

# MAMMOTH LAKES HOUSING, INC

## CONSOLIDATED FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2014 AND 2013

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Mammoth Lakes Housing, Inc.

We have audited the accompanying consolidated statements of financial position of Mammoth Lakes Housing, Inc. (a non-profit organization) and affiliate as of June 30, 2014 and 2013, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 risk 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 affiliate as of June 30, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

  
Artis and Company, Inc.

August 25, 2014

**MAMMOTH LAKES HOUSING, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2014 AND 2013**

	2014	2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 227,733	\$ 435,474
Accounts Receivable	30,282	7,279
Deposits and Prepaid Expenses	3,356	647
Property Held for Sale (Note 2)	842,146	403,323
Total Current Assets	1,103,517	846,723
<b>PROPERTY AND EQUIPMENT</b>		
Property and Improvements	1,195,907	1,195,907
Office Equipment	20,198	19,574
Less: Accumulated Depreciation	(168,412)	(138,748)
Net Property and Equipment	1,047,693	1,076,733
<b>OTHER ASSETS</b>		
Homeowners' Assistance Loans Receivable (Note 4)	3,447,446	3,540,246
Total Other Assets	3,447,446	3,540,246
<b>TOTAL ASSETS</b>	<b>\$ 5,598,656</b>	<b>\$ 5,463,702</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 110,736	\$ 136,028
Current Portion of Long-Term Debt (Note 3)	5,709	5,380
Total Current Liabilities	116,445	141,408
<b>LONG-TERM LIABILITIES</b>		
Long-Term Debt, Net of Current Portion (Note 3)	1,924,819	1,739,816
Total Liabilities	2,041,264	1,881,224
<b>NET ASSETS</b>		
Unrestricted Net Assets		
Undesignated	3,542,642	3,575,084
Designated	14,750	7,394
Total Net Assets	3,557,392	3,582,478
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,598,656</b>	<b>\$ 5,463,702</b>

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

**MAMMOTH LAKES HOUSING, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND OTHER SUPPORT</b>			
Sale of Units	\$ 125,000	\$ -	\$ 125,000
Less: Cost of Units Sold	126,000	-	126,000
Loss on Sale of Units	(1,000)	-	(1,000)
Government Grant Revenue	152,903	-	152,903
Contract Services - Town of Mammoth Lakes	229,190	-	229,190
Other Contract Services	26,099	-	26,099
Rental and Other Income	65,806	-	65,806
Write Up of Property to Fair Market Value	35,000	-	35,000
Loss on Loan Defaults (Note 4)	(48,561)	-	(48,561)
Total Revenue	459,437	-	459,437
Net Assets Released from Restrictions	-	-	-
Total Revenues, Other Support and Reclassifications	459,437	-	459,437
<b>EXPENSES</b>			
Program Expenses	322,446	-	322,446
Administrative Expenses	154,701	-	154,701
Fundraising Expenses	7,376	-	7,376
Total Expenses	484,523	-	484,523
CHANGE IN NET ASSETS	(25,086)	-	(25,086)
Net Assets at Beginning of Year	3,582,478	-	3,582,478
NET ASSETS AT END OF YEAR	\$ 3,557,392	\$ -	\$ 3,557,392

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

**MAMMOTH LAKES HOUSING, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND OTHER SUPPORT</b>			
Government Grant Revenue	\$ 1,186,574	\$ -	\$ 1,186,574
Contract Services - Town of Mammoth Lakes	211,868	-	211,868
County Contract Services	25,294	-	25,294
Loss on Loan Defaults (Note 4)	(365,545)	-	(365,545)
Rental Income	72,362	-	72,362
Other Income	1,464	-	1,464
Interest	1	-	1
	<u>1,132,018</u>	<u>-</u>	<u>1,132,018</u>
Total Revenue	1,132,018	-	1,132,018
Net Assets Released from Restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues, Other Support and Reclassifications	<u>1,132,018</u>	<u>-</u>	<u>1,132,018</u>
<b>EXPENSES</b>			
Program Expenses	244,065	-	244,065
Administrative Expenses	142,327	-	142,327
Fundraising Expenses	32,401	-	32,401
	<u>418,793</u>	<u>-</u>	<u>418,793</u>
Total Expenses	418,793	-	418,793
<b>CHANGE IN NET ASSETS</b>	713,225	-	713,225
Net Assets at Beginning of Year	<u>2,869,253</u>	<u>-</u>	<u>2,869,253</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 3,582,478</u>	<u>\$ -</u>	<u>\$ 3,582,478</u>

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

**MAMMOTH LAKES HOUSING, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Auto Expenses	\$ -	\$ 1,686	\$ -	\$ 1,686
Computer and Office Expenses	-	9,871	-	9,871
Depreciation Expense	39,684	-	-	39,684
Dues and Subscriptions	-	3,003	-	3,003
Facility Expense	-	5,319	-	5,319
Insurance	-	3,704	-	3,704
Interest Expense	23,850	7,964	-	31,814
Marketing and Meetings	-	11,112	-	11,112
Professional Fees	-	36,222	-	36,222
Salaries and Wages	112,281	50,527	5,614	168,422
Payroll Taxes	9,159	4,121	458	13,738
Health Insurance	19,673	8,853	984	29,510
Retirement	6,400	2,880	320	9,600
Other Project Costs	37,119	-	-	37,119
Repayment of Grant Revenue to Town of Mammoth Lakes	74,280	-	-	74,280
Telephone	-	4,560	-	4,560
Travel	-	3,878	-	3,878
Utilities	-	1,001	-	1,001
<b>TOTAL EXPENSES</b>	<b>\$ <u>322,446</u></b>	<b>\$ <u>154,701</u></b>	<b>\$ <u>7,376</u></b>	<b>\$ <u>484,523</u></b>

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

**MAMMOTH LAKES HOUSING, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Auto Expenses	\$ -	\$ 1,397	\$ -	\$ 1,397
Computer and Office Expenses	-	8,022	-	8,022
Depreciation Expense	21,458	14,015	-	35,473
Dues and Subscriptions	-	2,723	-	2,723
Facility Expense	-	4,470	-	4,470
Insurance	-	6,247	-	6,247
Interest Expense	23,933	8,284	-	32,217
Marketing and Meetings	-	3,904	-	3,904
Professional Fees	1,150	28,507	-	29,657
Salaries and Wages	136,017	42,845	25,163	204,026
Payroll Taxes	11,377	3,584	2,105	17,066
Health Insurance	20,067	6,321	3,712	30,100
Retirement	7,681	2,419	1,421	11,521
Other Project Costs	178	-	-	178
Repairs	1,242	349	-	1,591
Rental Expenses	20,515	-	-	20,515
Taxes	254	483	-	737
Telephone	-	4,938	-	4,938
Travel	-	2,596	-	2,596
Utilities	193	1,222	-	1,415
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL EXPENSES	<u>\$ 244,065</u>	<u>\$ 142,327</u>	<u>\$ 32,401</u>	<u>\$ 418,793</u>

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



**MAMMOTH LAKES HOUSING, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (25,086)	\$ 713,225
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Depreciation	39,684	35,473
Grant from Town of Mammoth Lakes - Loan Forgiveness	-	(900,000)
Gain (Loss) on Sale of Assets	1,000	(1,084)
Write Up of Property to Fair Market Value	(35,000)	-
Loss on Loan Defaults	48,561	365,545
(Increase) Decrease in:		
Accounts Receivable	(23,003)	15,761
Deposits and Prepaid Expenses	(2,709)	549
Property Held for Sale	(538,189)	-
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(25,292)	17,635
Net Cash Flows Provided (Used) By Operating Activities	(560,034)	247,104
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Chateau Road	123,346	-
Investment in Fixed Assets	(624)	(5,877)
Net Cash Flows Provided (Used) By Investing Activities	122,722	(5,877)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Homeowner Assistance Loans - Advances	-	(53,066)
Homeowner Assistance Loans - Repayments	44,239	36,500
Borrowings on Long-Term Debt	193,273	-
Repayments of Long-Term Debt	(7,941)	(4,861)
Net Cash Flows Provided (Used) By Financing Activities	229,571	(21,427)
Net Increase (Decrease) in Cash	(207,741)	219,800
Cash, Beginning of Year	435,474	215,674
<b>CASH, END OF YEAR</b>	<b>\$ 227,733</b>	<b>\$ 435,474</b>
<b>Supplemental Information:</b>		
Interest Paid	\$ 61,299	\$ 8,284

The accompanying notes are an integral part of these financial statements

**MAMMOTH LAKES HOUSING, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

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1. Nature of Organization and Significant Accounting Policies

Nature of Activities

Mammoth Lakes Housing, Inc. (The Organization), is a non-profit organization serving areas within the Counties of Alpine, Mono and Inyo in the State of California with the primary purpose to provide decent housing that is affordable to low – and moderate – income persons. Primary revenue sources include contracted services and grants from state and local agencies.

Mission Statement

Mammoth Lakes Housing, Inc. supports workforce housing for a viable economy and sustainable community.

Basis of Accounting

The financial statements of Mammoth Lakes Housing, Inc. have been prepared on the accrual basis of accounting.

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) based upon the existence or absence of donor-imposed restrictions.

In addition, Mammoth Lakes Housing, Inc. is required to report contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Cash Equivalents

Cash and cash equivalents that have an original maturity of three months or less are considered cash equivalents

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 company's policy is to capitalize all equipment additions in excess of \$1,000.

**MAMMOTH LAKES HOUSING, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

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1. Nature of Organization and Significant Accounting Policies (Continued)

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 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.

Allowance for Doubtful Accounts

All accounts receivable are considered to be fully collectible.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of donations restricted by the donor for specific purposes. Temporarily restricted contributions received during the year were restricted for housing program expenses. There were no temporarily restricted net assets as of June 30, 2014 and 2013.

Consolidation

Sierra Housing Advocates, LLC is a single member LLC owned by Mammoth Lakes Housing, Inc. In accordance with the American Institute of Certified Public Accountants Statement of Position (SOP) consolidation is required. All interorganizational transactions have been eliminated.

Income Tax Status

The Organization 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.

# MAMMOTH LAKES HOUSING, INC.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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### 2. Property Held for Sale

Property held for sale consists of amounts expended, including interest costs, on various projects that are now complete, mainly the Aspen Village Townhomes. 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, 2014 is as follows:

Unit E301 - Meridian Court - original cost		
\$381,634, market value based on		
current asking price.	\$	150,000
Nordica Condos - Unit 5		105,000
Aspen Village - Unit H105		304,296
San Joaquin Villas - Unit G-1		195,669
Meridian Court - Unit A101		105,401
		<u>860,366</u>
Less Accumulated Depreciation		<u>(18,220)</u>
	\$	<u><u>842,146</u></u>

### 3. Long-Term Debt

Long-term debt is recorded at its current amortized balance. Management believes that these balances estimate fair value.

Long-term debt consisted of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Note payable to Town of Mammoth Lakes - Revolving Loan Fund with no interest to be used for deed restriction retention. Loan was advanced for the Meridian and Aspen Village deed restriction purchases.	\$ 193,273	\$ -
Note payable to Town of Mammoth Lakes with no interest to be used for development of the 1829 Old Mammoth Road project. The note is due in 55 years.	853,000	853,000

**MAMMOTH LAKES HOUSING, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

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3. Long-Term Debt (Continued)	<u>2014</u>	<u>2013</u>
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%	\$ 145,493	\$ 151,770
Loan payable to CalHFA HELP program through the Town of Mammoth Lakes. Maximum loan is \$1,500,000 with interest at 3% on amounts drawn on loan. Principal and interest are due in 10 years from date of loan, December 31, 2015.	396,519	396,519
Loan payable to CalHFA HELP program through the Town of Mammoth Lakes. Maximum loan is \$1,500,000 with interest at 3.5% on amounts drawn on loan. Principal and interest are due in 10 years from date of loan, December 31, 2017.	<u>342,243</u>	<u>343,907</u>
Total Long-Term Debt	1,930,528	1,745,196
Less Current Portion	<u>(5,709)</u>	<u>(5,380)</u>
Long-Term Portion	<u>\$ 1,924,819</u>	<u>\$ 1,739,816</u>

Principal maturities for the next five years are as follows:

2015	\$ 5,709
2016	6,013
2017	6,333
2018	6,671
2019	7,026
Thereafter	<u>1,898,776</u>
TOTAL	<u>\$ 1,930,528</u>

**MAMMOTH LAKES HOUSING, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

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4. Homeowners' Assistance Loans Receivable

The Organization loans qualified homebuyers funds provided through the BEGIN, CDBG, HOME and HELP programs. The loans are secured by residences and are payable when the property sells including interest at 0% and 3.5%. The BEGIN program principal and interest is due 30 years from date of loan. The HELP program provides for amortization of principal and interest over 15 years after a 30 year no payment period. CDBG and HOME programs provide loans with zero interest or contingent interest depending on the property and are due in 30 years from date of loan or transfer, whichever happens first. Loans are due and payable upon certain disqualifying events and may be transferred to other qualified homebuyers. Upon repayment, the loans will be reinvested in new residence acquisitions by qualified individuals. During the 2013-14 fiscal year, \$48,561 in loans were written off due to foreclosures. Additionally, \$23,000 was reinvested in a new loan through the Town of Mammoth Lakes.

5. Concentrations

The Organization obtains a significant amount of revenue from governmental grants and contracts passed through local governments. The concentration of revenue from a single source makes the Organization 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 low 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.

**MAMMOTH LAKES HOUSING, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

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**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 years 2014 and 2013 was \$9,600 and \$11,521, respectively.

**8. Subsequent Events**

Management has considered subsequent events through August 25, 2014 , the date which financial statements were available to be issued.



**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**

Board of Directors  
Mammoth Lakes Housing, Inc.

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, 2014, 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 August 25, 2014.

**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 the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

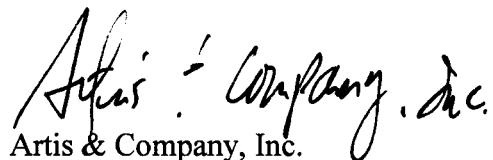


## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Mammoth Lakes Housing, Inc.'s financial statements are free from 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.



Artis & Company, Inc.  
Visalia, CA

August 25, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Directors  
Mammoth Lakes Housing, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited Mammoth Lakes Housing, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Mammoth Lakes Housing, Inc.'s major federal programs for the year ended June 30, 2014. Mammoth Lakes Housing, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Mammoth Lakes Housing, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 Mammoth Lakes Housing, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Mammoth Lakes Housing, Inc.'s compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Mammoth Lakes Housing, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

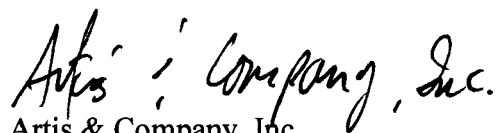
### **Report on Internal Control over Compliance**

Management of Mammoth Lakes Housing, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mammoth Lakes Housing, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Mammoth Lakes Housing, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Artis & Company, Inc.  
Visalia, CA

August 25, 2014

**MAMMOTH LAKES HOUSING, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA #	Pass Through Entity #	Outstanding Loans
U.S. Department of Housing and Urban Development			
Pass-Through Programs from:			
Town of Mammoth Lakes			
Community Development Block Grant	14.248	-	\$ 1,105,081
HOME Investment Partnership Program	14.239	-	<u>690,947</u>
Total U.S. Housing and Urban Development			<u>\$ 1,796,028</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 1,796,028</u></u>

**NOTE A - BASIS OF PRESENTATION**

The above schedule of expenditures of federal awards includes the federal grant activity of Mammoth Lakes Housing, Inc. under programs of the federal government for the year June 30, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Mammoth Lakes Housing, Inc., it is not intended to and does not present the financial position, change in net assets, or cash flows of Mammoth Lakes Housing, Inc.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**MAMMOTH LAKES HOUSING, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2014**

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**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on the financial statements of Mammoth Lakes Housing, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *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*.
3. No instances of noncompliance material to the financial statements of Mammoth Lakes Housing, Inc., which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies in internal control relating to the audit of the major federal award programs are reported in the *Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133*.
5. The auditor's report on compliance for Department of Housing and Urban Development, Town of Mammoth Lakes HOME program and STAR American Recovery and Reinvestment program expresses an unmodified opinion.
6. The program tested as a major program was Department of Housing and Urban Development, Town of Mammoth Lakes HOME program - CFDA No. 14.239 and CDBG Program - CFDA No. 14.248.
7. The threshold used for distinguishing between Type A and B programs was \$300,000.
8. Mammoth Lakes Housing, Inc. qualified as a low-risk auditee.

**FINDINGS - FINANCIAL STATEMENTS AUDIT**

None

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None