

TAHOE FUND

Tahoe City, California

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

June 30, 2014 and 2013

TAHOE FUND
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INDEPENDENT AUDITORS' REPORT

To the Officers and Directors of
Tahoe Fund

We have audited the accompanying financial statements of the Tahoe Fund (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tahoe Fund as of June 30, 2014, and the activities and changes in its net assets, its functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Comparative Information

Information for the year ended June 30, 2013 is presented for comparative purposes only and was extracted from the financial statements presented for that year, on which we expressed an unmodified opinion on our report dated March 25, 2014.

McClintock Accountancy Corporation
McCLINTOCK ACCOUNTANCY CORPORATION
Tahoe City, California
January 12, 2015

TAHOE FUND

Exhibit A

STATEMENTS OF FINANCIAL POSITION

June 30, 2014 and 2013

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
ASSETS				
Cash and cash equivalents (Note 3)	\$ 652,949	\$ 18,850	\$ 671,799	\$ 215,176
Contracts receivable (Note 4)	18,946	-0-	18,946	63,953
Contributions and pledges receivable, net (Note 5)	12,500	107,466	119,966	115,576
Prepaid expenses	3,900	-0-	3,900	6,883
Fixed assets, net (Note 6)	1,164	-0-	1,164	1,552
Total Assets	\$ 689,459	\$ 126,316	\$ 815,775	\$ 403,140
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 21,899	\$ -0-	\$ 21,899	\$ 22,123
Grants payable	83,380	-0-	83,380	2,083
Advance payments	19,150	-0-	19,150	-0-
Accrued payroll liabilities	1,096	-0-	1,096	482
Funds held for others	11,964	-0-	11,964	17
Total Liabilities	137,489	-0-	137,489	24,705
NET ASSETS				
Unrestricted	551,970	-0-	551,970	264,488
Restricted (Note 7)	-0-	126,316	126,316	113,947
Total Net Assets	551,970	126,316	678,286	378,435
Total Liabilities and Net Assets	\$ 689,459	\$ 126,316	\$ 815,775	\$ 403,140

The accompanying notes are an integral part of these statements.

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TAHOE FUND

Exhibit B

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2014 and 2013

	2014			2013
	Unrestricted	Temporarily Restricted	Total	
REVENUE				
General contributions	\$ 464,950	\$ 218,542	\$ 683,492	\$ 315,551
Governmental grants	-0-	750	750	46,552
Contract income - Tahoe license plates program	96,915	-0-	96,915	117,910
Donated goods and services (Note 9)	18,683	-0-	18,683	52,782
Special events, net	24,625	-0-	24,625	(53)
Interest income	13	-0-	13	16
Other income	1,510	-0-	1,510	694
Net assets released from restrictions :				
satisfaction of time restrictions	63,200	(63,200)	-0-	-0-
satisfaction of purpose restrictions	143,723	(143,723)	-0-	-0-
	<u>206,923</u>	<u>(206,923)</u>	<u>-0-</u>	<u>-0-</u>
Total Revenue (Note 8)	<u>813,619</u>	<u>12,369</u>	<u>825,988</u>	<u>533,452</u>
EXPENSES				
Program services	<u>280,086</u>	<u>-0-</u>	<u>280,086</u>	<u>258,868</u>
	<u>280,086</u>	<u>-0-</u>	<u>280,086</u>	<u>258,868</u>
Supporting services				
General and administrative	112,573	-0-	112,573	94,744
Fundraising	133,478	-0-	133,478	142,423
	<u>246,051</u>	<u>-0-</u>	<u>246,051</u>	<u>237,167</u>
Total Expenses	<u>526,137</u>	<u>-0-</u>	<u>526,137</u>	<u>496,035</u>
Increase (Decrease) in Net Assets	287,482	12,369	299,851	37,417
Net Assets at Beginning of Year	264,488	113,947	378,435	341,018
Net Assets at End of Year	<u>\$ 551,970</u>	<u>\$ 126,316</u>	<u>\$ 678,286</u>	<u>\$ 378,435</u>

The accompanying notes are an integral part of these statements.

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Exhibit C

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2014 and 2013

	2014				2013
	Program	Supporting Services		Total	Total
	Services	General and Administrative	Fund		
	Program & Facilities		Raising		
Expenses					
Salaries, wages and benefits	\$ 33,640	\$ 51,072	\$ 86,348	\$ 171,060	\$ 136,356
Contracted services					
marketing-Tahoe license plates					
program	81,873	-0-	-0-	81,873	104,461
accounting	-0-	25,623	-0-	25,623	6,146
marketing	3,537	1,824	16,242	21,603	23,100
community outreach	11,000	-0-	-0-	11,000	36,522
other contract services	3,702	412	-0-	4,114	20,068
database management	-0-	82	2,525	2,607	6,252
consulting	-0-	1,072	-0-	1,072	13,090
legal	-0-	-0-	-0-	-0-	10,500
lobbying	-0-	-0-	-0-	-0-	6,750
Grant expense	132,797	-0-	-0-	132,797	56,225
Occupancy	3,160	6,319	6,319	15,798	14,513
Event expense	9,087	-0-	6,034	15,121	12,845
Travel and meetings	464	7,170	642	8,276	7,931
Printing, copying, and publications	761	1,306	5,765	7,832	16,598
Dues and subscriptions	65	5,612	-0-	5,677	4,979
Other expenses	-0-	1,846	3,000	4,846	2,917
Advertising and promotion	-0-	-0-	3,863	3,863	5,489
Bank and merchant card fees	-0-	3,276	-0-	3,276	2,383
Insurance	-0-	2,800	-0-	2,800	1,804
Postage and shipping	-0-	288	2,203	2,491	1,751
Supplies	-0-	1,575	72	1,647	2,279
Telephone and internet	-0-	1,467	-0-	1,467	1,289
Volunteer and donor appreciation	-0-	-0-	465	465	964
Licenses and fees	-0-	441	-0-	441	435
Depreciation expense	-0-	388	-0-	388	388
	<u>\$ 280,086</u>	<u>\$ 112,573</u>	<u>\$ 133,478</u>	<u>\$ 526,137</u>	<u>\$ 496,035</u>

The accompanying notes are an integral part of these statements.

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Exhibit D

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2014 and 2013

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
Cash Flows from Operating Activities:				
Increase in Net Assets	\$ 287,482	\$ 12,369	\$ 299,851	37,417
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Depreciation expense	388	-0-	388	388
Change in receivables	41,382	(765)	40,617	51,579
Change in prepaid expenses	2,983	-0-	2,983	(6,883)
Change in payables	81,073	-0-	81,073	(44,929)
Change in advance payments	19,150	-0-	19,150	-0-
Change in accrued liabilities and funds held for others	12,561	-0-	12,561	(3,232)
Total Adjustments	<u>157,537</u>	<u>(765)</u>	<u>156,772</u>	<u>(3,077)</u>
Net Cash Provided by Operating Activities	<u>445,019</u>	<u>11,604</u>	<u>456,623</u>	<u>34,340</u>
Net Increase in Cash and Cash Equivalents	445,019	11,604	456,623	34,340
Cash and Cash Equivalents, Beginning of the Year	207,930	7,246	215,176	180,836
Cash and Cash Equivalents, End of the Year	<u>\$ 652,949</u>	<u>\$ 18,850</u>	<u>\$ 671,799</u>	<u>\$ 215,176</u>

The accompanying notes are an integral part of these statements.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

1. Form of Organization

Tahoe Fund was incorporated in April 2010 as a non-profit corporation in the States of Nevada and California. The purpose of the Tahoe Fund is to build broad support and funding for environmental projects and programs around the Lake Tahoe Basin with an emphasis on recreation, conservation and education.

2. Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The financial statements of the Tahoe Fund have been prepared on the accrual basis of accounting. Additionally, information regarding its financial position and activities are classified according to three classes of net assets based upon the existence or absence of donor-imposed restrictions, as follows:

Unrestricted net assets are resources currently available for various programs and administration of the Tahoe Fund or invested in property and equipment.

Temporarily restricted net assets consist of donor restricted contributions. Amounts restricted by the donor for a particular purpose or time period are reported as temporarily restricted revenue when received and such unexpended amounts are reported as temporarily restricted net assets at year end.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “net assets released from restrictions.”

Restrictions on gifts of fixed assets or contributions restricted for the purchase of fixed assets expire when the asset is placed in service, unless otherwise stipulated by the donor.

Permanently restricted net assets consist of donor-restricted contributions which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations. Tahoe Fund has no permanently restricted net assets.

Contributions

Contributions are recorded at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are recorded as restricted support. Conditional contributions are recognized when the conditions are substantially met.

Donated Goods, Facilities, and Services

Donations of goods and facilities (which may include securities, equipment, and use of office space) are recorded at fair value at the date of the gift and reported as unrestricted

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gifts unless the donor has stipulated how long the asset must be used or has restricted the item(s) for a specific purpose.

Many individuals volunteer their time and perform a variety of tasks that assist the Tahoe Fund. Contributions of services are recognized at fair value if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing these skills and would typically need to be purchased if not provided by donation.

Functional Expenses

Expenses are charged to program, administrative, or fundraising based on a combination of specific identification and allocation by management. Functional expenses are determined as follows:

Program service expenses are the direct and indirect costs related to providing the Fund's programs, that is, the costs of the activities for which purpose the Fund exists.

Supporting services expenses are expenses for activities not directly related to the purpose for which the Fund exists. Supporting services are categorized below.

General and administrative expenses relate to the overall direction of the Fund and include expenses for activities of the governing board, business management, general recordkeeping, budgeting, disseminating information to inform the public about the Fund's stewardship of contributions, making announcements about appointments and producing the annual report. General and administrative expenses include all other management and administrative expenses except for direct conduct of program services or fund-raising activities.

Fund-raising expenses are costs of all activities that constitute an appeal for financial support, that is, costs incurred to induce others to contribute money, time, materials, or facilities to the Fund. Fundraising expenses include expenses such as costs of personnel, professional consultants, rent, printing, postage, direct mail lists, direct contact solicitations and unsolicited merchandise sent to encourage contributions.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported and disclosed. Actual results could differ from those estimates.

Liquidity Presentation

In order to provide information about liquidity, assets have been sequenced according to their nearness to conversion to cash and liabilities have been sequenced according to the nearness of their maturity and resulting use of cash.

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June 30, 2014 and 2013

Allowance for Doubtful Accounts

An allowance for doubtful accounts is created when an account's collectability is uncertain. Tahoe Fund estimates doubtful accounts based on factors related to the specific payer's ability to pay and current economic trends. No allowance was established at June 30, 2014 and 2013 as management believes all amounts shown as receivable are collectible.

Cash and Cash Equivalents

For the purposes of the statement of cash flow, cash is defined as highly liquid investments with remaining maturities of three months or less at the time of purchase.

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 others, market transactions or 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs, as defined by generally accepted accounting principles (GAAP), is used.

Level 1 Inputs	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2 Inputs	Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.
Level 3 Inputs	Unobservable inputs for the assets or liabilities (that is, inputs supported by little or no market activity).

The carrying amounts of financial instruments, including cash, accounts receivable and accounts payable approximate their fair value due to the short term maturities of these instruments.

Fixed Assets

Property, furniture, equipment and related costs are capitalized individually at \$1,000 and above and stated at cost; the fair market value of donated fixed assets are similarly capitalized.

Depreciation is computed on the straight-line basis over the useful lives of the assets. When items are disposed of, the cost and accumulated depreciation are eliminated from the records of account.

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Advance Payments

Advance payments are monies received for dinner tickets and sponsorships for the 2014/15 annual dinner. These receipts will be recognized in special event income for the following year's annual dinner.

Funds Held for Others

Fund held for others are monies received from organizations participating in the Green Bucks program (a contribution program with area resorts, hotels and restaurants) which are to be paid out to the Truckee River Watershed Council, another recipient of Green Bucks program contributions.

Income Taxes

Tahoe Fund is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3), and a similar exemption for California purposes. Unrelated business income, if any, is taxed at regular corporate tax rates.

Management believes the Tahoe Fund has met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore, no provision for taxes has been provided in these financial statements. The Tahoe Fund is no longer subject to U.S federal and state examinations for the years ended June 30, 2011 or prior.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2013 from which the summarized information was derived.

3. Concentration of Credit Risk

Tahoe Fund maintains accounts at a local bank and at local community foundations. Funds held at the community foundations are held in money market accounts. The balances in the bank accounts may, at times exceed federally insured limits.

Tahoe Fund minimizes credit risk associated with cash by periodically evaluating the credit quality of its financial institutions. Additionally, no losses have been experienced on any such accounts and management believes the Tahoe Fund is not exposed to any significant credit risk related to cash.

4. Contracts Receivable

Contracts receivable represent amounts owed for reimbursement of contract related expenses. It includes both billed and un-billed receivables. Tahoe Fund does not receive interest on old balances. Any amount that is denied for reimbursement is written off when

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notification is received from the agency. Receivables are stated at the amount management expects to collect from outstanding balances.

5. Contributions & Pledges Receivable

Contributions and pledges are recognized at their estimated fair value, on a nonrecurring basis, at the time the contribution or pledge is made. Fair value is determined by calculating the net present value of estimated future cash flows. The discount rate used in determining the net present value of contributions and pledges receivable was 3.25% at June 30, 2014 and 2013. The receivables are included within level 3 of the fair value hierarchy because determination of the net present value of future cash flows is based on little or no market data and requires management to develop their own assumptions.

Contributions and pledges receivable consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Less than 1 year	\$ 84,310	\$ 67,135
1-5 years	37,875	51,125
Total contributions & pledges receivable	122,185	118,260
Less: unamortized discount	(2,219)	(2,684)
	<u>\$ 119,966</u>	<u>\$ 115,576</u>

6. Property, Furniture and Equipment

Property, furniture and equipment consist of the following:

	<u>2014</u>	<u>2013</u>
Computer equipment	\$ 1,940	\$ 1,940
Less: accumulated depreciation	(776)	(388)
	<u>\$ 1,164</u>	<u>\$ 1,552</u>

7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Temporarily Restricted Net Assets:		
Bikeways	\$ 6,193	\$ 6,093
Watercraft inspection	11,000	-0-
Environmental stewardship	1,024	-0-
Conservation	476	712
Recreation & other	157	441
Time restricted pledges	107,466	106,701
	<u>\$ 126,316</u>	<u>\$ 113,947</u>

Interest income generated by temporarily restricted funds is available for appropriation by the Board of Directors.

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8. Sources of Revenue

A majority of the Fund's contributions and revenue are received from a few sources. In the event that funding from one of these sources decreases in any one year, operations could be affected. Management is monitoring and evaluating these risks and takes them into consideration during the planning process.

Tahoe Fund received approximately 11% of its operational funding from the following source during 2014:

Source	Type	Amount	Percentage
California Tahoe Conservancy	Contract	\$ 96,945	11%

All other sources of revenue for the year ended June 30, 2014 were individually 6% or less of current revenue and not considered by management to be individually significant to overall operations.

Tahoe Fund received approximately 40% of its operational funding from the following sources during 2013:

Source	Type	Amount	Percentage
California Tahoe Conservancy	Grants/Contracts	\$ 164,462	30%
Vail Resorts	Donations	50,936	10%
		\$ 215,398	40%

9. Donated Goods, Services and Facilities

The following amounts are recognized in the financial statements:

	2014	2013	
Use of facilities/meeting rooms	\$ 5,674	\$ 5,160	Administrative
Use of facilities/meeting rooms	5,674	5,160	Fundraising
Use of facilities/meeting rooms	2,835	2,577	Programs
Database subscriptions	4,500	4,500	Fundraising
Food & beverage catering	-0-	24,920	Special events, net
Legal services	-0-	10,500	Administrative
On-line marketing	-0-	595	Fundraising
Total	\$ 18,683	\$ 52,782	

Tahoe Fund has an annual grant from the Parasol Foundation for office and meeting space. The Parasol Foundation contributes 70% of the market value for furnished office space and the Tahoe Fund pays the remaining 30%. Additionally, the Parasol Foundation provides meeting space. The value of facilities donated by the Parasol Foundation for the year ended June 30, 2014 was \$3,770 for office space and \$10,413 for meeting space for a

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total of \$14,183. The amounts for the year ended June 30, 2013 were \$3,772 for office space and \$9,125 for meeting space for a total of \$12,897. These amounts were allocated by functional expense as noted above.

10. Subsequent Events

Subsequent events have been evaluated through January 12, 2015, the date that the statements were available for issuance.