

THE MONO LAKE FOUNDATION

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

**YEARS ENDED
DECEMBER 31, 2018 AND 2017**

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, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and of 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 audits 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gilbert CPAs

**GILBERT CPAs
Sacramento, California**

June 19, 2019

THE MONO LAKE FOUNDATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 139,848	\$ 236,667
Accounts receivable	160,184	183,525
Inventories	97,517	87,482
Prepaid expenses and other assets	5,359	8,105
Total current assets	<u>402,908</u>	<u>515,779</u>
INVESTMENTS	7,046,785	4,738,495
PROPERTY AND EQUIPMENT - Net	<u>1,489,771</u>	<u>1,515,801</u>
TOTAL ASSETS	<u>\$ 8,939,464</u>	<u>\$ 6,770,075</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 98,907	\$ 181,357
Accrued expenses	47,182	53,748
Security deposits		2,159
Total liabilities	<u>146,089</u>	<u>237,264</u>
NET ASSETS:		
Net assets without donor restrictions	7,022,759	4,783,565
Net assets with donor restrictions:		
Purpose restrictions	1,177,306	1,115,952
Endowments	593,310	633,294
Total net assets	<u>8,793,375</u>	<u>6,532,811</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,939,464</u>	<u>\$ 6,770,075</u>

THE MONO LAKE FOUNDATION

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES:		
Member contributions	\$ 1,595,785	\$ 1,522,671
Bequests	2,393,643	73,884
Other general contributions	19,274	30,842
Interest and investment income (loss)	(21,836)	306,464
Sales revenue, net of cost of goods sold of \$182,399 for 2018 and \$182,222 for 2017	172,830	154,392
Program service revenue	103,475	103,872
Rental and other income	65,759	59,629
Net assets released from restrictions	<u>130,359</u>	<u>177,108</u>
Total revenues	<u>4,459,289</u>	<u>2,428,862</u>
EXPENSES:		
Program services:		
Public education and outreach	1,097,239	1,116,053
Membership communications	531,016	389,037
Research and policy development	<u>264,106</u>	<u>301,163</u>
Total program services	1,892,361	1,806,253
Supporting services:		
Fundraising	250,889	266,475
Management, general and store operations	<u>76,845</u>	<u>81,133</u>
Total expenses	<u>2,220,095</u>	<u>2,153,861</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>2,239,194</u>	<u>275,001</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions and grants	233,345	150,961
Interest and investment income (loss)	(81,616)	116,860
Net assets released from restrictions	<u>(130,359)</u>	<u>(177,108)</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>21,370</u>	<u>90,713</u>
INCREASE IN NET ASSETS	2,260,564	365,714
NET ASSETS, Beginning of Year	<u>6,532,811</u>	<u>6,167,097</u>
NET ASSETS, End of Year	<u>\$ 8,793,375</u>	<u>\$ 6,532,811</u>

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

THE MONO LAKE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2018

	Program Services			Supporting Services			Total
	Public Educ. & Outreach	Membership Comm.	Research & Policy Develop.	Fundraising	Management, General & Store Operations	Total	
Personnel	\$ 711,746	\$ 88,077	\$ 131,270	\$ 50,287	\$ 7,196	\$ 988,576	
Professional services	109,921	136,688	72,373	68,308	13,544	400,834	
Cost of goods sold	72,057				110,342	182,399	
Printing	59,279	64,475	248	43,967		167,969	
Postage	21,294	68,122	116	24,189	1,143	114,864	
Advertising	18,980	78,905	1,415	21,926	4,355	125,581	
Depreciation	37,353	5,622	9,033	3,365	491	55,864	
Supplies	29,793	24,609	6,465	12,819	1,696	75,382	
Travel	21,362	31,058	8,725	1,572	541	63,258	
Occupancy	9,414	922	18,252	1,928	123	30,639	
Insurance	13,631	1,779	8,004	3,819	1,954	29,187	
Grants	19,650					19,650	
Equipment	12,940	712	4,249	1,017	16	18,934	
Telecommunications	7,417	848	2,142	506	74	10,987	
Other	24,459	29,199	1,814	17,186	45,712	118,370	
Total expenses	1,169,296	531,016	264,106	250,889	187,187	2,402,494	
Less cost of goods sold included with revenues on the statement of activities	<u>72,057</u>				<u>110,342</u>	<u>182,399</u>	
Total expenses included in the expense section of the statement of activities	\$ 1,097,239	\$ 531,016	\$ 264,106	\$ 250,889	\$ 76,845	\$ 2,220,095	

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

THE MONO LAKE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2017

	Program Services			Supporting Services			Total
	Public Educ. & Outreach	Membership Comm.	Research & Policy Develop.	Fundraising	Management, General & Store Operations		
Personnel	\$ 719,364	\$ 70,215	\$ 126,963	\$ 46,173	\$ 11,268	\$	\$ 973,983
Professional services	124,042	109,409	119,130	101,803	14,840	14,840	469,224
Cost of goods sold	92,631				89,591		182,222
Printing	55,049	47,545		46,238			148,832
Postage	19,521	48,300	455	34,386	491		103,153
Advertising	12,652	58,518	892	13,639	4,041		89,742
Depreciation	47,345	5,280	10,384	3,575	673		67,257
Supplies	21,020	16,587	8,607	6,368	1,555		54,137
Travel	30,876	567	5,149	716	521		37,829
Occupancy	11,812	650	19,584	1,409	82		33,537
Insurance	14,603	1,350	3,145	3,284	4,527		26,909
Grants	16,000						16,000
Equipment	11,711	711	4,594	266	618		17,900
Telecommunications	6,093	647	1,465	420	79		8,704
Other	25,965	29,258	795	8,198	42,438		106,654
Total expenses	1,208,684	389,037	301,163	266,475	170,724		2,336,083
Less cost of goods sold included with revenues on the statement of activities	92,631				89,591		182,222
Total expenses included in the expense section of the statement of activities	\$ 1,116,053	\$ 389,037	\$ 301,163	\$ 266,475	\$ 81,133	\$	\$ 2,153,861

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

THE MONO LAKE FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 2,260,564	\$ 365,714
Reconciliation to net cash provided by operating activities:		
Net unrealized (gain) loss on investments	304,978	(335,310)
Receipt of donated investments	(18,643)	(8,627)
Depreciation	55,864	67,257
Changes in:		
Accounts receivable	23,341	(81,950)
Inventories	(10,035)	5,067
Prepaid expenses and other assets	2,746	(7,630)
Accounts payable	(82,450)	15,881
Accrued expenses	(8,725)	21,075
Net cash provided by operating activities	<u>2,527,640</u>	<u>41,477</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(3,945,983)	(1,035,371)
Proceeds from sale of investments	1,351,358	914,175
Purchases of property and equipment	<u>(29,834)</u>	<u>(31,737)</u>
Net cash used by investing activities	<u>(2,624,459)</u>	<u>(152,933)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(96,819)	(111,456)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>236,667</u>	<u>348,123</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 139,848</u>	<u>\$ 236,667</u>

THE MONO LAKE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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 two classes of net assets: without donor restrictions and with donor restrictions.

Revenue recognition – Contributions, foundation 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 donor restricted net assets. Donor restricted net assets with time or purpose restrictions are reclassified to net assets without donor restrictions 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. Donor restricted net assets with restrictions perpetual in nature 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.

Professional services are recorded as in-kind donations and recognized at their estimated fair value as of the date of service. No donated professional services were received during 2018. During 2017 the Foundation received donated professional services valued at \$4,500. 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.

Investments are stated at fair value.

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.

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.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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. The expenses that have been allocated include salaries and wages, payroll taxes, employee benefits, retirement contributions, and professional services, which are allocated based on time and effort; postage and printing, advertising, insurance and taxes, travel and transportation, grant expense, supplies, telecommunications, occupancy expenses, equipment, depreciation, and other expenses, which are allocated based on estimated usage.

Joint fundraising and membership communication – The Foundation allocates costs of certain direct mail campaigns between fundraising and membership communication activities. See Note 7.

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 2013.

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.

New accounting pronouncements – On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

complexity and understandability of net asset classification, information about liquidity and available resources, and the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented, with the exception of the liquidity disclosures, which have not been applied for the year ended December 31, 2017 as allowed by the transition guidance of this ASU.

Future accounting pronouncements – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The new accounting standard develops a common standard that will remove inconsistencies in revenue requirements, improve comparability of revenue recognition practices, provide more useful information to users of financial statements and simplify the preparation of financial statements. Application of this statement is effective for the year ending December 31, 2019. The Foundation is currently evaluating the impact this pronouncement will have on the financial statements.

Prior period adjustment – The Foundation had applied 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 were recorded as restricted support.

Under the implementation of ASU 2016-14, implying a time restriction for such contributions is no longer permitted. Accordingly, net assets at December 31, 2016, have been restated to reflect the retroactive application of the new accounting standard. The implementation increased previously reported net assets without donor restrictions and decreased net assets with donor restrictions by \$607,049 at December 31, 2016.

Subsequent events have been reviewed through June 19, 2019, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2018 that require recognition or disclosure in such financial statements.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Foundation's financial assets as of December 31, 2018:

Cash	\$ 139,848
Accounts receivable	160,184
Investments	<u>7,046,785</u>
Total financial assets	<u>7,346,817</u>
Less:	
Restricted by donor - purpose restriction	(1,177,306)
Restricted by donor - perpetual	<u>(593,310)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,576,201</u>

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

The Foundation's goal is generally to maintain financial assets to meet 120 days of operating expenses (approximately \$600,000) and to invest additional funds consistent with the Foundation's investment plan. As part of its liquidity plan, cash is invested in short-term investments, including money market accounts and certificates of deposit. Large one-time cash expenditures for special projects are planned at least six months in advance to assure investments are managed to fund such expenditures directly without unduly impacting the cash reserve.

3. INVESTMENTS

Money market funds, mutual funds and equities are classified within Level 1 of the fair value hierarchy because they valued using quoted market prices with reasonable levels of price transparency. Bonds are classified within Level 2 of the fair value hierarchy because they are measured by inputs other than quoted prices in active markets. Investments consist of the following:

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 3,594,217	\$ 1,161,316
Mutual funds:		
Fixed income	749,730	821,916
Equities:		
Stock – Value	729,362	840,705
Stock – Growth	493,380	497,180
Stock – Blend	317,062	433,072
Stock – Core	505,345	404,420
Bonds:		
Government	372,764	364,653
Corporate	284,925	215,233
Total	<u>\$ 7,046,785</u>	<u>\$ 4,738,495</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 545,177	\$ 545,177
Buildings and improvements	1,509,202	1,497,036
Furniture and office equipment	57,040	67,238
Automobiles	46,562	43,089
Total	<u>2,157,981</u>	<u>2,152,540</u>
Less accumulated depreciation and amortization	<u>(668,210)</u>	<u>(636,739)</u>
Property and equipment, net	<u>\$ 1,489,771</u>	<u>\$ 1,515,801</u>

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

5. NET ASSETS

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

	<u>2018</u>	<u>2017</u>
Research and policy development	\$ 992,485	\$ 1,060,690
Public education	174,821	45,262
Store	<u>10,000</u>	<u>10,000</u>
Total	<u>\$ 1,177,306</u>	<u>\$ 1,115,952</u>

Donor restricted net assets with restrictions perpetual in nature 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 donor restricted net assets with perpetual restrictions (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.

Changes in endowment net assets are as follows:

	<u>2018</u>	<u>2017</u>
Endowment net assets, beginning of year	\$ 633,294	\$ 576,044
Unrealized investment gain (loss)	<u>(39,984)</u>	<u>57,250</u>
Endowment net assets, end of year	<u>\$ 593,310</u>	<u>\$ 633,294</u>

6. 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 \$17,092 for 2018 and \$12,621 for 2017. All contributions are fully vested and non-forfeitable.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

7. 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 \$368,656 for 2018 and \$343,306 for 2017. These joint costs were allocated as follows:

	<u>2018</u>	<u>2017</u>
Membership communications	\$ 249,460	\$ 241,035
Fundraising	<u>119,196</u>	<u>102,271</u>
Total	<u>\$ 368,656</u>	<u>\$ 343,306</u>