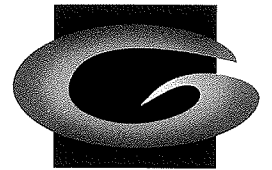


THE MONO LAKE FOUNDATION

**FINANCIAL STATEMENTS
WITH INDEPENDENT ACCOUNTANT'S
REVIEW REPORT**

**YEARS ENDED
DECEMBER 31, 2013 AND 2012**



Gilbert Associates, Inc.
CPAs and Advisors

Relax. We got this.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying statements of financial position of The Mono Lake Foundation (the Foundation) as of December 31, 2013 and 2012, and the related statements of activities, functional 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 the Foundation's 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, we 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.

Our 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 us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are 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.

Gilbert Associates, Inc.

**GILBERT ASSOCIATES, INC.
Sacramento, California**

May 27, 2014

THE MONO LAKE FOUNDATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 104,316	\$ 15,710
Accounts receivable (net of allowance of \$29,281 for 2013 and \$0 for 2012)	51,681	140,559
Inventories	108,037	105,443
Prepaid expenses and other assets	8,383	4,814
Total current assets	<u>272,417</u>	<u>266,526</u>
INVESTMENTS	1,429,620	1,503,148
PROPERTY AND EQUIPMENT - Net	<u>1,290,840</u>	<u>1,335,145</u>
TOTAL ASSETS	<u>\$ 2,992,877</u>	<u>\$ 3,104,819</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 79,292	\$ 83,102
Accrued expenses	37,610	25,458
Total liabilities	<u>116,902</u>	<u>108,560</u>
NET ASSETS:		
Unrestricted	1,202,819	1,274,407
Temporarily restricted	1,129,154	1,209,161
Permanently restricted	544,002	512,691
Total net assets	<u>2,875,975</u>	<u>2,996,259</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,992,877</u>	<u>\$ 3,104,819</u>

THE MONO LAKE FOUNDATION

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
UNRESTRICTED NET ASSETS:		
REVENUES:		
Member contributions	\$ 1,198,026	\$ 1,186,450
Sales revenue, net of cost of goods sold of \$155,355 for 2013 and \$148,506 for 2012	136,223	127,712
Program service revenue	102,781	82,835
Other general contributions	76,387	83,285
Rental income	26,376	26,929
Interest and investment income	8,974	15,766
Bequests and other income	104	7,726
Net assets released from restrictions	<u>206,512</u>	<u>158,444</u>
Total revenues	<u>1,755,383</u>	<u>1,689,147</u>
EXPENSES:		
Program services:		
Public education and outreach	829,539	752,142
Membership communications	419,354	427,547
Research and policy development	<u>354,512</u>	<u>354,492</u>
Total program services	1,603,405	1,534,181
Supporting services:		
Fundraising	159,443	171,991
Management, general and store operations	<u>64,123</u>	<u>54,158</u>
Total expenses	<u>1,826,971</u>	<u>1,760,330</u>
DECREASE IN UNRESTRICTED NET ASSETS	<u>(71,588)</u>	<u>(71,183)</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions and grants	90,947	72,311
Interest and investment income	35,558	62,244
Net assets released from restrictions	<u>(206,512)</u>	<u>(158,444)</u>
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(80,007)</u>	<u>(23,889)</u>
PERMANENTLY RESTRICTED NET ASSETS:		
Investment gain	<u>31,311</u>	<u>18,171</u>
DECREASE IN NET ASSETS	(120,284)	(76,901)
NET ASSETS, Beginning of Year	<u>2,996,259</u>	<u>3,073,160</u>
NET ASSETS, End of Year	<u>\$ 2,875,975</u>	<u>\$ 2,996,259</u>

See accompanying notes and accountant's review report.

THE MONO LAKE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013

	Program Services			Supporting Services			Total
	Public Educ. & Outreach	Membership Comm.	Research & Policy Develop.	Fundraising	Management, General & Store Operations		
Personnel	\$ 516,524	\$ 30,712	\$ 150,230	\$ 33,373	\$ 20,109	\$	\$ 750,948
Professional services	88,489	160,533	150,667	59,757	23,239		482,685
Cost of goods sold	100,333				55,022		155,355
Printing	26,357	73,544	229	18,607	9		118,746
Postage	11,891	55,785	(418)	22,811	1,178		91,247
Advertising	10,153	69,000	349	2,579	3,656		85,737
Depreciation	31,418	2,726	6,814	2,650	1,817		45,425
Travel	20,156	27	14,885	2,605	601		38,274
Supplies	18,265	4,345	2,289	7,531	1,472		33,902
Occupancy	16,473	452	11,931	1,442	301		30,599
Bad debt expense	29,281						29,281
Insurance	12,299	749	4,080	2,058	2,124		21,310
Grants	14,378		6,000				20,378
Equipment	8,960	891	584	1,542	474		12,451
Telecommunications	8,773	609	1,557	593	427		11,959
Other	16,122	19,981	5,315	3,895	8,716		54,029
Total expenses	929,872	419,354	354,512	159,443	119,145		1,982,326
Less cost of goods sold included with revenues on the statement of activities	100,333				55,022		155,355
Total expenses included in the expense section of the statement of activities	\$ 829,539	\$ 419,354	\$ 354,512	\$ 159,443	\$ 64,123	\$	\$ 1,826,971

See accompanying notes and accountant's review report.

THE MONO LAKE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2012

	Program Services			Supporting Services			Total
	Public Educ. & Outreach	Membership Comm.	Research & Policy Develop.	Fundraising	Management, General & Store Operations		
Personnel	\$ 470,092	\$ 30,869	\$ 172,927	\$ 36,016	\$ 10,187	\$	\$ 720,091
Professional services	85,904	175,836	114,809	64,317	21,789		462,655
Cost of goods sold	96,880				51,626		148,506
Printing	42,699	49,184	192	26,894	8		118,977
Postage	16,526	52,139	59	25,709	1,324		95,757
Advertising	9,300	72,770	71	2,304	3,337		87,782
Depreciation	37,932	3,556	11,583	3,053	1,046		57,170
Travel	14,185	45	9,561	837	645		25,273
Supplies	21,173	22,093	3,716	5,969	999		53,950
Occupancy	13,356	498	14,664	1,258	145		29,921
Insurance	9,550	823	6,697	1,052	2,276		20,398
Grants	6,449		12,000				18,449
Equipment	1,620	22	1,001	501	365		3,509
Telecommunications	7,999	656	3,409	518	224		12,806
Other	15,357	19,056	3,803	3,563	11,813		53,592
Total expenses	849,022	427,547	354,492	171,991	105,784		1,908,836
Less cost of goods sold included with revenues on the statement of activities	<u>96,880</u>				<u>51,626</u>		<u>148,506</u>
Total expenses included in the expense section of the statement of activities	\$ 752,142	\$ 427,547	\$ 354,492	\$ 171,991	\$ 54,158		\$ 1,760,330

See accompanying notes and accountant's review report.

THE MONO LAKE FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (120,284)	\$ (76,901)
Reconciliation to net cash used by operating activities:		
Net unrealized gain on investments	(41,184)	(52,226)
Donated investments		(1,045)
Depreciation	45,425	57,170
Changes in:		
Accounts receivable	88,878	(4,368)
Inventories	(2,594)	1,721
Prepaid expenses and other assets	(3,569)	7,224
Accounts payable	(3,810)	(12,022)
Accrued expenses	12,152	3,370
Net cash used by operating activities	<u>(24,986)</u>	<u>(77,077)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(295,179)	(390,249)
Proceeds from sale of investments	409,891	731,947
Purchases of property and equipment	<u>(1,120)</u>	<u>(325,260)</u>
Net cash provided by investing activities	<u>113,592</u>	<u>16,438</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 88,606	 (60,639)
 CASH AND CASH EQUIVALENTS, Beginning of Year	 <u>15,710</u>	 <u>76,349</u>
 CASH AND CASH EQUIVALENTS, End of Year	 <u>\$ 104,316</u>	 <u>\$ 15,710</u>

THE MONO LAKE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

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 prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. 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, grants, and bequests are recognized as revenues when received or unconditionally promised, in accordance with professional standards. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as an increase in temporarily or permanently restricted net assets. Temporarily restricted net assets become unrestricted and are reported in the statement of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. Permanently restricted net assets are those net assets whose use by the Foundation is restricted by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by the actions of the Foundation and consist of contributions to the Foundation's endowment fund.

Contributed property and equipment is recorded at fair value at the date of donation. In the absence of donor stipulations regarding how long the contributed assets must be used, the Foundation has adopted a policy of implying a time restriction on contributions of such assets that expires over the assets' useful lives. As a result, all contributions of property and equipment, and of assets contributed to acquire property and equipment, are recorded as restricted support.

Professional services are recorded as in-kind donations and recognized at their estimated fair value as of the date of service. During 2013 and 2012, the Foundation received donated professional services valued at \$21,455 and \$29,199, respectively. The services primarily benefited Foundation programs. Contributed services that do not meet the criteria for recognition are not reflected in the financial statements.

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

The Foundation minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and management believes The Foundation is not exposed to any significant credit risk related to cash.

THE MONO LAKE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

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 stated at fair value.

Property and equipment is stated at cost or, if donated, at the estimated fair market value as of the date of donation. The Foundation capitalizes all expenditures for property and equipment in excess of \$2,500. Assets are depreciated using the straight-line method over estimated useful lives of 5 to 39 years.

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 management's estimate of the usage of resources.

Joint fundraising and educational activities – In conformity with professional standards for not-for-profit entities, the Foundation has allocated certain costs between fundraising and educational activities. See Note 6.

Income taxes – The Foundation is publicly supported and exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for immaterial amounts of tax on sales of certain merchandise and rental of mailing lists. The Foundation has applied the accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements. With some exceptions, the Foundation is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior 2009.

Fair value measurements – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same—to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, 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 for the asset or liability. |

THE MONO LAKE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

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 reviewed through May 27, 2014; the date fieldwork was substantially completed.

2. INVESTMENTS

Investments are classified within Level 1 of the fair value hierarchy because they valued using quoted market prices with reasonable levels of price transparency. Investments consist of the following:

	<u>2013</u>	<u>2012</u>
Money market funds	\$ 112,496	\$ 114,563
Mutual funds:		
Fixed income	843,566	986,384
Stock – Blend	222,763	153,753
World allocation	128,453	134,943
World bond	32,061	32,674
Currency	30,361	36,888
International	25,880	11,669
Stock – Value	21,786	17,448
Commodities	<u>12,254</u>	<u>14,826</u>
Total	<u>\$ 1,429,620</u>	<u>\$ 1,503,148</u>

Interest and investment income consists of the following:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 34,659	\$ 43,955
Net unrealized gain	<u>41,184</u>	<u>52,226</u>
Total	<u>\$ 75,843</u>	<u>\$ 96,181</u>

THE MONO LAKE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 460,370	\$ 460,370
Buildings and improvements	1,154,039	1,154,039
Furniture and office equipment	57,342	57,072
Automobiles	<u>43,089</u>	<u>43,089</u>
Total	1,714,840	1,714,570
Less accumulated depreciation and amortization	<u>(424,000)</u>	<u>(379,425)</u>
Property and equipment, net	<u>\$ 1,290,840</u>	<u>\$ 1,335,145</u>

4. NET ASSETS

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

	<u>2013</u>	<u>2012</u>
Research and policy development	\$ 957,742	\$ 1,023,396
Public education	161,412	175,765
Store	<u>10,000</u>	<u>10,000</u>
Total	<u>\$ 1,129,154</u>	<u>\$ 1,209,161</u>

Permanently restricted net assets represent an endowment restricted in perpetuity. The endowment principal on the related investment is restricted from withdrawal. Interest and dividend 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, 2013 AND 2012

Changes in endowment net assets are as follows:

	<u>2013</u>	<u>2012</u>
Endowment net assets, beginning of year	\$ 512,691	\$ 494,520
Unrealized investment gain (loss)	<u>31,311</u>	<u>18,171</u>
Endowment net assets, end of year	<u>\$ 544,002</u>	<u>\$ 512,691</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 \$10,905 for 2013 and \$10,464 for 2012. 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 \$255,723 for 2013 and \$271,725 for 2012. These joint costs were allocated as follows:

	<u>2013</u>	<u>2012</u>
Membership communications	\$ 181,170	\$ 181,619
Fundraising	<u>74,553</u>	<u>90,106</u>
Total	<u>\$ 255,723</u>	<u>\$ 271,725</u>

7. CONDITIONAL PROMISES TO GIVE

The Foundation received a conditional grant agreement with a foundation in 2010 which provides funding over future periods based on meeting program initiatives and milestones. The total of conditional promises outstanding at December 31, 2013 was \$50,000, and has not been recognized as revenue in the financial statements.