

THE MONO LAKE FOUNDATION

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

**YEARS ENDED
DECEMBER 31, 2010 AND 2009**



Gilbert Associates, Inc.
CPAs and Advisors

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
The Mono Lake Foundation
Lee Vining, California**

We have audited the accompanying statements of financial position of The Mono Lake Foundation (the Foundation) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Mono Lake Foundation as of December 31, 2010 and 2009, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

October 1, 2011

THE MONO LAKE FOUNDATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	\$ 157,766	\$ 207,674
Accounts receivable	277,673	5,994
Inventories	92,472	83,264
Prepaid expenses and other assets	<u>7,507</u>	<u>7,820</u>
Total current assets	535,418	304,752
PLEDGES RECEIVABLE		15,000
INVESTMENTS	1,775,203	1,602,938
PROPERTY AND EQUIPMENT - Net	<u>1,074,317</u>	<u>1,039,180</u>
TOTAL ASSETS	<u>\$ 3,384,938</u>	<u>\$ 2,961,870</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 108,776	\$ 52,243
Accrued liabilities	20,102	17,746
Deferred income	<u>800</u>	<u>1,315</u>
Total liabilities	<u>129,678</u>	<u>71,304</u>
NET ASSETS:		
Unrestricted	1,503,857	1,308,472
Temporarily restricted	1,235,430	1,100,061
Permanently restricted	<u>515,973</u>	<u>482,033</u>
Total net assets	<u>3,255,260</u>	<u>2,890,566</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,384,938</u>	<u>\$ 2,961,870</u>

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

THE MONO LAKE FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
UNRESTRICTED NET ASSETS:		
REVENUES:		
Member contributions	\$ 1,030,456	\$ 1,060,633
Sales revenue, net of cost of goods sold of \$141,021 for 2010 and \$158,210 for 2009	131,840	131,987
Other general contributions	63,848	46,327
Program service revenue	62,247	72,300
Interest and investment income	3,386	11,771
Rental income	34,969	37,182
Bequests	433,616	75,927
Other	628	433
Net assets released from restrictions	<u>149,312</u>	<u>147,752</u>
Total revenues	<u>1,910,302</u>	<u>1,584,312</u>
EXPENSES:		
Program services:		
Public education and outreach	767,284	648,521
Membership communications	393,934	266,390
Research and policy development	<u>258,091</u>	<u>273,417</u>
Total program services	1,419,309	1,188,328
Supporting services:		
Fundraising	222,078	324,975
Management, general and store operations	<u>73,530</u>	<u>67,301</u>
Total expenses	<u>1,714,917</u>	<u>1,580,604</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>195,385</u>	<u>3,708</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions and grants	203,637	156,031
Investment income	61,704	42,171
Bequests	19,340	899,361
Net assets released from restrictions	<u>(149,312)</u>	<u>(147,751)</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>135,369</u>	<u>949,812</u>
PERMANENTLY RESTRICTED NET ASSETS:		
Investment gain	<u>33,940</u>	<u>25,006</u>
INCREASE IN NET ASSETS	364,694	978,526
NET ASSETS, Beginning of Year	<u>2,890,566</u>	<u>1,912,040</u>
NET ASSETS, End of Year	<u>\$ 3,255,260</u>	<u>\$ 2,890,566</u>

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

THE MONO LAKE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2010

	Program Services			Supporting Services		Total
	Public Educ. & Outreach	Membership Comm.	Research & Policy Develop.	Management, General & Store		
				Fundraising	Operations	
Personnel	\$ 476,726	\$ 38,322	\$ 120,426	\$ 41,304	\$ 21,559	\$ 698,337
Professional services	82,830	149,525	59,619	97,526	29,435	418,935
Cost of goods sold	78,000				63,021	141,021
Printing	42,746	34,172	1,383	32,291	28	110,620
Postage	19,284	50,953	678	26,094	1,675	98,684
Advertising	8,051	76,218	354	2,364	3,362	90,349
Depreciation	33,292	3,763	10,784	2,185	2,025	52,049
Supplies	17,377	25,814	1,421	5,834	1,442	51,888
Insurance	15,152	1,588	11,249	1,693	2,669	32,351
Travel	20,567	30	8,202	1,584	911	31,294
Occupancy	9,425	671	12,159	1,465	361	24,081
Equipment	11,453	546	6,921	1,293	656	20,869
Grants	4,500		14,486			18,986
Telecommunications	8,209	760	3,486	941	715	14,111
Other	17,672	11,572	6,923	7,504	8,692	52,363
	845,284	393,934	258,091	222,078	136,551	1,855,938
Total expenses						
Less cost of goods sold included with revenues on the statement of activities	78,000				63,021	141,021
Total expenses included in the expense section of the statement of activities	\$ 767,284	\$ 393,934	\$ 258,091	\$ 222,078	\$ 73,530	\$ 1,714,917

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

THE MONO LAKE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2009

	Program Services			Supporting Services		
	Public Educ. & Outreach	Membership Comm.	Research & Policy Develop.	Management, General & Store		
				Fundraising	Operations	Total
Personnel	\$ 416,089	\$ 34,037	\$ 119,239	\$ 49,481	\$ 25,541	\$ 644,387
Professional services	55,827	95,147	59,172	132,004	27,988	370,138
Cost of goods sold	86,422				71,788	158,210
Printing	42,173	9,308	215	53,364	18	105,078
Postage	9,712	22,031	(681)	67,694	988	99,744
Advertising	9,174	60,332	811	4,307	2,742	77,366
Depreciation	22,746	2,262	6,290	2,967	2,520	36,785
Supplies	15,060	27,456	1,501	3,721	1,026	48,764
Insurance	14,328	1,382	14,037	1,998	1,029	32,774
Travel	17,383	1,214	6,930	1,077	564	27,168
Occupancy	7,224	647	8,254	1,390	407	17,922
Equipment	6,345	174	1,594	1,005	411	9,529
Grants	14,250		49,842			64,092
Telecommunications	6,053	539	3,046	860	572	11,070
Other	12,157	11,861	3,167	5,107	3,495	35,787
	734,943	266,390	273,417	324,975	139,089	1,738,814
Total expenses						
Less cost of goods sold included with revenues on the statement of activities	86,422				71,788	158,210
Total expenses included in the expense section of the statement of activities	\$ 648,521	\$ 266,390	\$ 273,417	\$ 324,975	\$ 67,301	\$ 1,580,604

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

THE MONO LAKE FOUNDATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 364,694	\$ 978,526
Reconciliation to net cash provided by operating activities:		
Net unrealized gain on investments	(60,928)	(61,545)
Donated investments		(882,768)
Depreciation and amortization	52,049	36,785
Changes in:		
Accounts receivable	(271,679)	49,530
Inventories	(9,208)	9,889
Prepaid expenses and other assets	313	(201)
Pledges receivable	15,000	
Accounts payable	56,533	(21,014)
Accrued liabilities	2,356	17,746
Deferred income	(515)	1,115
Net cash provided by operating activities	<u>148,615</u>	<u>128,063</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(236,496)	(13,100)
Proceeds from sale of investments	125,159	
Purchases of property and equipment	<u>(87,186)</u>	<u>(73,492)</u>
Net cash used by investing activities	<u>(198,523)</u>	<u>(86,592)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(49,908)	41,471
CASH AND EQUIVALENTS, Beginning of Year	<u>207,674</u>	<u>166,203</u>
CASH AND EQUIVALENTS, End of Year	<u>\$ 157,766</u>	<u>\$ 207,674</u>

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

THE MONO LAKE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Mono Lake Foundation (the Foundation) is a nonprofit corporation whose mission consists of supporting the restoration and preservation of the Mono Lake ecosystem, educating the public about Mono Lake and the impacts on the environment of excessive water usage, and promoting cooperative solutions that protect Mono Lake and meet real water needs without transferring environmental problems to other areas.

Basis of presentation – The financial statements are presented in conformity with Accounting Standards Codification (ASC) 958-205, *Not-For-Profit Entities – Presentation of Financial Statements*. In accordance with ASC 958-205, the Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Revenue recognition – Contributions and grants are recognized as revenues when received or unconditionally promised. All donor-restricted contributions and grants are reported as an increase in temporarily restricted net assets. When restrictions expire, as funds are expended for the specified purpose or through the passage of time, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed services meeting the qualifications for recognition under ASC 958-605, *Not-For-Profit Entities – Revenue Recognition*, are recognized at their estimated fair value as of the date of service. During 2010 and 2009, the Foundation received donated professional services valued at \$6,061 and \$5,821, respectively. The services primarily benefited Foundation programs.

Cash and equivalents – For financial statement purposes, the Foundation considers all investments with a maturity at purchase of three months or less to be cash equivalents.

Inventories consist primarily of educational and artistic materials sold by the Foundation through its retail store or distributed as membership benefits. Inventories are recorded at the lower of average cost or market. Materials that have become obsolete are not included in the inventory balance.

Investments are recorded at fair market value.

Property and equipment are stated at cost or, if donated, at the estimated fair market value as of the date of donation. Assets are depreciated using the straight-line method over estimated useful lives of 5 to 39 years.

Income taxes – The Foundation is publicly supported and exempt from income taxes under Internal Revenue Code Section 501(c)(3), except for immaterial amounts of tax on unrelated business income arising from rental income on debt financed property, sales of certain merchandise, and rental of mailing lists.

THE MONO LAKE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

The Foundation adopted the accounting principles related to accounting for uncertainty in income taxes (as described under ASC 740-10) as of January 1, 2009, and has determined that there is no material impact on the financial statements for fiscal year ending December 31, 2010. With some exceptions, the Foundation is no longer subject to U.S. federal and California income tax examinations by tax authorities for years prior to 2006.

Functional allocation of expenses – The costs of providing the program services have been summarized on a functional basis in the statements of activities and of functional expenses. Accordingly, certain costs have been allocated among the program services based on employees' time incurred and on resource usage.

Joint fundraising and educational activities – The financial statements conform with ASC 958-720, *Not-for Profit – Other Expenses – Accounting for Costs of Activities That Include Fund Raising*. See Note 6.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events have been evaluated through October 1, 2011, the date the financial statements were issued.

Reclassifications – Certain 2009 amounts have been reclassified to conform with the 2010 financial statement presentation.

Fair value measurements – Assets and liabilities measured at fair value are recorded in accordance with ASC 820, which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- | | |
|----------------|---|
| Level 1 Inputs | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. |
| Level 2 Inputs | Inputs other than quoted prices in active markets that are observable either directly or indirectly. |
| Level 3 Inputs | Unobservable inputs in which there is little or no market data, which require management to develop their own assumptions. |

The Foundation's investments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

THE MONO LAKE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

Recent accounting pronouncements – In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-06, *Improving Disclosures about Fair Value Measurements*. The guidance requires new disclosures about significant transfers in and out of Levels 1 and 2 fair value measurements and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 fair value measurements. The new guidance also clarifies existing disclosure requirements regarding inputs and valuation techniques, as well as the level of disaggregation for each class of assets and liabilities for which separate fair value measurements should be disclosed. This update will become effective for the annual reporting periods beginning January 1, 2010. The Foundation will not be required to provide the amended disclosures for any previous periods presented for comparative purposes. Other than requiring additional disclosures, adoption of this update did not have a material effect on the Foundation's financial statements.

2. INVESTMENTS

The following is a summary of fair value measurements as of assets measured at fair value on a recurring basis:

	<u>2010</u>	<u>2009</u>
Money market funds	\$ 445,756	\$ 426,517
Mutual funds:		
Commodities	112,561	83,425
Currency	41,219	18,714
International	326,094	227,144
Stock – Blend	53,936	46,104
Stock – Growth	13,414	11,140
Other	4,061	3,960
Fixed income	<u>778,162</u>	<u>785,934</u>
Total	<u>\$ 1,775,203</u>	<u>\$ 1,602,938</u>

Interest and investment income consists of the following:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 32,843	\$ 17,400
Net unrealized gain	<u>66,187</u>	<u>61,545</u>
Total	<u>\$ 99,030</u>	<u>\$ 78,948</u>

THE MONO LAKE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2010</u>	<u>2009</u>
Land	\$ 460,370	\$ 460,370
Buildings and improvements	790,218	760,618
Furniture and office equipment	84,815	69,139
Automobiles	<u>43,089</u>	<u>14,194</u>
Total	1,378,492	1,304,321
Less accumulated depreciation and amortization	<u>(304,175)</u>	<u>(265,141)</u>
Property and equipment, net	<u>\$ 1,074,317</u>	<u>\$ 1,039,180</u>

4. NET ASSETS

Temporarily restricted net assets consist of amounts restricted by grantors and donors for the following purposes:

	<u>2010</u>	<u>2009</u>
Research and policy development	\$ 1,087,325	\$ 997,210
Public education	94,908	89,527
Management	43,097	3,224
Store	<u>10,100</u>	<u>10,100</u>
Total	<u>\$ 1,235,430</u>	<u>\$ 1,100,061</u>

Permanently restricted net assets represent an endowment restricted in perpetuity. The endowment principal on the related investment is restricted from withdrawal. Investment and interest earnings from this balance are restricted by the donor for use in research and policy development. The donor allows endowment principal to be reduced by unrealized investment losses.

The Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) accumulated unrealized appreciation and depreciation of endowment investments if directed by the donor gift instrument, (c) the original value of subsequent gifts to the permanent endowments, and (d) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Under the endowment investment policy as established by the Board of Directors, the primary investment objectives are to achieve a balanced return of investment income and growth, which will preserve the purchasing power of the endowment.

THE MONO LAKE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

Changes in endowment net assets are as follows:

	<u>2010</u>	<u>2009</u>
Endowment net assets, beginning of year	\$ 482,033	\$ 457,027
Unrealized investment gain	<u>33,940</u>	<u>25,006</u>
Endowment net assets, end of year	<u>\$ 515,973</u>	<u>\$ 482,033</u>

5. PENSION PLAN

The Foundation maintains a "SIMPLE" IRA plan (Plan), under Internal Revenue Code Section 408(p), which includes all employees. Employees may contribute a portion of their gross compensation to the Plan. The Foundation makes matching contributions up to 3% of each employee's gross compensation. Matching contributions totaled \$9,260 for 2010 and \$9,083 for 2009. All contributions are fully vested and non-forfeitable.

6. ALLOCATION OF EXPENSES

The Foundation achieves certain programmatic goals by conducting direct mail campaigns that include appeals for actions to support Mono Lake as well as for contributions. The costs of conducting these joint activities totaled \$307,005 for 2010 and \$246,666 for 2009. These joint costs were allocated as follows:

	<u>2010</u>	<u>2009</u>
Membership communications	\$ 180,264	\$ 23,283
Fundraising	<u>126,741</u>	<u>223,383</u>
Total	<u>\$ 307,005</u>	<u>\$ 246,666</u>

7. CONDITIONAL PROMISES TO GIVE

The Foundation has grant agreements with a foundation that is to provide funding over multi-year periods. Conditional future funding has not been recognized as revenue in the financial statements. The conditional promise to give was provided in 2010, and is based on meeting program initiatives and milestones. The total of conditional promises outstanding at year end was \$50,000.

8. CONCENTRATIONS OF CASH

The Foundation maintains its cash and equivalents in bank and brokerage accounts that, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes the Foundation is not exposed to any significant credit risk related to cash and equivalents.