

**THE MONO LAKE FOUNDATION**

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

**YEARS ENDED  
DECEMBER 31, 2012 AND 2011**

## **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, 2012 and 2011, 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 15, 2013**

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# THE MONO LAKE FOUNDATION

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2012 AND 2011

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	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 15,710	\$ 76,349
Accounts receivable	140,559	136,191
Inventories	105,443	107,164
Prepaid expenses and other assets	<u>4,814</u>	<u>12,038</u>
Total current assets	266,526	331,742
<b>INVESTMENTS</b>	1,503,148	1,791,575
<b>PROPERTY AND EQUIPMENT - Net</b>	<u>1,335,145</u>	<u>1,067,055</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,104,819</u>	<u>\$ 3,190,372</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 83,102	\$ 95,124
Accrued expenses	<u>25,458</u>	<u>22,088</u>
Total liabilities	<u>108,560</u>	<u>117,212</u>
<b>NET ASSETS:</b>		
Unrestricted	1,274,407	1,345,590
Temporarily restricted	1,209,161	1,233,050
Permanently restricted	<u>512,691</u>	<u>494,520</u>
Total net assets	<u>2,996,259</u>	<u>3,073,160</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,104,819</u>	<u>\$ 3,190,372</u>

See accompanying notes and accountant's review report.

# THE MONO LAKE FOUNDATION

## STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>UNRESTRICTED NET ASSETS:</b>		
<b>REVENUES:</b>		
Member contributions	\$ 1,186,450	\$ 1,109,429
Sales revenue, net of cost of goods sold of \$148,506 for 2012 and \$138,230 for 2011	127,712	124,068
Program service revenue	82,835	82,411
Other general contributions	83,285	49,298
Rental income	26,929	42,908
Interest and investment income	15,766	1,497
Bequests	7,660	98,561
Other	66	4,113
Net assets released from restrictions	<u>158,444</u>	<u>102,265</u>
Total revenues	<u>1,689,147</u>	<u>1,614,550</u>
<b>EXPENSES:</b>		
Program services:		
Public education and outreach	752,142	778,127
Membership communications	427,547	366,073
Research and policy development	<u>354,492</u>	<u>300,627</u>
Total program services	1,534,181	1,444,827
Supporting services:		
Fundraising	171,991	263,677
Management, general and store operations	<u>54,158</u>	<u>64,313</u>
Total expenses	<u>1,760,330</u>	<u>1,772,817</u>
<b>DECREASE IN UNRESTRICTED NET ASSETS</b>	<u>(71,183)</u>	<u>(158,267)</u>
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>		
Contributions and grants	72,311	86,552
Interest and investment income	62,244	13,333
Net assets released from restrictions	<u>(158,444)</u>	<u>(102,265)</u>
<b>DECREASE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<u>(23,889)</u>	<u>(2,380)</u>
<b>PERMANENTLY RESTRICTED NET ASSETS:</b>		
Investment gain (loss)	<u>18,171</u>	<u>(21,453)</u>
<b>DECREASE IN NET ASSETS</b>	(76,901)	(182,100)
<b>NET ASSETS, Beginning of Year</b>	<u>3,073,160</u>	<u>3,255,260</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 2,996,259</u>	<u>\$ 3,073,160</u>

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
Supplies	21,173	22,093	3,716	5,969	999	53,950
Occupancy	13,356	498	14,664	1,258	145	29,921
Travel	14,185	45	9,561	837	645	25,273
Insurance	9,550	823	6,697	1,052	2,276	20,398
Telecommunications	7,999	656	3,409	518	224	12,806
Grants	6,449		12,000			18,449
Equipment	1,620	22	1,001	501	365	3,509
Other	15,357	19,056	3,803	3,563	11,813	53,592
<b>Total expenses</b>	<b>849,022</b>	<b>427,547</b>	<b>354,492</b>	<b>171,991</b>	<b>105,784</b>	<b>1,908,836</b>
Less cost of goods sold included with revenues on the statement of activities	96,880				51,626	148,506
<b>Total expenses included in the expense section of the statement of activities</b>	<b><u>\$ 752,142</u></b>	<b><u>\$ 427,547</u></b>	<b><u>\$ 354,492</u></b>	<b><u>\$ 171,991</u></b>	<b><u>\$ 54,158</u></b>	<b><u>\$ 1,760,330</u></b>

See accompanying notes and accountant's review report.

# THE MONO LAKE FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2011

	Program Services			Supporting Services		Total
	Public Educ. & Outreach	Membership Comm.	Research & Policy Develop.	Fundraising	Management, General & Store Operations	
Personnel	\$ 466,924	\$ 43,987	\$ 148,769	\$ 34,888	\$ 15,972	\$ 710,540
Professional services	91,430	148,119	75,776	111,402	27,440	454,167
Cost of goods sold	75,801				62,429	138,230
Printing	47,408	22,320	461	42,861	34	113,084
Postage	14,917	41,128	101	42,480	1,172	99,798
Advertising	9,189	56,595	1,012	11,090	2,528	80,414
Depreciation	28,061	3,767	10,466	2,388	1,150	45,832
Supplies	21,372	31,128	1,903	5,742	964	61,109
Occupancy	10,597	849	18,093	1,364	259	31,162
Travel	16,646	985	11,929	1,701	683	31,944
Insurance	8,427	1,051	6,874	1,119	2,221	19,692
Telecommunications	7,911	877	3,751	656	338	13,533
Grants	28,714		12,495			41,209
Equipment	9,155	1,755	2,058	1,240	646	14,854
Other	17,376	13,512	6,939	6,746	10,906	55,479
	<u>853,928</u>	<u>366,073</u>	<u>300,627</u>	<u>263,677</u>	<u>126,742</u>	<u>1,911,047</u>
Less cost of goods sold included with revenues on the statement of activities	<u>75,801</u>				<u>62,429</u>	<u>138,230</u>
Total expenses included in the expense section of the statement of activities	<u>\$ 778,127</u>	<u>\$ 366,073</u>	<u>\$ 300,627</u>	<u>\$ 263,677</u>	<u>\$ 64,313</u>	<u>\$ 1,772,817</u>

See accompanying notes and accountant's review report.

**THE MONO LAKE FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Decrease in net assets	\$ (76,901)	\$ (182,100)
Reconciliation to net cash provided (used) by operating activities:		
Net unrealized loss (gain) on investments	(52,226)	64,737
Donated investments	(1,045)	
Depreciation	57,170	45,832
Changes in:		
Accounts receivable	(4,368)	141,482
Inventories	1,721	(14,692)
Prepaid expenses and other assets	7,224	(4,531)
Accounts payable	(12,022)	(13,652)
Accrued expenses	3,370	1,186
Net cash provided (used) by operating activities	<u>(77,077)</u>	<u>38,262</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(390,249)	(1,133,584)
Proceeds from sale of investments	731,947	1,052,475
Purchases of property and equipment	<u>(325,260)</u>	<u>(38,570)</u>
Net cash provided (used) by investing activities	<u>16,438</u>	<u>(119,679)</u>
 <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	 (60,639)	 (81,417)
 <b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	 <u>76,349</u>	 <u>157,766</u>
 <b>CASH AND CASH EQUIVALENTS, End of Year</b>	 <u>\$ 15,710</u>	 <u>\$ 76,349</u>

See accompanying notes and accountant's review report.

# THE MONO LAKE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

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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 2012 and 2011, the Foundation received donated professional services valued at \$29,199 and \$7,657, 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.

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, 2012 AND 2011

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**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 implemented the amended accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements.

**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, 2012 AND 2011

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

**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 15, 2013, 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>2012</u>	<u>2011</u>
Money market funds	\$ 114,563	\$ 268,346
Mutual funds:		
Fixed income	986,384	985,003
Commodities	14,826	53,287
Currency	36,888	58,620
International	11,669	9,692
World allocation	134,943	163,630
Stock – Blend	153,753	174,123
Stock – Value	17,448	20,201
World bond	<u>32,674</u>	<u>58,673</u>
Total	<u>\$ 1,503,148</u>	<u>\$ 1,791,575</u>

Interest and investment income consists of the following:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 43,955	\$ 58,114
Net unrealized gain (loss)	<u>52,226</u>	<u>(64,737)</u>
Total	<u>\$ 96,181</u>	<u>\$ (6,623)</u>

# THE MONO LAKE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

### 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2012</u>	<u>2011</u>
Land	\$ 460,370	\$ 460,370
Buildings and improvements	1,154,039	828,779
Furniture and office equipment	57,072	57,072
Automobiles	<u>43,089</u>	<u>43,089</u>
Total	1,714,570	1,389,310
Less accumulated depreciation and amortization	<u>(379,425)</u>	<u>(322,255)</u>
Property and equipment, net	<u>\$ 1,335,145</u>	<u>\$ 1,067,055</u>

### 4. NET ASSETS

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

	<u>2012</u>	<u>2011</u>
Research and policy development	\$ 1,023,396	\$ 1,048,697
Public education	175,765	174,353
Store	<u>10,000</u>	<u>10,000</u>
Total	<u>\$ 1,209,161</u>	<u>\$ 1,233,050</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, 2012 AND 2011

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Changes in endowment net assets are as follows:

	<u>2012</u>	<u>2011</u>
Endowment net assets, beginning of year	\$ 494,520	\$ 515,973
Unrealized investment gain (loss)	<u>18,171</u>	<u>(21,453)</u>
Endowment net assets, end of year	<u>\$ 512,691</u>	<u>\$ 494,520</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 \$10,464 for 2012 and \$9,705 for 2011. 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 \$271,725 for 2012 and \$267,318 for 2011. These joint costs were allocated as follows:

	<u>2012</u>	<u>2011</u>
Membership communications	\$ 181,619	\$ 158,839
Fundraising	<u>90,106</u>	<u>108,479</u>
Total	<u>\$ 271,725</u>	<u>\$ 267,318</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, 2012 was \$50,000, and has not been recognized as revenue in the financial statements.