

THE MONO LAKE FOUNDATION
FINANCIAL STATEMENTS WITH INDEPENDENT
ACCOUNTANT'S REVIEW REPORT
YEARS ENDED
DECEMBER 31, 2011 (REVIEWED)
AND 2010 (AUDITED)



Gilbert Associates, Inc.
CPAs and Advisors

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
The Mono Lake Foundation
Lee Vining, California

We have reviewed the accompanying statement of financial position of The Mono Lake Foundation (the Foundation) as of December 31, 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 review, 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.

The financial statements for the year ended December 31, 2010 were audited by us, and we expressed an unqualified opinion on them in our report dated October 1, 2011. We have not performed any auditing procedures on the financial statements since that date.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

July 20, 2012

THE MONO LAKE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 (REVIEWED) AND 2010 (AUDITED)

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 76,349	\$ 157,766
Accounts receivable	136,191	277,673
Inventories	107,164	92,472
Prepaid expenses and other assets	<u>12,038</u>	<u>7,507</u>
Total current assets	331,742	535,418
 INVESTMENTS	 1,791,575	 1,775,203
 PROPERTY AND EQUIPMENT - Net	 <u>1,067,055</u>	 <u>1,074,317</u>
 TOTAL ASSETS	 <u>\$ 3,190,372</u>	 <u>\$ 3,384,938</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 95,124	\$ 108,776
Accrued expenses	22,088	20,102
Deferred income	<u> </u>	<u>800</u>
Total liabilities	<u>117,212</u>	<u>129,678</u>
 NET ASSETS:		
Unrestricted	1,345,590	1,503,857
Temporarily restricted	1,233,050	1,235,430
Permanently restricted	<u>494,520</u>	<u>515,973</u>
Total net assets	<u>3,073,160</u>	<u>3,255,260</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 3,190,372</u>	 <u>\$ 3,384,938</u>

See accompanying notes and accountant's review report.

THE MONO LAKE FOUNDATION

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2011 (REVIEWED) AND 2010 (AUDITED)

	<u>2011</u>	<u>2010</u>
UNRESTRICTED NET ASSETS:		
REVENUES:		
Member contributions	\$ 1,109,429	\$ 1,030,456
Sales revenue, net of cost of goods sold of \$138,230 for 2011 and \$141,021 for 2010	124,068	131,840
Bequests	98,561	433,616
Program service revenue	82,411	62,247
Other general contributions	49,298	63,848
Rental income	42,908	34,969
Interest and investment income	1,497	3,386
Other	4,113	628
Net assets released from restrictions	<u>102,265</u>	<u>149,312</u>
Total revenues	<u>1,614,550</u>	<u>1,910,302</u>
EXPENSES:		
Program services:		
Public education and outreach	778,127	767,284
Membership communications	366,073	393,934
Research and policy development	<u>300,627</u>	<u>258,091</u>
Total program services	1,444,827	1,419,309
Supporting services:		
Fundraising	263,677	222,078
Management, general and store operations	<u>64,313</u>	<u>73,530</u>
Total expenses	<u>1,772,817</u>	<u>1,714,917</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>(158,267)</u>	<u>195,385</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions and grants	86,552	203,637
Investment income	13,333	61,704
Bequests		19,340
Net assets released from restrictions	<u>(102,265)</u>	<u>(149,312)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(2,380)</u>	<u>135,369</u>
PERMANENTLY RESTRICTED NET ASSETS:		
Investment gain (loss)	<u>(21,453)</u>	<u>33,940</u>
INCREASE (DECREASE) IN NET ASSETS	(182,100)	364,694
NET ASSETS, Beginning of Year	<u>3,255,260</u>	<u>2,890,566</u>
NET ASSETS, End of Year	<u>\$ 3,073,160</u>	<u>\$ 3,255,260</u>

See accompanying notes and accountant's review report.

THE MONO LAKE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2011 (REVIEWED)

	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
Supplies	21,372	31,128	1,903	5,742	964	61,109
Depreciation	28,061	3,767	10,466	2,388	1,150	45,832
Grants	28,714		12,495			41,209
Travel	16,646	985	11,929	1,701	683	31,944
Occupancy	10,597	849	18,093	1,364	259	31,162
Insurance	8,427	1,051	6,874	1,119	2,221	19,692
Equipment	9,155	1,755	2,058	1,240	646	14,854
Telecommunications	7,911	877	3,751	656	338	13,533
Other	17,376	13,512	6,939	6,746	10,906	55,479
Total expenses	853,928	366,073	300,627	263,677	126,742	1,911,047
Less cost of goods sold included with revenues on the statement of activities	75,801				62,429	138,230
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

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2010 (AUDITED)

	Program Services			Supporting Services		Total
	Public Educ. & Outreach	Membership Comm.	Research & Policy Develop.	Fundraising	Management, General & Store Operations	
Personnel	\$ 476,726	\$ 38,322	\$ 120,426	\$ 41,304	\$ 21,559	\$ 698,337
Professional services	82,830	149,525	59,619	97,526	29,435	418,935
Cost of goods sold	78,000				63,021	141,021
Printing	42,746	34,172	1,383	32,291	28	110,620
Postage	19,284	50,953	678	26,094	1,675	98,684
Advertising	8,051	76,218	354	2,364	3,362	90,349
Supplies	17,377	25,814	1,421	5,834	1,442	51,888
Depreciation	33,292	3,763	10,784	2,185	2,025	52,049
Grants	4,500		14,486			18,986
Travel	20,567	30	8,202	1,584	911	31,294
Occupancy	9,425	671	12,159	1,465	361	24,081
Insurance	15,152	1,588	11,249	1,693	2,669	32,351
Equipment	11,453	546	6,921	1,293	656	20,869
Telecommunications	8,209	760	3,486	941	715	14,111
Other	17,672	11,572	6,923	7,504	8,692	52,363
Total expenses	845,284	393,934	258,091	222,078	136,551	1,855,938
Less cost of goods sold included with revenues on the statement of activities	<u>78,000</u>				<u>63,021</u>	<u>141,021</u>
Total expenses included in the expense section of the statement of activities	<u>\$ 767,284</u>	<u>\$ 393,934</u>	<u>\$ 258,091</u>	<u>\$ 222,078</u>	<u>\$ 73,530</u>	<u>\$ 1,714,917</u>

See accompanying notes and accountant's review report.

THE MONO LAKE FOUNDATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 (REVIEWED) AND 2010 (AUDITED)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (182,100)	\$ 364,694
Reconciliation to net cash provided by operating activities:		
Net unrealized loss (gain) on investments	64,737	(60,928)
Depreciation and amortization	45,832	52,049
Changes in:		
Accounts receivable	141,482	(271,679)
Inventories	(14,692)	(9,208)
Prepaid expenses and other assets	(4,531)	313
Pledges receivable		15,000
Accounts payable	(13,652)	56,533
Accrued expenses	1,986	2,356
Deferred income	(800)	(515)
Net cash provided by operating activities	<u>38,262</u>	<u>148,615</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,133,584)	(236,496)
Proceeds from sale of investments	1,052,475	125,159
Purchases of property and equipment	<u>(38,570)</u>	<u>(87,186)</u>
Net cash used by investing activities	<u>(119,679)</u>	<u>(198,523)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(81,417)	(49,908)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>157,766</u>	<u>207,674</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 76,349</u>	<u>\$ 157,766</u>

See accompanying notes and accountant's review report.

THE MONO LAKE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 (REVIEWED) AND 2010 (AUDITED)

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 2011 and 2010, the Foundation received donated professional services valued at \$7,657 and \$6,061, 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, 2011 (REVIEWED) AND 2010 (AUDITED)

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 unrelated business income arising from rental income on debt financed property, 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.

Fair value measurements – The Foundation values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. 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 in which there is little or no market data, which require management to develop their own assumptions.

THE MONO LAKE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 (REVIEWED) AND 2010 (AUDITED)

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 20, 2012 the date the financial statements were issued.

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>2011</u>	<u>2010</u>
Money market funds	\$ 268,346	\$ 445,756
Mutual funds:		
Fixed income	985,003	778,162
Commodities	53,287	73,810
Currency	58,620	41,219
International	9,692	18,456
World allocation	163,630	245,371
Stock – Blend	174,123	92,687
Stock – Value	20,201	-
Stock – Growth	-	13,413
Other	-	4,061
World bond	<u>58,673</u>	<u>62,268</u>
Total	<u>\$ 1,791,575</u>	<u>\$ 1,775,203</u>

Interest and investment income consists of the following:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 58,114	\$ 38,102
Net unrealized gain (loss)	<u>(64,737)</u>	<u>60,928</u>
Total	<u>\$ (6,623)</u>	<u>\$ 99,030</u>

THE MONO LAKE FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 (REVIEWED) AND 2010 (AUDITED)

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 460,370	\$ 460,370
Buildings and improvements	828,779	790,218
Furniture and office equipment	57,072	84,815
Automobiles	<u>43,089</u>	<u>43,089</u>
Total	1,389,310	1,378,492
Less accumulated depreciation and amortization	<u>(322,255)</u>	<u>(304,175)</u>
Property and equipment, net	<u>\$ 1,067,055</u>	<u>\$ 1,074,317</u>

4. NET ASSETS

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

	<u>2011</u>	<u>2010</u>
Research and policy development	\$ 1,048,697	\$ 1,072,030
Public education	174,353	153,300
Store	<u>10,000</u>	<u>10,100</u>
Total	<u>\$ 1,233,050</u>	<u>\$ 1,235,430</u>

Permanently restricted net assets represent an endowment restricted in perpetuity. The endowment principal on the related investment is restricted from withdrawal. Investment and interest 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, 2011 (REVIEWED) AND 2010 (AUDITED)

Changes in endowment net assets are as follows:

	<u>2011</u>	<u>2010</u>
Endowment net assets, beginning of year	\$ 515,973	\$ 482,033
Unrealized investment gain (loss)	<u>(21,453)</u>	<u>33,940</u>
Endowment net assets, end of year	<u>\$ 494,520</u>	<u>\$ 515,973</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 \$9,705 for 2011 and \$9,260 for 2010. 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 \$267,318 for 2011 and \$307,005 for 2010. These joint costs were allocated as follows:

	<u>2011</u>	<u>2010</u>
Membership communications	\$ 158,839	\$ 180,264
Fundraising	<u>108,479</u>	<u>126,741</u>
Total	<u>\$ 267,318</u>	<u>\$ 307,005</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, 2011 was \$50,000, and has not been recognized as revenue in the financial statements.