline II Darbin Property. The mortgage was obtained to purchase property and to install covered parking.

Mortgage payable, due in monthly installments through 2016 of \$1,525 including interest at 8%, secured by property	\$ 89,489
Less current portion	<u>(11,525)</u>
	<u>\$ 77,964</u>

NOTES TO FINANCIAL STATEMENTS

Maturities of long-term debt are as follows:

	Shoreline	Shoreline II Darbin Property	Total
2010	\$ 235,000	\$ 11,525	\$ 246,525
2011	255,000	12,404	267,404
2012	275,000	13,433	288,433
2013	295,000	14,548	309,548
2014	315,000	15,756	330,756
Thereafter	11,530,000	21,823	11,551,823
	<u>\$ 12,905,000</u>	<u>\$ 89,489</u>	<u>\$ 12,994,489</u>

As of September 30, 2009, the Corporation was not in compliance with its required debt covenants in relation to maintaining a coverage ratio or 1.20 to 1. This is to be remedied by employing a consultant to perform analysis and extend recommendations. As of the date of this report, the consultant had not yet been employed.

NOTE 6– RELATED PARTY TRANSACTIONS

Amounts due to/from related party include amounts owed to/from the Low Rent Public Housing Project of BCHA, which acts as a disbursing agent for routine expenses for the Corporation. The net amount payable at September 30, 2009 was \$59,042.

The Board of Directors of the Corporation also serves as the Board of Commissioners of BCACHA and Ada County Housing Authority (ACHA). The Commissioners are appointed in alternating years by the Mayor of Boise and Ada County Commissioners. The Mayor of Boise appoints members in odd numbered years, and the Ada County Commissioners in even numbered years. The Board meetings are joint meetings for the Corporation, BCHA, and ACHA. There were no transactions that occurred between the Corporation and Ada County. Transactions between the Corporation and Boise City were limited to payments in lieu of taxes totaling of \$16,701, which was payable as of September 30, 2009.

All personnel are employed by BCHA. The salaries and benefits of the Executive Director, other administrative staff, and maintenance personnel are allocated among the Corporation, BCHA, and ACHA. Amounts allocated to the Corporation for the year ended September 30, 2009 for salaries and benefits were \$256,910 and \$92,319, respectively.

As allowed by the mortgage holder, the Corporation pays a contracted management fee to the BCHA. The monthly fee is calculated at 7% of net rent collections. The fee for the year ended September 30, 2009 was \$49,459.

NOTES TO FINANCIAL STATEMENTS

Office space and equipment are located at 1278 W. River Street. BCHA purchased the building in November 2003. The Corporation made rental payments to BCHA of \$21,701 during the year. Equipment owned by the respective programs of the Corporation and BCHA are not segregated and are used by employees while working on various programs of each entity.

In the current year there was \$15,547 contributed to the Corporation for the replacement of windows and other capital improvements related to rental units.

SHORELINE PLAZA, INC.

OTHER SUPPLEMENTARY INFORMATION

SHORELINE PLAZA, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2009

	Shoreline Plaza Apartments	Liberty Apartments	Nez Perce Apartments	Vine Street Apartments
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 85,218	\$ 3,676	\$ 2,160	\$ 2,228
Tenant security deposits	19,110	11,600	6,000	8,500
Tenant accounts receivable, net of doubtful accounts	1,102	2,275	2,142	1
Accounts Receivable HUD	14,897	-	-	-
Other accounts receivable	4,108	988	988	502
Prepaid expenses	21,585	10,479	5,244	6,244
Restricted investments	96,672	144,593	51,441	101,536
Unrestricted investments	658,770	-	-	-
Total current assets	<u>901,462</u>	<u>173,611</u>	<u>67,975</u>	<u>119,011</u>
LAND, BUILDING AND EQUIPMENT				
Land	280,468	147,000	36,400	162,201
Land improvements	218,723	601,585	221,021	271,212
Buildings and improvements	3,303,404	2,589,156	1,237,392	1,929,367
Furniture and equipment	419,005	273,369	98,440	181,440
	<u>4,221,600</u>	<u>3,611,110</u>	<u>1,593,253</u>	<u>2,544,220</u>
Accumulated depreciation	<u>(3,331,016)</u>	<u>(1,659,118)</u>	<u>(571,116)</u>	<u>(1,277,600)</u>
	890,584	1,951,992	1,022,137	1,266,620
OTHER ASSETS				
Restricted cash and investments	212,898	318,436	113,288	223,612
Due from other projects	3,099,416	-	-	-
Land held for investment	423,872	-	-	-
Bond issuance costs, net	49,535	57,306	25,496	39,623
	<u>3,785,721</u>	<u>375,742</u>	<u>138,784</u>	<u>263,235</u>
	<u>\$ 5,577,767</u>	<u>\$ 2,501,345</u>	<u>\$ 1,228,896</u>	<u>\$ 1,648,866</u>

Shoreline II Apartments	Total before Eliminations	Eliminations	Total
\$ 1,739	\$ 95,021	\$ -	\$ 95,021
14,400	59,610	-	59,610
4,192	9,712	-	9,712
-	14,897	-	14,897
-	6,586	-	6,586
13,612	57,164	-	57,164
123,272	517,514	-	517,514
-	658,770	-	658,770
<u>157,215</u>	<u>1,419,274</u>	<u>-</u>	<u>1,419,274</u>
177,409	803,478	-	803,478
297,770	1,610,311	-	1,610,311
3,576,557	12,635,876	-	12,635,876
185,432	1,157,686	-	1,157,686
<u>4,237,168</u>	<u>16,207,351</u>	<u>-</u>	<u>16,207,351</u>
<u>(1,078,377)</u>	<u>(7,917,227)</u>	<u>-</u>	<u>(7,917,227)</u>
3,158,791	8,290,124	-	8,290,124
271,479	1,139,713	-	1,139,713
-	3,099,416	(3,099,416)	-
-	423,872	-	423,872
69,940	241,900	-	241,900
<u>341,419</u>	<u>4,904,901</u>	<u>(3,099,416)</u>	<u>1,805,485</u>
<u>\$ 3,657,425</u>	<u>\$ 14,614,299</u>	<u>\$ (3,099,416)</u>	<u>\$ 11,514,883</u>

SHORELINE PLAZA, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2009

	Shoreline Plaza Apartments	Liberty Apartments	Nez Perce Apartments	Vine Street Apartments
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,660	\$ 4,208	\$ 2,087	\$ 2,816
Employee accrued liabilities	6,368	2,061	1,522	1,819
Accrued interest payable	56,206	84,068	29,908	59,034
Payment in lieu of taxes	16,701	-	-	-
Tenant security deposits	19,110	11,600	6,000	8,500
Prepaid rent	2,010	2,603	1,455	2,761
Mortgage note payable, current portion	-	-	-	-
Bonds payable, current portion	43,898	65,659	23,359	46,107
Related party payable	27,281	8,946	5,125	6,620
Total current liabilities	<u>174,234</u>	<u>179,145</u>	<u>69,456</u>	<u>127,657</u>
LONG-TERM LIABILITIES				
Due to other projects	-	742,617	197,412	627,608
Mortgage note	-	-	-	-
Bonds payable	2,366,726	3,539,728	1,259,272	2,485,872
	<u>2,366,726</u>	<u>4,282,345</u>	<u>1,456,684</u>	<u>3,113,480</u>
NET ASSETS (DEFICIENCY), UNRESTRICTED	<u>3,036,807</u>	<u>(1,960,145)</u>	<u>(297,244)</u>	<u>(1,592,271)</u>
	<u>\$ 5,577,767</u>	<u>\$ 2,501,345</u>	<u>\$ 1,228,896</u>	<u>\$ 1,648,866</u>

Shoreline II Apartments	Total before Eliminations	Eliminations	Total
\$ 873	\$ 12,644	\$ -	\$ 12,644
1,167	12,937	-	12,937
71,671	300,887	-	300,887
-	16,701	-	16,701
14,400	59,610	-	59,610
4,757	13,586	-	13,586
11,525	11,525	-	11,525
55,977	235,000	-	235,000
11,070	59,042	-	59,042
<u>171,440</u>	<u>721,932</u>	<u>-</u>	<u>721,932</u>
1,531,779	3,099,416	(3,099,416)	-
77,964	77,964	-	77,964
<u>3,018,402</u>	<u>12,670,000</u>	<u>-</u>	<u>12,670,000</u>
4,628,145	15,847,380	(3,099,416)	12,747,964
<u>(1,142,160)</u>	<u>(1,955,013)</u>	<u>-</u>	<u>(1,955,013)</u>
<u>\$ 3,657,425</u>	<u>\$ 14,614,299</u>	<u>\$ (3,099,416)</u>	<u>\$ 11,514,883</u>

SHORELINE PLAZA, INC.
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2009

	Shoreline Plaza Apartments	Liberty Apartments	Nez Perce Apartments	Vine Street Apartments
REVENUES				
Tenant rent	\$ 197,826	\$ 353,299	\$ 158,436	\$ 249,420
Tenant income, other	405	7,325	5,441	4,181
HUD contributions/grants	568,664	-	-	-
Other revenue	3,289	1,450	-	-
Total revenues	770,184	362,074	163,877	253,601
EXPENSES				
Administrative	146,497	35,557	23,192	27,603
Utilities	30,449	16,482	9,899	16,358
Tenant services	63,382	-	-	-
Ordinary maintenance and operations	73,982	58,872	34,849	44,326
General	41,005	10,837	8,358	10,136
Extraordinary maintenance	9,613	4,195	773	675
Depreciation and amortization	91,573	167,689	66,450	105,843
Total expenses	456,501	293,632	143,521	204,941
OPERATING INCOME	313,683	68,442	20,356	48,660
OTHER INCOME (EXPENSE)				
Contribution from government entity	-	-	15,547	-
Investment income - unrestricted	28,822	154	78	91
Investment income - restricted	2,413	3,588	1,276	2,519
Interest expense	(169,057)	(252,862)	(89,959)	(177,565)
Loss on sale of property	(1,411)	(320)	(119)	(82)
Total other expenses	(139,233)	(249,440)	(73,177)	(175,037)
CHANGE IN NET ASSETS	174,450	(180,998)	(52,821)	(126,377)
NET ASSETS (DEFICIENCY), BEGINNING OF YEAR	2,862,357	(1,779,147)	(244,423)	(1,465,894)
NET ASSETS (DEFICIENCY), END OF YEAR	\$ 3,036,807	\$ (1,960,145)	\$ (297,244)	\$ (1,592,271)

Shoreline II Apartments	Total before Eliminations	Eliminations	Total
\$ 337,234	\$ 1,296,215	\$ -	\$ 1,296,215
5,279	22,631	-	22,631
-	568,664	-	568,664
-	4,739	-	4,739
<u>342,513</u>	<u>1,892,249</u>	<u>-</u>	<u>1,892,249</u>
35,044	267,893	-	267,893
13,419	86,607	-	86,607
-	63,382	-	63,382
39,091	251,120	-	251,120
15,863	86,199	-	86,199
5,290	20,546	-	20,546
<u>156,806</u>	<u>588,361</u>	<u>-</u>	<u>588,361</u>
<u>265,513</u>	<u>1,364,108</u>	<u>-</u>	<u>1,364,108</u>
77,000	528,141	-	528,141
-	15,547	-	15,547
206	29,351	-	29,351
3,058	12,854	-	12,854
(223,275)	(912,718)	-	(912,718)
(848)	(2,780)	-	(2,780)
<u>(220,859)</u>	<u>(857,746)</u>	<u>-</u>	<u>(857,746)</u>
(143,859)	(329,605)	-	(329,605)
<u>(998,301)</u>	<u>(1,625,408)</u>	<u>-</u>	<u>(1,625,408)</u>
<u>\$ (1,142,160)</u>	<u>\$ (1,955,013)</u>	<u>\$ -</u>	<u>\$ (1,955,013)</u>

SHORELINE PLAZA, INC.

SINGLE AUDIT SECTION

SHORELINE PLAZA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2009

Federal Grantor/Pass-through	Federal CFDA	Federal
<u>Grantor/Program Title</u>	<u>Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH IDAHO HOUSING AND FINANCE ASSOCIATION		
Section 8 New Construction and Substantial Rehabilitation	14.182	\$ 506,252
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Service Coordinators in Multi-Family Housing	14.191	<u>62,412</u>
		<u>\$ 568,664</u>

SHORELINE PLAZA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2009

NOTE 1 – BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Corporation. The reporting entity is defined in Note 1 to the Corporation's financial statements.

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

NOTE 2 – MAJOR PROGRAMS

Major programs are identified in the summary of Auditors' Results section of the Schedule of Findings and Questioned Costs.

The following programs have been identified as major programs for the year ended September 30, 2009:

<u>Program</u>	<u>CFDA Number</u>
Section 8 New Construction and Substantial Rehabilitation	14.182



CPAs & BUSINESS ADVISORS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Shoreline Plaza, Inc.
Boise, Idaho

We have audited the financial statements of Shoreline Plaza, Inc. (a nonprofit organization) as of and for the year ended September 30, 2009, and have issued our report thereon dated January 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Shoreline Plaza, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shoreline Plaza, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shoreline Plaza, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Shoreline Plaza, Inc. in a separate letter dated January 27, 2010.

This report is intended solely for the information and use of management, the audit committee, Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
January 27, 2010



CPAs & BUSINESS ADVISORS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

To the Board of Commissioners
Shoreline Plaza, Inc.
Boise, Idaho

Compliance

We have audited the compliance of Shoreline Plaza, Inc. (the “Corporation”) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The Organization's major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Shoreline Plaza, Inc.’s management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shoreline Plaza, Inc.’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Shoreline Plaza, Inc.’s compliance with those requirements.

In our opinion, Shoreline Plaza, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

Internal Control Over Compliance

The management of Shoreline Plaza, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our

auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the organization's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
January 27, 2010

SHORELINE PLAZA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2009

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

Material weakness identified? No

Significant deficiencies identified not considered to be material weaknesses None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness identified? No

Significant deficiencies identified not considered to be material weaknesses None Reported

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? No

Identification of major programs:

<u>CFDA number</u>	<u>Name of Federal Program or Cluster</u>
14.182	Section 8 New Construction and Substantial Rehabilitation

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None