

MAMMOTH LAKES HOUSING, INC AND SIERRA HOUSING ADVOCATES, LLC

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mammoth Lakes Housing, Inc. and
Sierra Housing Advocates, LLC
Mammoth Lakes, California

Report on the Financial Statements

We have audited the accompanying consolidated statement of financial position of Mammoth Lakes Housing, Inc. (a nonprofit organization), and Sierra Housing Advocates, LLC (a limited liability company) as of June 30, 2015 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mammoth Lakes Housing, Inc. and Sierra Housing Advocates, LLC, as of June 30, 2015, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2016, on our consideration of Mammoth Lakes Housing, Inc. and Sierra Housing Advocate LLC'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pioneer Home Outreach's internal control over financial reporting and compliance.

Pine, Pachoncelli & Argueta, Inc.

Visalia, California
February 29, 2016

MAMMOTH LAKES HOUSING, INC AND SIERRA HOUSING ADVOCATES, LLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	489,055
Accounts Receivable		7,588
Deposits and Prepaid Expenses		800
Property Held for Sale		<u>273,000</u>
Total Current Assets		<u>770,443</u>

PROPERTY AND EQUIPMENT

Rental Property		1,380,661
Furniture and Equipment		<u>294,574</u>
Total Property and Equipment		1,675,235
Accumulated Depreciation		<u>(211,607)</u>
Net Property and Equipment		<u>1,463,628</u>

OTHER ASSETS

Loan Fees, Net of Amortization		2,304
Notes Receivable		<u>27,720</u>
Total Other Assets		<u>30,024</u>

TOTAL ASSETS	\$	<u><u>2,264,095</u></u>
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The accompanying notes are an integral part of these financial statements.

MAMMOTH LAKES HOUSING, INC AND SIERRA HOUSING ADVOCATES, LLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	1,600
Rental Deposits		9,500
Accrued Wages		7,779
Compensated Absences		14,682
Current Portion of Long-Term Debt		<u>6,013</u>
Total Current Liabilities		39,574

LONG-TERM LIABILITIES

Long-Term Debt, Net of Current Portion		<u>1,198,886</u>
Total Long-Term Liabilities		1,198,886

TOTAL LIABILITIES		<u>1,238,460</u>
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NET ASSETS

Unrestricted Net Assets		
Undesignated		1,004,654
Designated		<u>20,981</u>

TOTAL NET ASSETS		<u>1,025,635</u>
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TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>2,264,095</u></u>
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The accompanying notes are an integral part of these financial statements.

MAMMOTH LAKES HOUSING, INC AND SIERRA HOUSING ADVOCATES, LLC
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>
SUPPORT, REVENUES, AND RECLASSIFICATIONS	
Grants	\$ 146,473
Contract Services	251,287
Commission Income	8,190
Rental Income	83,262
Other Income	9,249
Loss on Sale of Units	(33,213)
TOTAL SUPPORT, REVENUES, AND RECLASSIFICATIONS	465,248
EXPENSES	
Program Services	255,969
Support Services	
Administrative Expenses	104,438
Fundraising Expenses	13,718
TOTAL EXPENSES	374,125
CHANGE IN NET ASSETS	91,123
NET ASSETS, Beginning of the Period	3,557,392
PRIOR YEAR ADJUSTMENT	(2,622,880)
NET ASSETS, End of the Period	\$ 1,025,635

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

MAMMOTH LAKES HOUSING, INC AND SIERRA HOUSING ADVOCATES, LLC
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Services	Support Services		Total
		Administrative Services	Fundraising	
Advertising	\$ 647	\$ 319	\$ -	\$ 966
Administrative Expenses	1,033	148	295	1,476
Auto Expense	1,015	169	507	1,691
Computer and Office Expenses	2,811	937	937	4,685
Amortization and Depreciation Expense	17,775	14,666	-	32,441
Dues and Subscriptions	2,944	491	1,472	4,907
Facility Expense	8,601	2,439	1,797	12,837
Insurance	2,982	-	-	2,982
Interest Expense	6,283	1,023	-	7,306
Marketing and Meetings	2,041	1,360	-	3,401
Professional Fees	12,522	5,366	-	17,888
Salaries and Wages	129,654	58,054	5,806	193,514
Payroll Taxes	10,058	4,503	450	15,011
Health Insurance	21,212	9,497	950	31,659
Retirement	6,660	2,982	298	9,940
Project Costs	23,258	-	-	23,258
Telephone	3,413	1,463	-	4,876
Travel	2,885	206	1,031	4,122
Taxes	175	815	175	1,165
				-
TOTAL EXPENSES	\$ 255,969	\$ 104,438	\$ 13,718	\$ 374,125

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

MAMMOTH LAKES HOUSING, INC AND SIERRA HOUSING ADVOCATES, LLC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$	91,123
Prior Year Adjustment		(2,622,880)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Flows from Operating Activities:		
Amortization and Depreciation		32,441
Loss on Sale of Units		33,213
(Increase) Decrease in Operating Assets:		
Accounts Receivable		22,695
Prepaid Expenses		2,558
Home Buyers Receivable		3,447,446
CalHome Receivable		(27,720)
Increase (Decrease) in Operating Liabilities		
Accounts Payable		1,600
Compensated Absences		1,646
Accrued Interest		(86,958)
Accrued Wages		8,218
Deposits		(1,680)
Net Cash Provided by Operating Activities		901,702

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from Sale of Assets		372,888
Purchase of Property Held for Sale		(273,000)
Purchase of Property and Equipment		(8,540)
Change in Investments		(5,499)
Net Cash Provided by Investing Activities		85,849

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

**MAMMOTH LAKES HOUSING, INC AND SIERRA HOUSING ADVOCATES, LLC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30 2015**

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from Notes Payable	106,676
Repayments of Notes Payable	<u>(832,905)</u>
Net Cash Used by Financing Activities	<u>(726,229)</u>
Net Increase in Cash	261,322
Cash and Cash Equivalents - Beginning of Period	<u>227,733</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>\$ 489,055</u>

**SUPPLEMENTAL DISCLOSURES OF
CASH FLOW INFORMATION**

Non-Cash Financing Activity:

Cost of Property Held for Sale Acquisitions	\$ 273,000
Cost of Property and Equipment Acquisitions	8,541
Less Financed Acquisitions	<u>(106,676)</u>
Net Cash Paid for Property and Equipment	<u>\$ 174,865</u>
Interest Paid	<u>\$ 11,555</u>
Income Taxes Paid	<u>\$ 800</u>

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

MAMMOTH LAKES HOUSING, INC AND SIERRA HOUSING ADVOCATES, LLC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

1. Summary of Significant Accounting Policies

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Mammoth Lakes Housing, Inc and Sierra Housing Advocates, LLC. All significant intercompany balances and transfers have been eliminated. Sierra Housing Advocates, LLC (a limited liability company) is wholly-owned by Mammoth Lakes Housing, Inc (a non-profit Organization).

Nature of Business

Mammoth Lakes Housing, Inc. (a non-profit Organization) was formed in California on July 15, 2002. Their primary purpose is to provide affordable housing to low - and moderate - income persons within the counties of Alpine, Mono and Inyo. Primary revenue sources include contracted services and grants from state and local agencies.

Sierra Housing Advocates, LLC (a limited liability company) was formed in California on February 11, 2011. The purpose of the LLC is to assist Mammoth Lakes Housing, Inc. in providing affordable housing to eligible individuals.

Mission Statement

Mammoth Lakes Housing, Inc. and Sierra Housing Advocates, LLC support workforce housing for a viable economy and sustainable community.

Basis of Accounting

The consolidated financial statements of Mammoth Lakes Housing, Inc. and Sierra Housing Advocates, LLC have been prepared on the accrual basis of accounting.

Income Taxes

Mammoth Lakes Housing Inc. qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for either state or federal income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509, nor is it liable for the tax imposed under the Federal Unemployment Tax Act. Sierra Housing Advocates, LLC is subject to an \$800 annual tax fee, which is payable to the Franchise Tax Board.

The Corporation and LLC are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Based on the normal statutes, tax years ending June 30, 2012 and thereafter are open for audit for federal income tax purposes and tax years ending June 30, 2011 and thereafter are open for audit for state income tax purposes.

Cash and Cash Equivalents

All highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents for purposes of the statement of cash flows. Cash in bank deposit accounts is maintained at high credit quality financial institutions. The balances, at times, may exceed federally insured limits. At June 30, 2015, Cash deposits exceeded the federally insured limit by approximately \$212,312.

MAMMOTH LAKES HOUSING, INC AND SIERRA HOUSING ADVOCATES, LLC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

1. Summary of Significant Accounting Policies (continued)

Financial Statement Presentation

Mammoth Lakes Housing, Inc. is required to report information regarding its financial position and activities under three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Sierra Housing Advocates, LLC is wholly owned by Mammoth Lakes Housing, Inc. For consolidation purposes, the activities of Sierra Housing Advocates, LLC are reported using the same format as Mammoth Lakes Housing, Inc.

Accounts Receivable

All accounts receivable are considered to be fully collectible, thus no allowance has been recorded.

Property and Equipment

Property and equipment are recorded at cost or at fair market value if contributed. The equipment is depreciated over its useful life by using the straight line method. The capitalization policy is to capitalize all equipment additions in excess of \$1,000.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

Management's Review

In preparing these financial statements, Mammoth Lakes Housing, Inc and Sierra Housing Advocates, LLC have evaluated events and transactions for potential recognition or disclosure through February 29, 2016, the date the financial statements were available to be issued.

2. Property Held for Sale

Property held for sale consists of amounts expended, including interest costs, on projects that are now complete and available for sale. Other properties may be purchased and resold to qualified buyers. These properties, which are considered inventory, are valued according to generally accepted accounting principles at lower of cost or market value. Detail of property held for sale at June 30, 2015 is as follows:

San Joaquin Villas - Unit # 18	\$ 273,000
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MAMMOTH LAKES HOUSING, INC AND SIERRA HOUSING ADVOCATES, LLC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

3. Notes Receivable

Promissory note dated April 1, 2015 from Pedro and Brooke Martinez, who met the eligibility requirement of the CalHome Program were granted a CalHome Loan in the amount of \$27,866, with simple interest at the rate of 3% per year on the unpaid principal balance, from the date of the note, until paid.

\$ 27,720

4. Notes Payable

Notes payable consisted of the following at June 30, 2015:

Note payable to Town of Mammoth Lakes - Revolving Loan Fund, 0% interest to be used for retention of deed restriction properties. Repayment is due upon sale of deed restricted property. Loan was advanced for the purchase of San Joaquin Villa # 18, a deed restricted property.

\$ 211,676

Note payable to Town of Mammoth Lakes, secured by a deed of trust on the property at 1829 Old Mammoth Road, for which the funds are to be used to rehabilitate and develop the property. 0% interest, due in 2066. Management has made the representation that based on history with loans from the Town of Mammoth Lakes and the intention of the loan, this note is not expected to be repaid to the Town of Mammoth Lakes and will be forgiven at the end of the term.

853,600

Mortgage payable to Oak Valley Community Bank with payments monthly of \$1,095 including variable interest at the weekly average on U.S. Treasuries plus 3.75% - currently 5.2%

139,623

Total Long-Term Debt

1,204,899

Less Current Portion

(6,013)

Long-Term Portion

\$ 1,198,886

Principal maturities for the next five years are as follows:

2016		\$ 6,013
2017		6,333
2018		6,671
2019		7,026
2020		7,400
Thereafter		<u>1,171,456</u>

\$ 1,204,899

MAMMOTH LAKES HOUSING, INC AND SIERRA HOUSING ADVOCATES, LLC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

5. Concentrations

Mammoth Lakes Housing, Inc. and Sierra Housing Advocates, LLC obtain significant amounts of revenue from governmental grants and contracts passed through The Town of Mammoth Lakes. The concentration of revenue from a single source makes Mammoth Lakes Housing, Inc. and Sierra Housing Advocates, LLC vulnerable to the risk of losing significant revenues if the single funding source is lost.

6. Real Estate Activities

In addition to managing grants through local city and county governments related to low income housing, the organization also develops workforce and low- and moderate-income housing independently. These "projects" are typically short term with the developed property being sold at the end of the construction period. During this period, all costs, including utilities and interest, are capitalized as part of the cost of construction.

The San Joaquin Villas property acquired with grant revenue has a deed restriction attached to it. If the property becomes available for sale, the Town of Mammoth Lakes, may at it's option, buy the property for \$1 or demand that sales proceeds be repaid to the town.

7. Retirement Plan

The Organization contributes 6% of modified annual compensation into a 403b Plan. All salaried employees employed by the Organization qualify for the benefit. Retirement expense for the year ended June 30, 2015 was \$10,309.

8. Compensated Absences

Full-time employees receive annual leave based upon length of employment. Unused annual leave is paid to employees upon termination of employment and is accrued in the financial statements. Accrued compensated absences as of June 30, 2015 is \$14,682.

9. Prior Year Adjustments

Based on the review of the subrecipient agreement with the Town of Mammoth Lakes and the Organization's representations, the Home Buyers Assistance receivables are due to each individual jurisdiction and not to Mammoth Lakes Housing, Inc.

\$ (3,340,512)

Based on the review of the CALHFA HELP Program Loan statements and the representations of the Organizations, these Notes Payable are the debt of the Town of Mammoth Lakes.

738,762

MAMMOTH LAKES HOUSING, INC AND SIERRA HOUSING ADVOCATES, LLC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

9. Prior Year Adjustments (Continued)

Based on the review of the CALHFA HELP Program Loan statements and the representations of the Organizations, the associated accrual of interest for these Notes Payable are the responsibility of the Town of Mammoth Lakes.	86,957
Home Buyer Assistance monies received were owed to the Town of Mammoth Lakes from prior years and repaid during the current year.	(102,455)
It was noted that a prior year adjustment to agree beginning accumulated depreciation was required for Mammoth Lakes Housing, Inc.	1,750
It was noted that payroll expenses were not properly accrued in the previous year. In order to agree current year payroll expense, a prior year adjustment is required.	(7,194)
It was noted that the non-interest bearing note payable to the Town of Mammoth Lakes had not been recorded at full amount of note payable.	(600)
It was noted that a prior year adjustment was required to adjust the beginning accrued expenses to actual.	412
It was noted that Sierra Housing Advocates, LLC required a prior year adjustment for assets previously expensed and to agree accumulated depreciation.	545
It was noted that Sierra Housing Advocates, LLC required a prior year adjustment for prior years annual LLC fees paid during the fiscal year ended June 30, 2015.	<u>(2,400)</u>
Total Prior Year Adjustments	<u>(2,624,735)</u>
Less Prior Year Adjustments eliminated for consolidation	1,855
Consolidated Prior Year Adjustments	\$ <u><u>(2,622,880)</u></u>

SUPPLEMENTARY INFORMATION

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

To the Board of Directors of
Mammoth Lakes Housing, Inc.
and Sierra Housing Advocates, LLC
Mammoth Lakes, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mammoth Lakes Housing, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mammoth Lakes Housing, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mammoth Lakes Housing Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mammoth Lakes Housing, 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Visalia, California
February 29, 2016