



Financial Statements
For the Year Ended December 31, 2019

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Independent Auditor's Report

**To the Board of Directors
Mona Foundation
Kirkland, Washington**

We have audited the accompanying financial statements of Mona Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, 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.

Auditor's 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 auditor's 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 principles used and the reasonableness of significant 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.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As discussed in Note 1, the Foundation adopted Financial Accounting Standards Board's Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2019. Our opinion is not modified with respect to this matter.

Clark Nuber P.S.

Certified Public Accountants
June 23, 2020

MONA FOUNDATION

**Statement of Financial Position
December 31, 2019**

Assets:

Cash and cash equivalents	\$ 1,760,513
Pledges receivable	47,046
Prepaid expenses	5,001
Investments	732,993
Property and equipment, net	<u>1,507</u>

Total Assets	<u>\$ 2,547,060</u>
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Liabilities:

Accounts payable	\$ 11,717
Accrued payroll and vacation	<u>5,601</u>

Total Liabilities	17,318
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Net Assets:

Without donor restrictions	1,865,041
With donor restrictions	<u>664,701</u>

Total Net Assets	<u>2,529,742</u>
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Total Liabilities and Net Assets	<u>\$ 2,547,060</u>
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See accompanying notes.

MONA FOUNDATION

**Statement of Activities
December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Losses:			
Contributions	\$ 649,926	\$ 503,533	\$ 1,153,459
Special events	577,814		577,814
Gifts-in-kind	426,091		426,091
Investment return	190,497	28,052	218,549
Other income	6,736		6,736
Net assets released from restriction	572,684	(572,684)	
Total Revenues, Gains and Losses	2,423,748	(41,099)	2,382,649
Expenses:			
Program	1,497,515		1,497,515
General and administrative	171,521		171,521
Fundraising	340,751		340,751
Total Expenses	2,009,787		2,009,787
Change in Net Assets	413,961	(41,099)	372,862
Net assets, beginning of year	1,451,080	705,800	2,156,880
Net Assets, End of Year	\$ 1,865,041	\$ 664,701	\$ 2,529,742

See accompanying notes.

MONA FOUNDATION

**Statement of Functional Expenses
December 31, 2019**

		Supporting Services			
	Program	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Payroll, benefits and taxes	\$ 91,119	\$ 57,654	\$ 55,915	\$ 113,569	\$ 204,688
Contractors	45,359	2,780	34,244	37,024	82,383
Grants and projects	1,054,901				1,054,901
Fees, dues and insurance	10,296	4,232	3,800	8,032	18,328
Accounting and taxes	1,350	22,200	3,000	25,200	26,550
Printing and postage	443	980	15,555	16,535	16,978
Repairs and maintenance	17,202	754	7,004	7,758	24,960
Meetings and travel		7,464	3,872	11,336	11,336
Marketing and advertising	2,950	500	28,148	28,648	31,598
Rent	5,529	16,943	3,780	20,723	26,252
Office expenses	950	9,247	459	9,706	10,656
Special events			74,707	74,707	74,707
In-kind goods and services	267,245	48,680	110,166	158,846	426,091
Depreciation	171	87	101	188	359
Total Expenses	\$ 1,497,515	\$ 171,521	\$ 340,751	\$ 512,272	\$ 2,009,787

See accompanying notes.

MONA FOUNDATION**Statement of Cash Flows
For the Year Ended December 31, 2019**

Cash Flows From Operating Activities:	
Change in net assets	\$ 372,862
Adjustments to reconcile change in net assets to net cash used by operating activities-	
Depreciation	359
Realized and unrealized gain on investment, net	(204,439)
Contributions received restricted for investment in long-term purposes	(75,957)
Changes in operating assets and liabilities:	
Pledges receivable	36,954
Prepaid expenses	(1,913)
Accounts payable	8,340
Accrued payroll and vacation	2,017
	<hr/>
Net Cash Provided by Operating Activities	138,223
 Cash Flows From Investing Activities:	
Purchases of investment securities	(528,558)
Sales of investment securities	492,960
	<hr/>
Net Cash Used by Investing Activities	(35,598)
 Cash Flows From Financing Activities:	
Endowment contributions received	75,957
	<hr/>
Net Cash Provided by Financing Activities	75,957
 Net Change in Cash and Cash Equivalents	178,582
 Cash and cash equivalents, beginning of year	<hr/> 1,581,931
 Cash and Cash Equivalents, End of Year	 <u><u>\$ 1,760,513</u></u>

See accompanying notes.

MONA FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2019

Note 1 - Significant Accounting Policies

Foundation - Mona Foundation (the Foundation) was founded in 1999 by a small group of people committed to making life better for all children. The Foundation supports grassroots educational initiatives that provide education to all children, increase opportunities for women and girls, and emphasize service to the community. The Foundation's goal is to eliminate global poverty and support community led transformation such that no child ever goes to bed hungry, is lost to preventable diseases, or is deprived of the gift of education for lack of resources.

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Foundation classifies net assets, revenues, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met either by the actions of the Foundation or passage of time. Net assets with donor restrictions additionally includes various endowments given over the years by donors who required that the gift be invested and only the income from such investments be used to support the intended cause. By law and by agreement with the donor, the Foundation may never use the principal of these gifts. Net assets with donor restrictions include the principal amount of gifts to the endowment fund accepted with the donor stipulation that principal be maintained intact in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets.

Use of Estimates in Preparation of Financial Statements - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - For the purpose of the statement of cash flows, the Foundation considers all highly liquid investments with initial maturities of three months or less to be cash equivalents, except for those cash equivalents held in the investment portfolio and subject to its investment policy.

Pledges Receivable - Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to bad debt expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. All pledges receivable outstanding as of December 31, 2019 are due within one year. The Foundation determined an allowance for doubtful accounts was unnecessary as of December 31, 2019.

MONA FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2019

Note 1 - Continued

Investments - All investments are initially recorded at acquisition cost if purchased or fair value if they were received as contributions. Investments in equity securities, exchange traded funds, and mutual funds with readily determinable fair values are reported at fair value based on quoted market prices. Realized and unrealized gains and losses are included on the statement of activities.

Property and Equipment - The Foundation capitalizes assets with a cost, or fair value if donated, of \$750 or more and estimated useful lives of more than one year. Property and equipment is depreciated using the straight-line method over their estimated useful lives of three to seven years.

Revenue Recognition - Contributions, including those related to special events, are recognized as revenue in the period received. Noncash gifts (gifts-in-kind), are recognized at their estimated fair value at the date received (Note 5).

Special Events - The Foundation held a series of special events during the year ended December 31, 2019. Event revenue totaled \$577,814. Direct expenses related to the event totaled \$74,707 and are reflected in fundraising expenses on the statement of activities.

Grant and Projects Expense - The Foundation makes single year grants and recognizes grant and project expenses in the period paid. There were no approved but unpaid grants at December 31, 2019.

Concentrations - Financial instruments that potentially subject the Foundation to concentrations of credit risk consist of cash and investment balances. The Foundation has established guidelines relative to diversification of investments that seek to maintain safety and liquidity. The Foundation had cash balances in excess of federally insured limits during the year ended December 31, 2019.

For the year ended December 31, 2019, approximately 28% of the Foundation's total revenue and support was from one donor.

Advertising - Advertising costs are expensed when incurred.

Federal Income Tax Status - The Internal Revenue Service has determined the Foundation to be a not-for-profit public charity, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax has been made in these financial statements.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program, general and administrative, and fundraising categories based on the benefits derived. Certain non-personnel costs have been allocated among the program, fundraising, and administrative activities based on the nature of the cost and the functional category benefited. Personnel expenses, including salaries, payroll taxes, and contractor expenses, are allocated in accordance with estimated percentages aligning with the level of effort recorded by the individual employees for each functional category.

MONA FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2019

Note 1 - Continued

Adoption of New Accounting Pronouncement - During the year ended December 31, 2019, the Foundation adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14) - This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 8).

Note 2 - Investments and Fair Value Measurements

Fair Value - To increase consistency and comparability in fair value measurements, the Foundation uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Valuation Techniques - Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued based on unobservable inputs. A financial instrument's level within the fair value hierarchy is based upon the lowest priority level of any input that is significant to the fair value measurement. All of the Foundation's investments that are reported at fair value on a recurring basis are classified as Level 1.

The Foundation's investments that are measured at fair value consist of equity securities, exchange traded funds and mutual funds valued based on the following valuation methods. Valuation techniques are consistently applied.

Marketable Equity Securities - Valued at quoted market prices in active markets, which represent the net asset value (NAV) of shares held at year end.

Exchange Traded Funds - Valued at quoted market prices in active markets, which represent the net asset value (NAV) of shares held at year end.

Mutual Funds - Valued at quoted market prices in active markets, which represent the net asset value (NAV) of shares held at year end.

Money Market - Includes funds valued at cost plus accrued interest, which approximates fair value.

Cryptocurrency - Valued at quoted market prices in active markets, which represent the net asset value (NAV) of currency held at year end.

MONA FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2019

Note 2 - Continued

Investments consisted of the following at December 31, 2019:

	Fair Value Level 1
Investments at fair value on a recurring basis-	
Marketable equity securities	\$ 265,957
Exchange traded funds	384,393
Money market	80,413
Bitcoin	2,230
	<u>2,230</u>
Total Investments at Fair Value on a Recurring Basis	<u>\$ 732,993</u>

Investment return consisted of the following for the year ended December 31, 2019:

Interest and dividends	\$ 14,110
Realized loss on Bitcoin	(33,734)
Other realized and unrealized gains	238,173
	<u>238,173</u>
Total Investment Return	<u>\$ 218,549</u>

Note 3 - Property and Equipment

Property and equipment consisted of the following at December 31, 2019:

Office equipment	\$ 12,736
Donated furniture and art	1,473
	<u>14,209</u>
Less accumulated depreciation	(12,702)
	<u>(12,702)</u>
Total Property and Equipment, Net	<u>\$ 1,507</u>

Depreciation expense totaled \$359 for the year ended December 31, 2019.

Note 4 - Gifts-in-Kind

The Foundation receives donations of goods and professional services, gifts-in-kind, which are recognized at their estimated fair value on the date received. The Foundation recognizes donated services if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not donated.

MONA FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2019

Note 4 - Continued

The following goods and services were recognized in the statement of activities for the year ended December 31, 2019:

Software license	\$	130,065
Internet advertising space		108,989
Special events		57,857
Professional services		61,576
Travel		39,740
Other		<u>27,864</u>
Total Gifts-in-Kind	\$	<u>426,091</u>

Note 5 - Commitments

The Foundation leases office space under a noncancelable operating lease effective June 1, 2015 through May 31, 2020. The Foundation sublet the office space to a separate tenant under a noncancelable operating lease effective Jun 1, 2019 through May 31, 2020. Sublease income totaled \$5,950 for the year ended December 31, 2019.

The Foundation entered a separate lease for a different office space location effective June 1, 2019 through May 31, 2022. Rent expense totaled \$26,252 for the year ended December 31, 2019. Required minimum payments under the lease are as follows.

For the Year Ending December 31,

2020	\$	15,769
2021		16,244
2022		<u>6,852</u>
	\$	<u>38,865</u>

MONA FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2019

Note 6 - Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2019:

Subject to the Passage of Time of Expenditure or Specified Purpose:	
Growth reserves	\$ 87,965
Pledges due in future periods	45,000
Texas wrangler fund	24,677
Memorial scholarship	71,009
Other	<u>11,307</u>
Total Subject to the Passage of Time or Expenditure for Specified Purpose	239,958
Endowment Funds:	
Operations	200,418
Karimimanesh fund	90,000
Rabbani fund	25,450
Gu family fund	34,349
Rouhani fund	13,391
Koenig fund	10,015
Victory fund	18,375
Accumulated endowment earnings	<u>32,745</u>
Total Endowment Funds	<u>424,743</u>
Total Net Assets With Donor Restrictions	<u>\$ 664,701</u>

Note 7 - Endowment

The Foundation's endowments consist of both funds of both donor-restricted funds established for a variety of purposes and a board-designated quasi-endowment. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Directors of the Foundation has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA) and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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.

MONA FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2019

Note 7 - Continued

The remaining portion of the donor-restricted endowment fund that is not classified as perpetual is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Foundation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation; and
- The investment policies of the Foundation.

Endowment activity is as follows for the year ended December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions		
		Accumulated Earnings	Original Corpus	Total
Endowment net assets, December 31, 2018	\$ -	\$ 4,693	\$ 316,041	\$ 320,734
Endowment investment return		28,052		28,052
Contributions			75,957	75,957
Transfer to quasi-endowment	143,177			143,177
Endowment Net Assets, December 31, 2019	\$ 143,177	\$ 32,745	\$ 391,998	\$ 567,920

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Foundation has adopted an investment policy with a primary long-term objective to preserve and enhance the inflation-adjusted value of the corpus of endowment net assets in perpetuity. The Foundation seeks to limit the volatility of the distributions from the funds to provide a relatively stable stream of earnings consistent with the Fund's spending needs. The primary objective of the Foundation is to earn an average total return of 5% net of all management fees, over the long-term. Appropriations are approved by the Board of Directors, and have not yet been made, as the Foundation requires that the underlying investments' annual appreciation and interest are able to significantly fund the operations of the Foundation before any appropriations can be made.

MONA FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2019

Note 8 - Liquidity and Availability of Financial Assets

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations at December 31, 2019:

Cash and cash equivalents	\$ 1,760,513
Investments	732,993
Pledges receivable	<u>47,046</u>
Total financial assets	2,540,552
Less board and donor-restricted endowment funds	(567,920)
Less amounts restricted by donor with time or purpose restrictions	<u>(239,958)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,732,674</u>

As a part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 9 - COVID-19

The Foundation has evaluated subsequent events through June 23, 2020, the date on which the financial statements were available to be issued. In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. Subsequent to year-end, the World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak has caused business disruption through mandated and voluntary closings of multiple businesses. As a result, employees of the Foundation are working remotely and eliminating non-essential business travel. The extent of the impact of COVID-19 on Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on donors, all of which are uncertain and cannot be predicted.

In response to COVID-19, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. On May 3, 2020, the Foundation obtained a loan under the PPP with a principal balance of \$38,845 and an annual interest rate of 1%. All or a portion of the PPP loan may be forgiven if certain terms and conditions of the program are met.