

THE MONO LAKE FOUNDATION

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

**YEARS ENDED
DECEMBER 31, 2022 AND 2021**

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of The Mono Lake Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Mono Lake Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Mono Lake Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing

standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Mono Lake Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Mono Lake Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

July 7, 2023

THE MONO LAKE FOUNDATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 522,100	\$ 450,660
Accounts receivable	124,489	248,580
Inventories	97,487	84,822
Prepaid expenses and other assets	<u>37,982</u>	<u>27,828</u>
Total current assets	782,058	811,890
INVESTMENTS	11,064,908	13,398,268
PROPERTY AND EQUIPMENT - Net	<u>2,386,821</u>	<u>2,045,340</u>
TOTAL ASSETS	<u>\$ 14,233,787</u>	<u>\$ 16,255,498</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 105,485	\$ 107,884
Accrued expenses	97,160	129,282
Security deposits	<u>1,030</u>	<u>1,030</u>
Total current liabilities	203,675	238,196
TOTAL LIABILITIES	<u>203,675</u>	<u>238,196</u>
NET ASSETS:		
Net assets without donor restrictions	11,922,294	13,533,806
Net assets with donor restrictions:		
Purpose restrictions	1,333,633	1,521,988
Endowments	<u>774,185</u>	<u>961,508</u>
Total net assets	<u>14,030,112</u>	<u>16,017,302</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,233,787</u>	<u>\$ 16,255,498</u>

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

THE MONO LAKE FOUNDATION

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES:		
Member contributions	\$ 2,257,675	\$ 2,280,972
Bequests	751,771	362,500
Donated building and land		466,085
Interest and investment income (loss)	(1,767,747)	1,385,041
Sales revenue, net of cost of goods sold of \$174,155 for 2022 and \$167,960 for 2021	147,513	137,324
Rental income	77,857	65,850
Program service revenue	76,131	17,334
Other income	65,555	25,481
Net assets released from restrictions	<u>70,036</u>	<u>291,958</u>
Total revenues	<u>1,678,791</u>	<u>5,032,545</u>
EXPENSES:		
Program services:		
Public education and outreach	1,324,688	975,600
Membership communications	700,022	826,511
Research and policy development	<u>687,605</u>	<u>533,163</u>
Total program services	2,712,315	2,335,274
Supporting services:		
Fundraising	423,099	306,760
Management, general and store operations	<u>154,889</u>	<u>160,047</u>
Total expenses	<u>3,290,303</u>	<u>2,802,081</u>
GAIN ON FORGIVENESS OF PAYCHECK PROTECTION PROGRAM LOAN		<u>214,720</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(1,611,512)</u>	<u>2,445,184</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Interest and investment income (loss)	(390,676)	237,084
Contributions and grants	85,034	87,912
Net assets released from restrictions	<u>(70,036)</u>	<u>(291,958)</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(375,678)</u>	<u>33,038</u>
INCREASE (DECREASE) IN NET ASSETS	(1,987,190)	2,478,222
NET ASSETS, Beginning of Year	<u>16,017,302</u>	<u>13,539,080</u>
NET ASSETS, End of Year	<u>\$ 14,030,112</u>	<u>\$ 16,017,302</u>

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

THE MONO LAKE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services			Supporting Services		Total
	Public Educ. & Outreach	Membership Comm.	Research & Policy Develop.	Fundraising	Management, General & Store Operations	
Personnel	\$ 950,936	\$ 121,803	\$ 327,754	\$ 156,619	\$ 34,346	\$ 1,591,458
Professional services	84,849	291,265	230,479	141,964	17,031	765,588
Cost of goods sold	59,384				114,810	174,194
Printing	54,352	84,944	1,368	32,891		173,555
Postage	26,630	74,654	2,217	34,324	537	138,362
Depreciation	53,754	7,870	20,269	5,008	2,430	89,331
Advertising	17,608	56,628	239	1,183	1,392	77,050
Insurance	32,063	4,394	14,600	16,971	6,503	74,531
Supplies	18,247	17,861	16,716	5,960	1,271	60,055
Travel	18,058	1,938	10,189	1,158	2,063	33,406
Grants	21,000		10,000			31,000
Occupancy	9,468	1,455	17,983	804	265	29,975
Equipment	10,789	4,440	4,448	6,869	1,312	27,858
Telecommunications	4,672	681	2,014	434	211	8,012
Other	22,262	32,089	29,329	18,914	87,489	190,083
Total expenses	1,384,072	700,022	687,605	423,099	269,660	3,464,458
Less cost of goods sold included with revenues on the statement of activities	59,384				114,771	174,155
Total expenses included in the expense section of the statement of activities	<u>\$ 1,324,688</u>	<u>\$ 700,022</u>	<u>\$ 687,605</u>	<u>\$ 423,099</u>	<u>\$ 154,889</u>	<u>\$ 3,290,303</u>

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

THE MONO LAKE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program Services			Supporting Services		Total
	Public Educ. & Outreach	Membership Comm.	Research & Policy Develop.	Fundraising	Management, General & Store Operations	
Personnel	\$ 594,957	\$ 244,140	\$ 238,314	\$ 112,088	\$ 17,321	\$ 1,206,820
Professional services	102,782	308,444	202,850	78,682	13,497	706,255
Cost of goods sold	86,685				81,796	168,481
Printing	49,623	47,652		29,873		127,148
Postage	15,297	82,416	108	24,086	884	122,791
Depreciation	39,694	18,689	19,279	5,625	1,011	84,298
Advertising	12,604	59,805	169	8,315	4,390	85,283
Insurance	18,503	6,111	23,052	3,991	4,433	56,090
Supplies	12,471	20,937	6,736	3,716	3,912	47,772
Travel	8,354	810	2,733	2,209	1,058	15,164
Grants	89,219					89,219
Occupancy	7,565	1,247	25,055	375	244	34,486
Equipment	5,173	1,083	9,817	1,513	847	18,433
Telecommunications	5,344	2,516	2,620	758	136	11,374
Other	14,014	32,661	2,430	35,529	111,793	196,427
Total expenses	1,062,285	826,511	533,163	306,760	241,322	2,970,041
Less cost of goods sold included with revenues on the statement of activities	<u>86,685</u>				<u>81,275</u>	<u>167,960</u>
Total expenses included in the expense section of the statement of activities	<u>\$ 975,600</u>	<u>\$ 826,511</u>	<u>\$ 533,163</u>	<u>\$ 306,760</u>	<u>\$ 160,047</u>	<u>\$ 2,802,081</u>

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

THE MONO LAKE FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (1,987,190)	\$ 2,478,222
Reconciliation to net cash provided (used) by operating activities:		
Net unrealized (gain) loss on investments	2,248,137	(1,932,696)
Receipt of donated investments	(567,489)	(350,000)
Receipt of donated buildings and land		(466,085)
Depreciation	89,331	84,298
Gain on forgiveness of Paycheck Protection Program loan		(214,720)
Changes in:		
Accounts receivable	124,091	(93,757)
Inventories	(12,665)	6,858
Prepaid expenses and other assets	(10,154)	(27,828)
Accounts payable	(2,399)	(79,135)
Accrued expenses	<u>(32,122)</u>	<u>50,348</u>
Net cash used by operating activities	<u>(150,460)</u>	<u>(544,495)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(12,249,143)	(6,748,181)
Proceeds from sale of investments	12,901,855	7,320,326
Purchases of property and equipment	<u>(430,812)</u>	<u>(253,149)</u>
Net cash provided by investing activities	<u>221,900</u>	<u>318,996</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	71,440	(225,499)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>450,660</u>	<u>676,159</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>\$ 522,100</u></u>	<u><u>\$ 450,660</u></u>

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

THE MONO LAKE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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.

The Foundation's revenue from contracts with customers consist of sales, guided tours, seminars, educational event revenue, and rental income. Refer to Note 9 for additional information on revenue from contracts with customers.

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.

THE MONO LAKE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Functional allocation of expenses – The cost of providing program and supporting services has been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. 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 personnel costs and professional services, which are allocated based on time and effort; postage and printing, advertising, insurance, travel, 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 8.

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 to 2017.

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.

Subsequent events have been reviewed through July 7, 2023, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2022 that require recognition or disclosure in such financial statements.

THE MONO LAKE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	<u>2022</u>	<u>2021</u>
Cash	\$ 522,100	\$ 450,660
Accounts receivable	124,489	248,580
Investments	<u>11,064,908</u>	<u>13,398,268</u>
Total financial assets	11,711,497	14,097,508
Less:		
Donor restrictions - purpose restricted	(1,333,633)	(1,521,988)
Donor restrictions - perpetual	<u>(774,185)</u>	<u>(961,508)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,603,679</u>	<u>\$ 11,614,012</u>

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 are valued using quoted market prices with reasonable levels of price transparency. Private credit funds 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>2022</u>	<u>2021</u>
Money market funds	\$ 595,110	\$ 481,697
Mutual and exchange traded funds:		
Fixed income	3,590,706	2,545,262
Blend	1,738,108	1,997,401
Emerging Markets		917,246
REIT	53,259	347,663
Equities:		
Stock – Growth	1,232,846	4,130,854
Stock – Core	3,416,404	2,265,069
Stock – Blend	57,557	381,723
Stock – Value		506
Private credit fund	<u>380,918</u>	<u>330,847</u>
Total	<u>\$ 11,064,908</u>	<u>\$ 13,398,268</u>

THE MONO LAKE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,020,379	\$ 675,379
Buildings and improvements	2,189,546	2,103,734
Furniture and office equipment	57,040	57,040
Automobiles	95,420	95,420
Total	<u>3,362,385</u>	<u>2,931,573</u>
Less accumulated depreciation and amortization	<u>(975,564)</u>	<u>(886,233)</u>
Property and equipment, net	<u>\$ 2,386,821</u>	<u>\$ 2,045,340</u>

5. PAYCHECK PROTECTION PROGRAM LOAN

In May 2020 the Foundation received a Paycheck Protection Program (PPP) loan under the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act totaling \$214,720. The terms and repayment conditions of PPP loans were modified through the subsequent Paycheck Protection Program Flexibility Act (PPPFA) signed into law in June 2020. Under the CARES Act, as modified by PPPFA, a portion or all of the loan and accrued interest may be forgiven provided the funds are spent on qualifying payroll and other expenditures in the 24-week period following the loan and provided certain other criteria regarding full-time equivalent employee and payroll levels are spent on qualifying payroll and other expenditures in the 24-week period following the loan and provided certain other criteria regarding full-time equivalent employee and payroll levels are maintained.

The Foundation received notification that its application for loan forgiveness was approved on July 19, 2021, and the loan amount was therefore recognized as income in the year ended December 31, 2021.

6. NET ASSETS

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

	<u>2022</u>	<u>2021</u>
Research and policy development	\$ 1,051,002	\$ 1,265,176
Public education	272,631	246,812
Store	<u>10,000</u>	<u>10,000</u>
Total	<u>\$ 1,333,633</u>	<u>\$ 1,521,988</u>

Donor restricted net assets with restrictions perpetual in nature consist of an endowment. 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 MONO LAKE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	\$ 961,508	\$ 846,558
Unrealized investment gain (loss)	<u>(187,323)</u>	<u>114,950</u>
Endowment net assets, end of year	<u>\$ 774,185</u>	<u>\$ 961,508</u>

7. 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 \$28,364 for 2022 and \$23,710 for 2021. All contributions are fully vested and non-forfeitable.

8. 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. These joint costs are comprised of the following:

	<u>2022</u>	<u>2021</u>
Membership communications	\$ 286,460	\$ 234,132
Fundraising	<u>87,959</u>	<u>45,784</u>
Total	<u>\$ 374,419</u>	<u>\$ 279,916</u>

9. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Foundation’s revenue from sales are recognized at the time of purchase. Guided tours, seminars, and educational event revenue are recognized when the related events occur. Rental income is recognized monthly as the rental period lapses.

Funds received in advance of being earned are recorded as deferred revenue, which represents a contract liability.

THE MONO LAKE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

A contract asset is recorded when the Foundation satisfies a performance obligation of a contract but is not yet entitled to payment. When the Foundation becomes entitled to payment, the contract asset is classified as a receivable, whether invoiced or not.

The balances of receivables and contract liabilities from contracts with customers are not material.