

**THE MONO LAKE FOUNDATION**

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

**YEARS ENDED  
DECEMBER 31, 2014 (AUDITED)  
AND 2013 (REVIEWED)**

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Mono Lake Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses and of cash flows for the year then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Mono Lake Foundation as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

The 2013 financial statements of the Foundation were reviewed by us and our report thereon, dated May 27, 2014, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. A review is substantially less in scope than an audit and does not provide a basis for an opinion on the financial statements taken as a whole.

*Gilbert Associates, Inc.*

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

**August 11, 2015**

**THE MONO LAKE FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2014 (AUDITED) AND 2013 (REVIEWED)**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 283,748	\$ 104,316
Accounts receivable (net of allowance of \$29,281 for 2014 and 2013)	155,905	51,681
Inventories	99,907	108,037
Prepaid expenses and other assets	<u>7,016</u>	<u>8,383</u>
Total current assets	546,576	272,417
<b>INVESTMENTS</b>	3,465,783	1,429,620
<b>PROPERTY AND EQUIPMENT - Net</b>	<u>1,246,578</u>	<u>1,290,840</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,258,937</u>	<u>\$ 2,992,877</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 69,756	\$ 79,292
Accrued expenses	<u>33,263</u>	<u>37,610</u>
Total liabilities	<u>103,019</u>	<u>116,902</u>
<b>NET ASSETS:</b>		
Unrestricted	3,278,122	1,202,819
Temporarily restricted	1,316,649	1,129,154
Permanently restricted	<u>561,147</u>	<u>544,002</u>
Total net assets	<u>5,155,918</u>	<u>2,875,975</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 5,258,937</u>	<u>\$ 2,992,877</u>

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

# THE MONO LAKE FOUNDATION

## STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2014 (AUDITED) AND 2013 (REVIEWED)

	<u>2014</u>	<u>2013</u>
<b>UNRESTRICTED NET ASSETS:</b>		
<b>REVENUES:</b>		
Bequests	\$ 2,223,000	\$ 85
Member contributions	1,293,147	1,198,026
Sales revenue, net of cost of goods sold of \$157,006 for 2014 and \$155,355 for 2013	142,799	136,223
Program service revenue	88,733	102,781
Other general contributions	51,594	76,387
Rental and other income	23,932	26,395
Interest and investment income	3,235	8,974
Net assets released from restrictions	<u>89,245</u>	<u>206,512</u>
Total revenues	<u>3,915,685</u>	<u>1,755,383</u>
<b>EXPENSES:</b>		
Program services:		
Public education and outreach	891,792	829,539
Membership communications	429,999	419,354
Research and policy development	<u>216,598</u>	<u>354,512</u>
Total program services	1,538,389	1,603,405
Supporting services:		
Fundraising	241,050	159,443
Management, general and store operations	<u>60,943</u>	<u>64,123</u>
Total expenses	<u>1,840,382</u>	<u>1,826,971</u>
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	<u>2,075,303</u>	<u>(71,588)</u>
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>		
Contributions and grants	231,190	90,947
Interest and investment income	45,551	35,558
Net assets released from restrictions	<u>(89,246)</u>	<u>(206,512)</u>
<b>INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS</b>	<u>187,495</u>	<u>(80,007)</u>
<b>PERMANENTLY RESTRICTED NET ASSETS:</b>		
Investment gain	<u>17,145</u>	<u>31,311</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	2,279,943	(120,284)
<b>NET ASSETS, Beginning of Year</b>	<u>2,875,975</u>	<u>2,996,259</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 5,155,918</u>	<u>\$ 2,875,975</u>

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

# THE MONO LAKE FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2014 (AUDITED)

	Program Services			Supporting Services		
	Public Educ. & Outreach	Membership Comm.	Research & Policy Develop.	Fundraising	Management, General & Store Operations	Total
Personnel	\$ 572,874	\$ 56,464	\$ 90,138	\$ 35,696	\$ 14,541	\$ 769,713
Professional services	88,206	161,141	82,096	88,310	22,741	442,494
Cost of goods sold	78,357				78,649	157,006
Printing	39,728	33,791		41,236	24	114,779
Postage	30,582	38,035	2,391	41,824	1,149	113,981
Advertising	12,496	75,427	459	8,376	4,801	101,559
Depreciation	30,638	4,236	6,175	2,655	558	44,262
Supplies	21,020	6,484	1,183	7,608	2,431	38,726
Grants	20,776		6,000			26,776
Travel	17,488	2,431	5,112	992	594	26,617
Insurance	14,474	1,365	1,990	4,477	2,832	25,138
Occupancy	7,577	649	12,090	1,523	85	21,924
Equipment	7,911	1,050	2,461	311	331	12,064
Telecommunications	7,426	959	1,398	601	126	10,510
Other	20,596	47,967	5,105	7,441	10,730	91,839
<b>Total expenses</b>	<b>970,149</b>	<b>429,999</b>	<b>216,598</b>	<b>241,050</b>	<b>139,592</b>	<b>1,997,388</b>
Less cost of goods sold included with revenues on the statement of activities	<u>78,357</u>				<u>78,649</u>	<u>157,006</u>
<b>Total expenses included in the expense section of the statement of activities</b>	<b><u>\$ 891,792</u></b>	<b><u>\$ 429,999</u></b>	<b><u>\$ 216,598</u></b>	<b><u>\$ 241,050</u></b>	<b><u>\$ 60,943</u></b>	<b><u>\$ 1,840,382</u></b>

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

# THE MONO LAKE FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2013 (REVIEWED)

	Program Services			Supporting Services		
	Public Educ. & Outreach	Membership Comm.	Research & Policy Develop.	Fundraising	Management, General & Store Operations	Total
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
Supplies	18,265	4,345	2,289	7,531	1,472	33,902
Grants	14,378		6,000			20,378
Travel	20,156	27	14,885	2,605	601	38,274
Insurance	12,299	749	4,080	2,058	2,124	21,310
Occupancy	16,473	452	11,931	1,442	301	30,599
Equipment	8,960	891	584	1,542	474	12,451
Telecommunications	8,773	609	1,557	593	427	11,959
Bad debt expense	29,281					29,281
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	<u>\$ 829,539</u>	<u>\$ 419,354</u>	<u>\$ 354,512</u>	<u>\$ 159,443</u>	<u>\$ 64,123</u>	<u>\$ 1,826,971</u>

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

# THE MONO LAKE FOUNDATION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2014 (AUDITED) AND 2013 (REVIEWED)

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	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 2,279,943	\$ (120,284)
Reconciliation to net cash used by operating activities:		
Net unrealized gain on investments	(36,627)	(41,184)
Receipt of donated investments	(2,200,000)	
Depreciation	44,262	45,425
Changes in:		
Accounts receivable	(104,224)	88,878
Inventories	8,130	(2,594)
Prepaid expenses and other assets	1,367	(3,569)
Accounts payable	(9,536)	(3,810)
Accrued expenses	(4,347)	12,152
Net cash used by operating activities	<u>(21,032)</u>	<u>(24,986)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(1,631,723)	(295,179)
Proceeds from sale of investments	1,832,187	409,891
Purchases of property and equipment		(1,120)
Net cash provided by investing activities	<u>200,464</u>	<u>113,592</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	179,432	88,606
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<u>104,316</u>	<u>15,710</u>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u>\$ 283,748</u>	<u>\$ 104,316</u>

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



# THE MONO LAKE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 (AUDITED) AND 2013 (REVIEWED)

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### 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 2014 and 2013, the Foundation received donated professional services valued at \$7,149 and \$21,455, 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.

**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.

# THE MONO LAKE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 (AUDITED) AND 2013 (REVIEWED)

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**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 membership communication** – The Foundation allocates costs of certain direct mail campaigns between fundraising and membership communication 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 2010.

**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.   |

**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.

# THE MONO LAKE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 (AUDITED) AND 2013 (REVIEWED)

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**Reclassification** – Certain 2013 amounts have been reclassified to conform with the 2014 financial statement presentation.

**Subsequent events** have been reviewed through August 11, 2015; the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2014 that require recognition or disclosure in such financial statements.

### 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>2014</u>	<u>2013</u>
Money market funds	\$ 2,254,607	\$ 112,496
Mutual funds:		
Fixed income	697,323	843,566
Stock – Blend	485,819	222,763
World bond	28,034	32,061
World allocation		128,453
Currency		30,361
International		25,880
Stock – Value		21,786
Commodities		<u>12,254</u>
Total	<u>\$ 3,465,783</u>	<u>\$ 1,429,620</u>

Interest and investment income consists of the following:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 29,304	\$ 34,659
Net unrealized gain	<u>36,627</u>	<u>41,184</u>
Total	<u>\$ 65,931</u>	<u>\$ 75,843</u>

# THE MONO LAKE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 (AUDITED) AND 2013 (REVIEWED)

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### 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 460,370	\$ 460,370
Buildings and improvements	1,154,039	1,154,039
Furniture and office equipment	57,342	57,342
Automobiles	<u>43,089</u>	<u>43,089</u>
Total	1,714,840	1,714,840
Less accumulated depreciation and amortization	<u>(468,262)</u>	<u>(424,000)</u>
Property and equipment, net	<u>\$ 1,246,578</u>	<u>\$ 1,290,840</u>

### 4. NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Research and policy development	\$ 1,132,336	\$ 957,742
Public education	174,313	161,412
Store	<u>10,000</u>	<u>10,000</u>
Total	<u>\$ 1,316,649</u>	<u>\$ 1,129,154</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, 2014 (AUDITED) AND 2013 (REVIEWED)

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Changes in endowment net assets are as follows:

	<u>2014</u>	<u>2013</u>
Endowment net assets, beginning of year	\$ 544,002	\$ 512,691
Unrealized investment gain	<u>17,145</u>	<u>31,311</u>
Endowment net assets, end of year	<u>\$ 561,147</u>	<u>\$ 544,002</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 \$10,791 for 2014 and \$10,905 for 2013. 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 \$179,475 for 2014 and \$255,723 for 2013. These joint costs were allocated as follows:

	<u>2014</u>	<u>2013</u>
Membership communications	\$ 132,397	\$ 181,170
Fundraising	<u>47,078</u>	<u>74,553</u>
Total	<u>\$ 179,475</u>	<u>\$ 255,723</u>