

THE MONO LAKE FOUNDATION

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

**YEARS ENDED
DECEMBER 31, 2023 AND 2022**

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, 2023 and 2022, 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, 2023 and 2022, 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
Sacramento, California

July 12, 2024

THE MONO LAKE FOUNDATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 433,281	\$ 522,100
Accounts receivable	131,312	124,489
Prepaid expenses and other assets	120,146	37,982
Inventories	<u>83,982</u>	<u>97,487</u>
Total current assets	768,721	782,058
INVESTMENTS	12,197,675	11,064,908
PROPERTY AND EQUIPMENT, Net	<u>2,327,003</u>	<u>2,386,821</u>
TOTAL ASSETS	<u>\$ 15,293,399</u>	<u>\$ 14,233,787</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 91,205	\$ 105,485
Accrued expenses	64,480	97,160
Security deposits	<u>1,030</u>	<u>1,030</u>
Total current liabilities	<u>155,685</u>	<u>203,675</u>
NET ASSETS:		
Net assets without donor restrictions	12,838,369	11,922,294
Net assets with donor restrictions:		
Purpose restrictions	1,434,921	1,333,633
Endowments	<u>864,424</u>	<u>774,185</u>
Total net assets	<u>15,137,714</u>	<u>14,030,112</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,293,399</u>	<u>\$ 14,233,787</u>

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

THE MONO LAKE FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES:		
Member contributions	\$ 2,559,510	\$ 2,257,675
Interest and investment income (loss)	1,202,763	(1,879,164)
Bequests	220,739	751,771
Sales revenue, net of cost of goods sold of \$173,222 for 2023 and \$174,155 for 2022	130,570	147,513
Fee recovery income	118,812	
Program service revenue	79,033	76,131
Rental income	68,902	77,857
Other income	11,927	65,555
Net assets released from restrictions	108,974	70,036
Total revenues	<u>4,501,230</u>	<u>1,567,374</u>
EXPENSES:		
Program services:		
Public education and outreach	1,259,970	1,324,688
Research and policy development	997,486	659,853
Membership communications	911,123	700,022
Total program services	<u>3,168,579</u>	<u>2,684,563</u>
Supporting services:		
Fundraising	348,547	423,099
Management, general and store operations	68,029	71,224
Total expenses	<u>3,585,155</u>	<u>3,178,886</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>916,075</u>	<u>(1,611,512)</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Interest and investment income (loss)	183,167	(390,676)
Contributions and grants	117,334	85,034
Net assets released from restrictions	(108,974)	(70,036)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>191,527</u>	<u>(375,678)</u>
INCREASE (DECREASE) IN NET ASSETS	1,107,602	(1,987,190)
NET ASSETS, Beginning of Year	<u>14,030,112</u>	<u>16,017,302</u>
NET ASSETS, End of Year	<u>\$ 15,137,714</u>	<u>\$ 14,030,112</u>

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

THE MONO LAKE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2023

	Program Services			Supporting Services		Total
	Public Educ. & Outreach	Research & Policy Develop.	Membership Comm.	Fundraising	Management, General & Store Operations	
Personnel	\$ 812,461	\$ 401,734	\$ 229,713	\$ 134,250	\$ 24,583	\$ 1,602,741
Professional services	107,688	380,502	348,621	128,053	16,238	981,102
Printing	63,412	1,894	105,902	20,772	486	192,466
Cost of goods sold	69,643				103,579	173,222
Postage	42,124	9,672	86,299	21,983	818	160,896
Depreciation	44,862	26,797	17,043	3,908	1,449	94,059
Advertising	8,823	5,487	69,297	6,280	2,875	92,762
Supplies	30,267	29,029	16,335	12,170	536	88,337
Occupancy	15,649	65,120	1,852	2,484	157	85,262
Insurance	26,249	33,651	6,971	1,600	10,420	78,891
Travel	31,409	16,040	614	1,870	2,681	52,614
Grants	25,750	16,000				41,750
Equipment	5,745	5,183	1,486	1,179	3,067	16,660
Telecommunications	3,527	2,033	1,293	296	308	7,457
Other	42,004	4,344	25,697	13,702	4,411	90,158
Total expenses	1,329,613	997,486	911,123	348,547	171,608	3,758,377
Less cost of goods sold included with revenues on the statement of activities	69,643				103,579	173,222
Total expenses included in the expense section of the statement of activities	<u>\$ 1,259,970</u>	<u>\$ 997,486</u>	<u>\$ 911,123</u>	<u>\$ 348,547</u>	<u>\$ 68,029</u>	<u>\$ 3,585,155</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	Research & Policy Develop.	Membership Comm.	Fundraising	Management, General & Store Operations	
Personnel	\$ 950,936	\$ 327,754	\$ 121,803	\$ 156,619	\$ 34,346	\$ 1,591,458
Professional services	84,849	230,479	291,265	141,964	17,031	765,588
Printing	54,352	1,368	84,944	32,891		173,555
Cost of goods sold	59,384				114,771	174,155
Postage	26,630	2,217	74,654	34,324	537	138,362
Depreciation	53,754	20,269	7,870	5,008	2,430	89,331
Advertising	17,608	239	56,628	1,183	1,392	77,050
Supplies	18,247	16,716	17,861	5,960	1,271	60,055
Occupancy	9,468	17,983	1,455	804	265	29,975
Insurance	32,063	14,600	4,394	16,971	6,503	74,531
Travel	18,058	10,189	1,938	1,158	2,063	33,406
Grants	21,000	10,000				31,000
Equipment	10,789	4,448	4,440	6,869	1,312	27,858
Telecommunications	4,672	2,014	681	434	211	8,012
Other	22,262	1,577	32,089	18,914	3,863	78,705
	1,384,072	659,853	700,022	423,099	185,995	3,353,041
Total expenses						
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	\$ 1,324,688	\$ 659,853	\$ 700,022	\$ 423,099	\$ 71,224	\$ 3,178,886

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

THE MONO LAKE FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 1,107,602	\$ (1,987,190)
Reconciliation to net cash used by operating activities:		
Net unrealized (gain) loss on investments	(1,163,756)	2,248,137
Receipt of donated investments	(51,590)	(567,489)
Depreciation	94,059	89,331
Changes in:		
Accounts receivable	(6,823)	124,091
Prepaid expenses and other assets	(82,164)	(10,154)
Inventories	13,505	(12,665)
Accounts payable	(14,280)	(2,399)
Accrued expenses	(32,680)	(32,122)
Security deposits	<u>(1,030)</u>	<u> </u>
Net cash used by operating activities	<u>(137,157)</u>	<u>(150,460)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(11,919,993)	(12,249,143)
Proceeds from sale of investments	12,002,572	12,901,855
Purchases of property and equipment	<u>(34,241)</u>	<u>(430,812)</u>
Net cash provided by investing activities	<u>48,338</u>	<u>221,900</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(88,819)	71,440
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>522,100</u>	<u>450,660</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 433,281</u>	<u>\$ 522,100</u>

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

THE MONO LAKE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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 statements 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.

Conditional promises to give, which depend on the occurrence of specified future and uncertain events, are not recorded until the conditions are met. The Foundation receives government grants which limit spending to qualifying expenditures as defined in the grant agreements. Outstanding conditional promises to give subject to qualifying expenditure requirements were \$210,866 and \$0 at December 31, 2023 and 2022, respectively, and will be recognized as revenue as the conditions are met.

The Foundation's revenue from contracts with customers consists of sales revenue and program service revenue (which includes revenue from guided tours, seminars, and educational events). Refer to Note 8 for additional information regarding revenue from contracts with customers.

Rental income is recognized monthly as the rental period lapses.

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's deposits held with financial institutions in excess of federal depository insurance limits were \$170,960 and \$258,975 as of December 31, 2023 and 2022, respectively. 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, 2023 AND 2022

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.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management believes all the receivables are collectible; accordingly, no allowance for credit losses has been established. Receivables are determined to be past due based on contractual terms. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense.

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 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.

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).

THE MONO LAKE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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 12, 2024, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2023 that require recognition or disclosure in such financial statements.

Reclassification – Certain 2022 amounts have been reclassified to conform to the 2023 financial statement presentation.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	<u>2023</u>	<u>2022</u>
Cash	\$ 433,281	\$ 522,100
Accounts receivable	131,312	124,489
Investments	<u>12,197,675</u>	<u>11,064,908</u>
Total financial assets	12,762,268	11,711,497
Less:		
Donor restrictions - purpose restricted (See Note 5)	(1,434,921)	(1,333,633)
Donor restrictions - perpetual (See Note 5)	(864,424)	(774,185)
Board-designated reserve (See Note 5)	<u>(6,000,000)</u>	<u> </u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,462,923</u>	<u>\$ 9,603,679</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.

THE MONO LAKE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

3. INVESTMENTS

Money market funds, mutual and exchange-traded 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 as 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>2023</u>	<u>2022</u>
Money market funds	\$ 72,394	\$ 595,110
Mutual and exchange-traded funds:		
Fixed income	3,983,965	3,590,706
Blend	7,607,309	1,738,108
REIT		53,259
Equities:		
Stock – Growth		1,232,846
Stock – Core		3,416,404
Stock – Blend		57,557
Private credit fund	<u>534,007</u>	<u>380,918</u>
Total	<u>\$ 12,197,675</u>	<u>\$ 11,064,908</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 1,020,379	\$ 1,020,379
Buildings and improvements	2,221,158	2,189,546
Furniture and office equipment	44,196	57,040
Automobiles	<u>95,420</u>	<u>95,420</u>
Total	3,381,153	3,362,385
Less accumulated depreciation and amortization	<u>(1,054,150)</u>	<u>(975,564)</u>
Property and equipment, net	<u>\$ 2,327,003</u>	<u>\$ 2,386,821</u>

5. NET ASSETS

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

	<u>2023</u>	<u>2022</u>
Research and policy development	\$ 1,142,100	\$ 1,051,002
Public education	282,821	272,631
Store	<u>10,000</u>	<u>10,000</u>
Total	<u>\$ 1,434,921</u>	<u>\$ 1,333,633</u>

THE MONO LAKE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

The Board of Directors has designated \$6,000,000 at December 31, 2023 of the Foundation's net assets without donor restrictions for strategic purposes in support of the organization's mission. \$2,000,000 is designated as a Capacity Enhancement Fund and is invested to produce interest and dividend revenue to support organization operations and staff. \$4,000,000 is designated as a Mono Lake Defense Fund and is a reserve to ensure legal and other outside expertise can be deployed in support of the organization's mission to protect Mono Lake.

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 Executive Director has discretion over the release of accumulated interest and dividend earnings. 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>2023</u>	<u>2022</u>
Endowment net assets, beginning of year	\$ 774,185	\$ 961,508
Unrealized investment gain (loss)	<u>90,239</u>	<u>(187,323)</u>
Endowment net assets, end of year	<u>\$ 864,424</u>	<u>\$ 774,185</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 \$31,125 for 2023 and \$28,364 for 2022. All contributions are fully vested and non-forfeitable.

THE MONO LAKE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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. These joint costs are comprised of the following:

	<u>2023</u>	<u>2022</u>
Membership communications	\$ 276,107	\$ 286,460
Fundraising	<u>103,653</u>	<u>87,959</u>
Total	<u>\$ 379,760</u>	<u>\$ 374,419</u>

8. 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.

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

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.