

Mammoth Point Condominiums Homeowners' Association

Financial Statements and Supplementary Information

Year Ended December 31, 2012

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**Mammoth Point Condominiums Homeowners' Association
Balance Sheets**

	<u>December 31, 2012</u>			<u>Dec. 31, 2011</u>
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>Total</u>
Assets:				
Cash and Cash Equivalents	\$5,744	\$159,542	\$165,286	\$132,546
Prepaid Insurance	6,260		6,260	6,601
Prepaid Income Tax (Note 7)	247		247	247
Due from Operating Fund (Note 8)		15,000	15,000	20,000
Equipment, at Cost	11,914		11,914	11,914
Less Accumulated Depreciation	(11,914)		(11,914)	(11,914)
Total Assets	<u>\$12,251</u>	<u>\$174,542</u>	<u>\$186,792</u>	<u>\$159,394</u>
Liabilities:				
Accounts Payable	\$9,569	\$6,900	\$16,469	\$6,715
Assessments Received in Advance	11,220		11,220	18,178
Due to Replacement Fund (Note 8)	15,000		15,000	20,000
Total Liabilities	<u>35,789</u>	<u>6,900</u>	<u>42,689</u>	<u>44,893</u>
Owners Equity:				
Balance At Start Of Year	(33,997)	148,498	114,501	87,693
Revenue Less Expenses During Year	10,458	19,144	29,602	26,808
Owners Equity At End of Year	<u>(23,539)</u>	<u>167,642</u>	<u>144,103</u>	<u>114,501</u>
Total Liabilities & Owners Equity	<u>\$12,251</u>	<u>\$174,542</u>	<u>\$186,792</u>	<u>\$159,394</u>

*See Independent Accountant's Review Report
and Accompanying Notes to Financial Statements*

Mammoth Point Condominiums Homeowners' Association
Statements of Revenues and Expenses

	For the Years Ended:			Dec. 31, 2011
	December 31, 2012		Total	
	Operating Fund	Replacement Fund		
Revenues:				
Owner Assessments (Note 3)	\$195,514	\$79,244	\$274,758	\$265,468
Late Charges	902		902	390
Interest Income	73		73	222
Total Revenues	196,489	79,244	275,733	266,081
Administrative Expenses:				
Uncollectible Receivables				(100)
Accounting Services	8,839		8,839	8,404
Board & Meeting Expenses	252		252	454
Insurance	13,369		13,369	13,555
Insurance - Earthquake	9,356		9,356	9,378
Legal Services				1,000
Management	68,901		68,901	70,053
Office Supplies & Postage	1,815		1,815	2,709
Income Taxes	10		10	10
Other Taxes	572		572	35
Reserve Study				2,050
Telephone	2,471		2,471	2,560
Total Administrative Expenses	105,585		105,585	110,108
Maintenance & Supplies:				
Buildings	9,806		9,806	11,405
Equipment Maintenance & Fuel	3,919		3,919	8,216
Grounds	6,399		6,399	1,403
Jacuzzi & Sauna	2,377		2,377	1,332
Snow Removal	6,745		6,745	16,298
Tools & Equipment	266		266	
Trash Removal	6,958		6,958	6,166
Total Maintenance & Supplies	36,469		36,469	44,820
Utilities:				
Cable TV	(66)		(66)	
Electricity	11,021		11,021	11,591
Propane	17,147		17,147	12,502
Water & Sewer	15,875		15,875	15,161
Total Utilities	\$43,977	\$	\$43,977	\$39,254

**Mammoth Point Condominiums Homeowners' Association
Statements of Revenues and Expenses**

	For the Years Ended:			Dec. 31, 2011
	December 31, 2012			
	Operating Fund	Replacement Fund	Total	
Major Projects:				
Asphalt Replacement	\$	\$	\$	\$12,545
Exterior Stairs/Rails (Phase I)				29,670
Manager's Unit - Kitchen Counter				2,876
Roof Replacement		4,800	4,800	
Wood Entry Decks		55,300	55,300	
Total Major Projects		60,100	60,100	45,091
Total Expenses	186,031	60,100	246,131	239,273
Excess Revenues Over Expenses	\$10,458	\$19,144	\$29,602	\$26,808

**Mammoth Point Condominiums Homeowners' Association
Statements of Cash Flows**

	For the Years Ended:			
	December 31, 2012			Dec. 31, 2011
	Operating Fund	Replacement Fund	Total	Total
Cash Flows From Operations				
Owner Assessments Collected	\$189,458	\$79,244	\$268,702	\$272,081
Interest Received	73		73	222
Cash Paid for Operating Expenditures	(182,836)		(182,836)	(201,721)
Replacement Expenditures Paid For:				
- Asphalt Replacement				(12,545)
- Exterior Stairs/Rails (Phase I)				(29,670)
- Manager's Unit - Kitchen Counter				(2,876)
- Roof Replacement		(4,800)	(4,800)	
- Wood Entry Decks		(48,400)	(48,400)	
Net Cash Provided by Operations	6,695	26,044	32,739	25,491
Cash Flows From Financing Activities				
Loan Between Funds (Note 8)	(5,000)	5,000		
Net Cash Provided (Used) by Financing	(5,000)	5,000		
Cash and Cash Equivalents at Beginning of Year	4,049	128,498	132,546	107,055
Cash and Cash Equivalents at End of Year	\$5,744	\$159,542	\$165,286	\$132,546

**Reconciliation of Excess of Revenues Over Expenses
to Net Cash Provided by Operations:**

	For the Years Ended:			
	December 31, 2012			Dec. 31, 2011
	Operating Fund	Replacement Fund	Total	Total
Excess of Revenues Over Expenses	\$10,458	\$19,144	\$29,602	\$26,808
Adjustments to Reconcile Excess of Revenues Over Expenses to Net Cash Provided by Operations:				
(Increase) Decrease in Assessments Receivable				913
Increase (Decrease) in Allowance for Doubtful Accounts				(100)
(Increase) Decrease in Prepaid Insurance	341		341	(137)
Increase (Decrease) in Accounts Payable	2,854	6,900	9,754	(7,302)
Increase (Decrease) in Assessments Received in Advance	(6,958)		(6,958)	5,309
Net Cash Provided by Operations	\$6,695	\$26,044	\$32,739	\$25,491

Mammoth Point Condominiums Homeowners' Association
Notes to Financial Statements
As of December 31, 2012 and December 31, 2011

NOTE 1: GENERAL INFORMATION

Mammoth Point Condominiums Homeowners' Association, an unincorporated association, was formed on October 28, 1971 to provide for the orderly maintenance, preservation, and architectural control of the common areas within the development. The association was later incorporated under the laws of California on February 13, 1985.

The Association is responsible for maintaining, repairing and replacing common area facilities, which include roofs, siding, paving, jacuzzi, equipment, landscaping, and common area plumbing and electrical systems.

Mammoth Point consists of 36 residential condominiums.

The Association derives its authority and responsibilities from its Declaration of Covenants, Conditions and Restrictions. The Board of Governors makes most policy decisions and oversees daily operations, but major decisions are referred to the general association membership if required by the governing documents or by statute.

Membership in the Association is mandatory for homeowners. Voting members consist of all owners, who are entitled to one vote for each unit owned. Each owner is obligated to pay assessments to the Association to support its operations and purposes.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Method

The Association uses fund accounting which requires that funds such as operating funds and funds designated for future repairs and replacements be classified separately for accounting and reporting purposes. Operating funds are those whose disposition are at the discretion of the Board of Governors and are generally used for regular operating expenses. Replacement funds are restricted to the repair or replacement of major common area components.

The Board's policy is to allocate to the operating fund interest earned on all cash accounts, all income tax expense, and all delinquent or uncollectible receivables.

B. Fiscal Year

The Association's fiscal year ends December 31.

C. Recognition of Assets and Depreciation Policy

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statement because those properties are owned by the individual unit owners in common and not by the Association. Real or personal property purchased by the Association to which the Association holds title and which could be disposed of for cash or claims to cash is capitalized at cost and depreciated over its estimated useful life using the straight-line method of depreciation. Personal property purchased for the replacement fund is expensed during the year of acquisition.

Mammoth Point Condominiums Homeowners' Association
Notes to Financial Statements
As of December 31, 2012 and December 31, 2011

D. Statement of Cash Flows Information

For purposes of the Statement of Cash Flows, the Association considers all short-term investments to be cash equivalents if the maturity date is three months or less when purchased. Cash equivalents are classified with cash in the balance sheet.

E. Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE 3: OWNER ASSESSMENTS

Assessments are determined by the Board of Governors during the annual budget process and are allocated to each unit based on the units undivided percentage interest in the common areas.

Regular Assessments

Regular monthly assessments during the past five years were as follows:

Unit Type	Year Ended:				
	12/31/12	12/31/11	12/31/10	12/31/09	12/31/08
Two Bedroom	\$540.01	\$521.75	\$521.75	\$474.32	\$468.67
Four Bedroom	756.02	730.46	730.46	664.05	656.14

On February 1, 2012, the Association entered into an arrangement with the local cable company for bulk cable service to all owners who wanted to participate. In return for discounted cable rates, the Association has assumed the responsibility for billing individual owners and paying the cable company.

Special Assessments

- A. A special assessment of \$98,304 was levied April 1, 2005 to fund the loader replacement. The assessment was payable over 48 months and the monthly per unit cost was \$48 for the two bedroom units and \$68 per unit for the four bedroom units.
- B. A special assessment of \$34,500 was levied May 1, 2007 to pay for balcony replacements which have been approved by the owners. The cost per unit was \$813.68 for the two bedroom units and \$1,139.16 for the four bedroom units.

The Association retains excess operating funds at the end of the operating year, if any, for use in future years.

NOTE 4: COLLECTION OF OWNER ASSESSMENTS

The Association's policy regarding collection of common area fees and the treatment of delinquent owners is as follows:

Mammoth Point Condominiums Homeowners' Association
Notes to Financial Statements
As of December 31, 2012 and December 31, 2011

Common area assessments are due on the first day of each month and are delinquent if payment is not received within 20 days of the due date. When delinquent, a 10% late charge is assessed. If an owner is delinquent for 40 days (that is, has not paid within 60 days of the original due date), the delinquent owner is mailed a letter via certified mail, advising him that unless payment in full is received in 10 days, the matter will be referred to the Association's attorney or to a collection service. If the matter is referred, the attorney or collection service will, with Board concurrence, start collection action. The collection action may take the form of an assessment lien and foreclosure proceedings, and/or a suit against the owner personally either in small claims or municipal court. If an assessment lien is recorded, the owner will be sent a copy of the recorded lien via certified mail no later than 10 calendar days after the lien has been recorded. More than one method of collection may be initiated against a delinquent owner, but only one will be concluded.

The delinquent owner will be held liable for all common area fees owing, as well as for all applicable collection service fees, attorney fees, referral-for-collection fees, delinquent letter fees, late charges, interest calculated in accordance with the association's CC & R's, bank and handling charges incurred as a result of returned checks, and any other out-of-pocket expenses incurred by the association in connection with the collection action. These additional charges may be sizable.

An owner may dispute the assessment debt by submitting a written request for dispute resolution to the association pursuant to the association's meet and confer IDR procedure, as set forth in Civil Code Section 1363.810 et seq. An owner may also request alternative dispute resolution with a neutral third party before the association initiates foreclosure against the owner's separate interest, except that binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

If an owner's check is returned by the bank, the check will not be redeposited. The owner will be sent a notice stating that the association requires a replacement check which will include reimbursement for the fee charged by the bank and any handling fees associated with the returned check.

NOTE 5: ASSESSMENTS RECEIVABLE

As of December 31, 2012 and 2011 there were no owner assessments receivable.

NOTE 6: REPLACEMENT FUNDS AND REPLACEMENT FUNDING PROGRAM

Replacement funds are amounts to be spent on the future major repair and replacement of selected components of the common areas. A long-term funding program is one that is based on a study that identifies specific components of the common areas, such as roofs and asphalt, the expected replacement costs and expected remaining lives of each component, and provides a plan to pay for the replacement of these components when they wear out. The preparation of such a study involves significant estimates by the persons preparing the study, and these estimates are subject to annual revision for changing prices, circumstances and assumptions.

The Association's governing documents require that funds be accumulated for future major repairs and replacements.

The Board of Governors commissioned a study of the major components of the common areas in October 2011. The study was performed by Stone Mountain Corporation, a firm that specializes in reserve studies. The list of major components, estimated replacement cost of each component and total and remaining useful life of each component data is based on that study.

Mammoth Point Condominiums Homeowners' Association
Notes to Financial Statements
As of December 31, 2012 and December 31, 2011

The replacement program is designed to project what funds will be necessary and how these funds will be raised. However, there will be differences between projected and actual results because events and circumstances frequently do not occur as expected and those differences may be significant. In the event that replacement funds prove inadequate, the Association has the right to increase regular assessments, levy special assessments, or delay replacement until necessary funds become available.

NOTE 7: INCOME TAXES

Federal Income Taxes:

Homeowners' associations may be taxed either as homeowner associations or as regular corporations. For the year ended December 31, 2011 the Association chose to be taxed as a homeowner association.

As a homeowner association, membership income is exempt from taxation and the association is taxed only on its non-membership income, such as interest income, at homeowner association rates.

As of the date of this report, a decision has not been made as to the filing method for the fiscal year ended December 31, 2012. The tax provision for the year ended December 31, 2012 assumes that the method chosen will be consistent with the prior year.

As of December 31, 2012, the tax years that remain subject to examination by Federal taxing authorities begin with the year ended December 31, 2009.

California Income Taxes:

The Association has applied for and received a continuing exemption from regular California corporate income taxes. Accordingly, the Association pays California tax only on its non-membership income at corporate rates excluding the minimum tax.

As of December 31, 2012, the tax years that remain subject to examination by California taxing authorities begin with the year ended December 31, 2008.

Income Tax Expense:

Income tax expense and income taxes (prepaid) at year end were as follows:

<u>Year Ended December 31, 2012</u>	<u>Federal</u>	<u>Calif.</u>	<u>Total</u>
Income tax	\$ 0	\$ 10	\$ 10
Estimated payments & credits	0	(257)	(257)
Income tax (prepaid)	<u>\$ 0</u>	<u>\$ (247)</u>	<u>\$ (247)</u>
<u>Year Ended December 31, 2011</u>	<u>Federal</u>	<u>Calif.</u>	<u>Total</u>
Income tax	\$ 0	\$ 10	\$ 10
Estimated payments & credits	0	(257)	(257)
Income tax (prepaid)	<u>\$ 0</u>	<u>\$ (247)</u>	<u>\$ (247)</u>

See Independent Accountant's Review Report.

Mammoth Point Condominiums Homeowners' Association
Notes to Financial Statements
As of December 31, 2012 and December 31, 2011

NOTE 8: LOAN BETWEEN FUNDS

Over the last seven years, the operating fund has borrowed money from the replacement fund to cover operating expenses.

The balance due to the replacement fund at December 31, 2012 was \$15,000 and at December 31, 2011, it was \$20,000. The loans bear no interest.

Civil Code Section 1365.5 requires that funds borrowed from the replacement fund must be repaid within one year of the date of the initial transfer unless the Board of Directors makes a finding, supported by documentation, that a delay in the repayment would be in the best interest of the Association. If necessary, the Board is required to levy a special assessment to recover the full amount of the cash to the replacement fund.

NOTE 9: DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 15, 2013, the date that the financial statements were available to be issued.

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members
Mammoth Point Condominiums Homeowners' Association

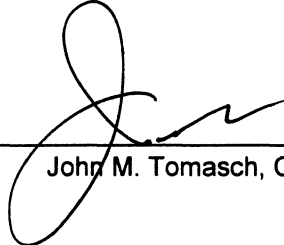
I have reviewed the accompanying balance sheets of Mammoth Point Condominiums Homeowners' Association as of December 31, 2012 and 2011, and the related statements of revenues and expenses, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Accounting principals generally accepted in the United States of America require that the information about future major repairs and replacements of common property be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have compiled the required supplementary information without audit or review, and, accordingly, I do not express an opinion or provide any assurance on it.



John M. Tomasch, C.P.A.

April 15, 2013
Mammoth Lakes, California

Mammoth Point Condominiums Homeowners' Association

Supplementary Information On Future Major Repairs and Replacements

As of December 31, 2012

The Board of Governors commissioned Stone Mountain Corporation to prepare a reserve study of the major components of the common areas which the Association is responsible to maintain. Stone Mountain Corporation specializes in condominium reserve studies. This study was completed in October 2011 for the period beginning January 1, 2012.

The data on the following pages is based on that study.

Mammoth Point Homeowners Association
Schedule of Planned Replacements and Estimated Replacement Costs

Replacement Fund Activity

The following forecasted information is based on the component study and the Board's funding policies.

<u>Component</u>	<u>Useful Life (Yrs.)</u>	<u>Remaining Life (Yrs.)</u>	<u>Replacement Cost</u>	<u>Annual Expense</u>	<u>Replacement Liability</u>	<u>Replacement Fund Cash & Investments</u>	<u>Unfunded Liability</u>	<u>Average Per Unit Unfunded Liability</u>	<u>Percent Funded</u>
Composite Shingle Roof	25	8	159,824	6,393	108,680				
Roof Preventative Maintenance	3	0	4,476	1,492	4,476				
Chimney Caps/Spark Arresters	25	11	9,324	373	5,221				
Wood Trim/Siding - Paint	6	3	77,700	12,950	38,850				
Wood Trim/Siding Exposed Sides	6	1	6,734	1,122	5,612				
Wood Siding \$5K Repl w/ Paint	6	3	5,180	863	2,590				
Balconies - Replace (All)	35	28	177,156	5,062	35,431				
Wood Stairs & Rails 2011	35	33	34,188	977	1,954				
Wood Entry Decks 2012	35	35	25,900	740	0				
Wood Rail Fences	35	0	10,422	298	10,422				
Asphalt Seal/Crackfill 2011	2	1	7,563	3,781	3,781				
Asphalt Patch (Partial Areas)	2	1	3,968	1,984	1,984				
Asphalt Petromat Overlay - Streets	22	6	72,789	3,309	52,938				
Asphalt Overlay - Upper Parking	22	11	15,395	700	7,697				
Asphalt Paths near Spa - (2011)	20	18	3,300	165	330				
Asphalt Paths (Other) - Replace	20	7	5,418	271	3,522				
Spa Resurface (2009)	12	8	12,432	1,036	4,144				
Spa Heater (2009)	10	6	3,522	352	1,409				
Spa Filter (2009)	10	6	1,140	114	456				
Spa Pumps (2009)	8	4	2,072	259	1,036				
Spa Chemical Feeder	10	6	2,901	290	1,160				
Spa Skimmer - Replace	30	26	1,865	62	249				
Spa Restrooms & Floor Drains	50	1	46,620	932	45,688				
Spa Restrooms Renovate	25	25	6,216	249	0				
Spa Iron Gates - Replace	25	13	2,072	83	995				
Interior Residence Plumbing	45	11	358,995	7,978	271,240				
Manager's Unit Flooring 2010	15	12	5,128	342	1,026				
Manager's Unit - Appliances	20	9	3,108	155	1,709				
Manager's Unit - Interior Paint	10	7	2,072	207	622				
Manager's Unit - Renovate	30	14	8,806	294	4,697				
Case Skip Loader 621D - Used	27	18	134,266	4,973	44,755				
Snowblowers (2)	6	4	3,108	518	1,036				
Tree Trim/Remove	4	2	3,626	907	1,813				

See Independent Accountant's Review Report.

**Mammoth Point Homeowners Association
Schedule of Planned Replacements and Estimated Replacement Costs**

Replacement Fund Activity

The following forecasted information is based on the component study and the Board's funding policies.

Component	Useful Life (Yrs.)	Remaining Life (Yrs.)	Replacement Cost	Annual Expense	Replacement Liability	Replacement Fund Cash & Investments	Unfunded Liability	Average Per Unit Unfunded Liability	Percent Funded	
Irrigation Backflow Valve	22	15	1,036	47	330					
Concrete Block Retaining Wall Engineering	1	0	5,000	5,000	5,000					
Concrete Block Retaining Wall Repl.	45	1	40,000	889	39,111					
RR Tie Retaining Walls (10%)	5	2	2,657	531	1,594					
Custom "Mammoth Point" Sign	20	5	1,658	83	1,243					
Laundry - Washer (1)& Dryer (1)	15	3	518	35	414					
Fire Extinguishers - Replace 2011	5	3	1,243	249	497					
Unscheduled Capital Exp - Fireboxes 2013	1	0	2,000	2,000	2,000					
Unscheduled Capital Expense - Fireboxes*	1	1	2,000	2,000	0					
Balance at 01-01-13						\$715,712 -	\$159,542 =	\$556,170	\$15,449	22%
Annual Wear & Tear				70,063	70,063 -	0 =	70,063			
Budgeted Additions During Year					0 -	79,244 =	(79,244)			
Budgeted Reductions During Year										
					- (4,476) -	(4,476) =	0			
					- (10,422) -	(10,422) =	0			
					- (5,000) -	(5,000) =	0			
					- (2,000) -	(2,000) =	0			
Forecasted Balance at 12-31-13						\$763,877 -	\$216,888 =	\$546,989	\$15,194	28%

*Per order by the ML Fire Dept., all fireboxes must be replaced within 10 years. This forecast assumes one box will be done per year. This requirement applies to 7 Units at Mammoth Point.