

**SANTA CATALINA ISLAND CONSERVANCY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)**



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**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)**

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## CATALINA ISLAND CONSERVANCY™

*A responsible steward of its lands through a balance of conservation, education and recreation.*

SANTA CATALINA ISLAND  
CONSERVANCY MANAGEMENT  
DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED DEC 31, 2021 AND DEC 31, 2020

### MISSION & BACKGROUND

To be a responsible steward of our lands through a balance of conservation, recreation and education.

Founded in 1972 as a non-profit organization, the Catalina Island Conservancy (“Conservancy”) is one of the oldest and largest private land trusts in the western United States. It protects 88 percent of Catalina Island (over 42,000 acres), including more than 62 miles of unspoiled beaches and secluded coves - the longest publicly accessible stretch of undeveloped coastline left in Southern California. Catalina Island is home to more than 60 plant, animal and insect species found nowhere else in the world. It is visited by more than one million people annually, including more than sixty thousand youth campers.

### FINANCIAL STATEMENT OVERVIEW

The Conservancy’s Consolidated Statement of Activities reflects several revenue sources including traditional philanthropic revenue (contributions that are both unrestricted and with donor restrictions). Other revenues are generated from a variety of activities that support its mission such as land-lease revenues with tenants that provide educational experiences and added accessibility to our land at various camps on the island; recreational activities such as eco tours, camping fees, admissions to the Wrigley Memorial and Botanic Garden; Airport access and transportation fees, etc. Also reflected in Total Revenues are the various impacts on the Conservancy’s investment portfolio (consisting primarily of endowment assets) from investment market activities over the course of the year, including dividend and interest income earned, as well as realized and unrealized gains and (losses) on investments.

These sources of funding, combined with annual endowment payouts, help to fund a wide array of activities and programs each year. These include programmatic activities directly tied to the Conservancy’s mission such as wildlife and plant conservation programs, a variety of education programs, and recreational programs such as a hiking trail system and vehicular eco tours.

Significant functional and capital spending is also incurred each year to maintain Conservancy infrastructure, which includes the maintenance of over 200 miles of roads, 165 miles of hiking trails and roads, the Airport in the Sky, numerous buildings, and a fleet of vehicles and heavy equipment which provides safety infrastructure for Catalina Island.

#### FINANCIAL STATEMENT HIGHLIGHTS FROM 2021

2021 was a year in which the Conservancy, along with many other non-profits, continued to be impacted by the COVID-19 pandemic. As vaccination and booster shots were administered, members began to engage in Conservancy activities, but rising cases limited the Conservancy's ability to fully deliver on its programs. Even still, due to the perceived low risk of infection by being outdoors, the outdoor activities provided by the Conservancy saw an increase in participation. Eco tours, hiking, camping, attendance at the Wrigley Memorial and Botanical Garden, and Airport landings all saw increases in revenue from prior year. Retail sales at the visitor center achieved record highs as stay-at-home orders were lifted. The Conservancy benefited as outdoor spaces became places of refuge to safely socialize, improve physical and mental health, connect with family, and recover from screen fatigue.

Total revenue was 6% higher than 2020. Overall, the Conservancy continued to manage expenses in-line with Consumer Price Index, approximately 7%. As a result of strong market performance, the Conservancy's total net assets grew by 7% to \$115M. As we emerge into a post-pandemic world, the Conservancy is well positioned to effectively meet its mission to be a responsible steward of its lands through a balance of conservation, education and recreation.

#### SUMMARY

We hope this overview and financial analysis helps to provide you with some additional insight as to the Conservancy's financial performance during 2021 and 2020. Should you have additional questions, please contact me at 310.510.2595 x131.



Tony Budrovich,  
President & Chief Executive Officer



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Santa Catalina Island Conservancy  
Long Beach, California

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying consolidated financial statements of Santa Catalina Island Conservancy and subsidiary (the Conservancy) (a California nonprofit public benefit corporation), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Santa Catalina Island Conservancy, as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Santa Catalina Island Conservancy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Auditors' Responsibility*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 not 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 judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Santa Catalina Island Conservancy'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 consolidated financial statements.
- Conclude whether in our judgement there are conditions or events, considered in the aggregate that raise substantial doubt about Santa Catalina Island Conservancy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance, 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.

***Other Matters***

***Report on Summarized Comparative Information***

The accompanying summarized comparative information of the Conservancy as of and for the year ended December 31, 2020, and the related notes, are derived from the Conservancy's audited consolidated financial statements as of and for the year ended December 31, 2020. We expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 3, 2021. The summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material aspects, with the audited consolidated financial statements from which it has been derived.

Board of Directors  
Santa Catalina Island Conservancy

**Management Discussion and Analysis**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The letter from the Board Chair and President and CEO, which is the responsibility of management, is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Irvine, California  
August 15, 2022

**SANTA CATALINA ISLAND CONSERVANCY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2021**  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

	2021	2020
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 6,532,342	\$ 8,730,508
Investments	72,946,433	62,833,864
Receivables, Net	651,800	761,280
Pledges Receivable	699,757	691,174
Interest Receivable	31,253	69,806
Inventory	285,409	253,732
Prepaid Expenses and Other Assets	227,139	185,648
Notes Receivable	241,975	458,568
Deferred Rent Receivable	739,199	529,072
Property and Equipment, Net	35,512,412	35,602,945
Total Assets	\$ 117,867,719	\$ 110,116,597
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 330,759	\$ 414,989
Accrued Liabilities	1,115,202	1,555,702
Deferred Revenue	288,683	262,939
Paycheck Protection Program Loan	861,135	1,100,770
Total Liabilities	2,595,779	3,334,400
<b>COMMITMENTS AND CONTINGENCIES</b>		
	-	-
<b>NET ASSETS</b>		
Without Donor Restrictions	107,464,500	98,862,166
With Donor Restrictions	7,807,440	7,920,031
Total Net Assets	115,271,940	106,782,197
Total Liabilities and Net Assets	\$ 117,867,719	\$ 110,116,597

See accompanying Notes to Consolidated Financial Statements.

**SANTA CATALINA ISLAND CONSERVANCY  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2021  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)**

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
<b>REVENUES, SUPPORT, AND GAINS</b>				
Revenues:				
Airport/Bus	\$ 580,044	\$ -	\$ 580,044	\$ 465,744
Contributions	2,434,133	890,845	3,324,978	3,766,000
Interior Access	964,055	-	964,055	850,397
Eco Tours	1,334,870	-	1,334,870	623,698
Leases	3,683,461	-	3,683,461	3,244,088
Memberships	322,048	-	322,048	247,444
Special Events, Net	461,241	-	461,241	170,322
Wrigley Memorial and Botanic Garden	317,915	-	317,915	209,299
Unrealized Pension Change	288,345	-	288,345	156,562
Retail Sales - Visitor Center	756,239	-	756,239	318,928
Property Tax Refunds	-	-	-	708,967
Other	1,482,079	-	1,482,079	610,165
<b>Total Revenues</b>	<b>12,624,430</b>	<b>890,845</b>	<b>13,515,275</b>	<b>11,371,614</b>
Investment Return, Net:				
Dividends and Interest	888,237	3,422	891,659	858,026
Net Realized and Unrealized Gains on Securities	6,581,057	-	6,581,057	7,465,387
Investment Expenses	(325,395)	-	(325,395)	(283,518)
<b>Total Investment Returns, Net</b>	<b>7,143,899</b>	<b>3,422</b>	<b>7,147,321</b>	<b>8,039,895</b>
<b>Total Revenues and Investments Returns, Net</b>	<b>19,768,329</b>	<b>894,267</b>	<b>20,662,596</b>	<b>19,411,509</b>
Net Assets Released from Restrictions	623,282	(623,282)	-	-
<b>Total Revenues, Support, and Gains</b>	<b>20,391,611</b>	<b>270,985</b>	<b>20,662,596</b>	<b>19,411,509</b>
<b>EXPENSES</b>				
Program Services:				
Recreation Services and Activities	3,350,726	-	3,350,726	3,072,256
Conservation	1,292,374	-	1,292,374	813,940
Educational Outreach	1,219,391	-	1,219,391	990,577
Interior Access/ Maintenance/Management	3,529,274	-	3,529,274	3,869,494
<b>Total Program Services</b>	<b>9,391,765</b>	<b>-</b>	<b>9,391,765</b>	<b>8,746,267</b>
Supporting Services:				
Administrative	1,646,919	-	1,646,919	1,790,909
Development/Fundraising	1,134,169	-	1,134,169	954,302
<b>Total Supporting Services</b>	<b>2,781,088</b>	<b>-</b>	<b>2,781,088</b>	<b>2,745,211</b>
<b>Total Expenses</b>	<b>12,172,853</b>	<b>-</b>	<b>12,172,853</b>	<b>11,491,478</b>
<b>INCREASE IN NET ASSETS</b>	<b>8,218,758</b>	<b>270,985</b>	<b>8,489,743</b>	<b>7,920,031</b>
Net Assets - Beginning of Year	99,245,742	7,536,455	106,782,197	98,862,166
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 107,464,500</b>	<b>\$ 7,807,440</b>	<b>\$ 115,271,940</b>	<b>\$ 106,782,197</b>

See accompanying Notes to Consolidated Financial Statements.

**SANTA CATALINA ISLAND CONSERVANCY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2021  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)**

	Program Services					Supporting Services			Totals	
	Recreation Services and Activities	Conservation	Educational Outreach	Interior Access/ Maintenance/ Management	Total Program Services	Administrative	Development/ Fundraising	Total Supporting Services	2021	2020
	Accounting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130,587	\$ -	\$ 130,587	\$ 130,587
Computer/IT	50,852	57,584	44,002	38,721	191,159	57,877	37,969	95,846	287,006	233,012
Depreciation	981,681	31,597	19,515	521,941	1,554,734	81,024	6,499	87,523	1,642,257	1,650,629
Insurance	149,507	47,291	42,034	166,777	405,609	37,054	14,862	51,916	457,526	355,359
Interest	-	-	-	-	-	-	-	-	-	19,562
Legal	7,542	-	-	78,774	86,316	14,417	3,682	18,099	104,415	207,201
Other	276,087	15,297	36,675	5,369	333,428	25,380	32,792	58,172	391,600	342,478
Professional Development	798	505	1,494	-	2,797	4,229	50	4,279	7,076	7,312
Professional Fees	5,104	88,592	33,949	55,104	182,749	74,954	6,319	81,273	264,021	445,326
Promotion	8,021	5,650	45,126	6,110	64,907	17,001	36,886	53,887	118,793	98,814
Property Taxes	49,638	27	14,250	207,463	271,378	16,055	182	16,237	287,615	249,166
Recruiting	10,219	8,833	300	1,063	20,415	71,015	566	71,581	91,996	12,666
Rent	-	-	22,195	120,349	142,544	45,870	79,902	125,772	268,316	241,832
Repairs/Maintenance	305,328	289,855	261,260	656,576	1,513,019	31,848	67,067	98,915	1,611,934	2,199,920
Salaries/Benefits	1,156,249	464,811	600,923	1,346,139	3,568,122	972,009	622,328	1,594,337	5,162,459	4,355,975
Supplies/Operating	265,098	249,505	56,835	223,405	794,843	43,652	219,686	263,338	1,058,182	642,948
Telephone/Utilities	84,602	32,827	40,833	101,483	259,745	23,947	5,379	29,326	289,070	311,869
<b>Total Expenses</b>	<b>\$ 3,350,726</b>	<b>\$ 1,292,374</b>	<b>\$ 1,219,391</b>	<b>\$ 3,529,274</b>	<b>\$ 9,391,765</b>	<b>\$ 1,646,919</b>	<b>\$ 1,134,169</b>	<b>\$ 2,781,088</b>	<b>\$ 12,172,853</b>	<b>\$ 11,491,478</b>

See accompanying Notes to Consolidated Financial Statements.

**SANTA CATALINA ISLAND CONSERVANCY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2021**  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase In Net Assets	\$ 8,489,743	\$ 7,920,031
Adjustments to Reconcile Increase in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:		
Depreciation	1,642,257	1,650,629
Gain on Disposal of Equipment	(33,784)	310,837
Realized Gains on Investments, Net	(5,189,562)	(411,955)
Unrealized (Gains) Losses on Investments, Net	(1,392,050)	(7,053,432)
Dividends and Interest, Net	(665,012)	(574,508)
Unrealized Pension Change	(20,288)	(20,288)
Contribution of Marketable Securities	(89,431)	(70,434)
Contribution of Property and Equipment	(480,643)	-
Pledges Received	(388,150)	-
Discount on Pledges	4,881	(7,974)
Change in Allowance for Doubtful Accounts	(39,599)	53,544
Deferred Rental Income	(210,127)	5,470
Forgiveness of Paycheck Protection Program Loan	(1,100,770)	
Changes in Operating Assets and Liabilities:		
(Increases) Decreases in:		
Accounts Receivable	149,079	(210,440)
Interest Receivable	38,553	14,313
Inventory	(31,677)	65,410
Prepaid Expenses and Other Assets	(41,491)	(144,485)
Notes Receivable	216,593	-
Increases (Decreases) in:		
Accounts Payable	(84,230)	(40,888)
Accrued Liabilities	(420,212)	(636,864)
Deferred Revenue	25,744	194,155
Net Cash and Cash Equivalents Provided by Operating Activities	379,824	1,043,121
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(50,610,065)	(29,310,870)
Sales and Maturities of Investments	47,833,551	31,179,297
Purchases of Property and Equipment	(1,102,154)	(462,700)
Proceeds from Sales of Property and Equipment	64,855	137,125
Net Cash and Cash Equivalents Provided (Used) by Investing Activities	(3,813,813)	1,542,852

See accompanying Notes to Consolidated Financial Statements.

**SANTA CATALINA ISLAND CONSERVANCY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2021**  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

	2021	2020
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Pledges	\$ 374,688	\$ 808,333
Proceeds from Paycheck Protection Program Loan	861,135	1,100,770
Principal Payments on Notes Payable	-	(1,086,345)
Net Cash and Cash Equivalents Provided by Financing Activities	1,235,823	822,758
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(2,198,166)	3,408,731
Cash and Cash Equivalents - Beginning of Year	8,730,508	5,321,777
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 6,532,342	\$ 8,730,508
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for Interest	\$ -	\$ 19,562
 <b>SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING AND INVESTING ACTIVITIES</b>		
Donated Equipment	\$ 40,000	\$ -
Donated Labor for Road Restoration	\$ 440,643	\$ -

See accompanying Notes to Consolidated Financial Statements.

**SANTA CATALINA ISLAND CONSERVANCY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Activities**

The Santa Catalina Island Conservancy (the Conservancy) is a charitable private operating foundation organized in 1972 for the purpose of owning and preserving 88% of Santa Catalina Island in its natural state while providing appropriate access to the general public. Effective January 1, 2010, the Conservancy elected to terminate its tax-exempt private foundation status and operate as a tax-exempt public charity. The Conservancy maintains approximately 42,000 acres, including 50 miles of coastline, all roads on its property, the Airport in the Sky, the Wrigley Memorial and Botanic Garden, two nature centers, housing, office, and shops. It also manages a variety of conservation, ecological restoration, education, and recreation programs.

Upon the formation of the Conservancy, a contribution of \$5,804,324 was received. The portion of this contribution relating to land and marketable securities totaling \$5,150,024 is permanently restricted by the donor and is not available for expenditure by the Conservancy and is, therefore, classified as net assets with donor restrictions. Income generated by marketable securities is available for the unrestricted use of the Conservancy.

In 2012, the Conservancy purchased the Catherine Hotel in Avalon, California, through a wholly owned subsidiary (Catherine, LLC). This property was purchased with the intention of relocating the Conservancy's customer facing functions to a more prominent location within Avalon. This new flagship facility called Trailhead opened in 2019. The consolidated financial statements reflect a consolidation of the activities of the Conservancy and Catherine, LLC. It is management's intention that Catherine, LLC will be dissolved, and the assets will be transferred to the Conservancy, though no date for this action is yet set.

**Basis of Presentation**

The accompanying consolidated financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). References to the ASC hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (FASB) as the source of authoritative GAAP.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Conservancy and Catherine, LLC, a related California corporation. In accordance with FASB ASC 958-810-50, *Reporting of Related Entities by Not-for-Profit Organizations*, this related entity has been consolidated with the Conservancy. All material intercompany transactions have been eliminated.

**SANTA CATALINA ISLAND CONSERVANCY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Financial Statement Presentation**

The Conservancy's consolidated financial statements are presented in conformity with FASB Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under ASU 2016-14, the Conservancy is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Descriptions of the two net asset categories are as follows:

*Net Assets Without Donor Restrictions* – Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions, including the carrying value of all unrestricted physical properties (land, building, and equipment). Items that affect (i.e., increase or decrease) this net asset category include revenue, principally contributions; fees related to expenses associated with core programs, such as the airport, interior access, and facilities management of the Conservancy; lease revenue; and investment income.

*Net Assets With Donor Restrictions* – Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity but permit an organization to use or expend part or all the income derived from the contribution. Donor-imposed restrictions are released when a restriction expires (that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both).

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Conservancy considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash and cash equivalents.

**Investments**

Marketable securities include equity securities, mutual funds, U.S. government securities, corporate debt securities, and asset- and mortgage-backed securities. Equity securities are reported at fair value based on the closing price reported on the active market where the individual securities are traded. Mutual funds are reported at fair value based on quoted net asset values of shares as reported by the fund. Fixed income securities composed of U.S. government securities, corporate debt securities, and asset- and mortgage-backed securities are reported at fair value, which are valued using a market approach on yields currently available on comparable securities of issuers with similar credit ratings. Realized and unrealized gains and losses of the investments are reflected in the consolidated statement of activities.

**SANTA CATALINA ISLAND CONSERVANCY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Receivables**

Accounts receivable and notes receivable are stated at the amount that management expects to collect from outstanding balances. Management provides for probable uncollectible accounts through a provision for bad debt expense and a related adjustment to the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a related credit to accounts receivable. Allowance for doubtful accounts as of December 31, 2021 and 2020, was \$142,152 and \$181,751, respectively, including \$7,500 related to pledges receivable for 2021 and 2020.

During the year ended December 31, 2020, payment plans for approximately \$510,000 of receivables were set up for certain businesses which were adversely impacted by the COVID-19 pandemic. As of December 31, 2021, approximately \$242,000 of notes receivable remained unpaid. All of the notes receivable are expected to be collected in 2022. The Conservancy does not offer financing receivables as a normal course of business.

**Inventory**

Inventory consists primarily of merchandise held for resale at the Trailhead visitor center, which opened to the public in April 2019. The inventory is stated at the lower of cost or net realizable value and is valued using the first-in, first-out method.

**Pledges Receivable**

Pledges receivable or unconditional promises to give are recognized as contributions in the consolidated statement of activities in the period when a donor makes a promise to give. Pledges receivable are recorded at net realizable value if they are expected to be collected within one year and recorded at net present value if they are expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of December 31, 2021 and 2020, there were no conditional pledges or contributions. A majority of pledges receivable are from a single contributor. An allowance for uncollectible promises to give is provided based on management's evaluation of potential uncollectible promises receivable at year-end.

**Use of Estimates in the Preparation of Consolidated Financial Statements**

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses during the reported period. Accordingly, actual results could differ from those estimates.

**SANTA CATALINA ISLAND CONSERVANCY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Concentration of Credit Risk**

The Conservancy places its temporary cash in a high-credit-quality Federal Deposit Insurance Corporation insured financial institution. The Conservancy has exposure to credit risk to the extent that its cash exceeds the amount covered by federal deposit insurance. As of December 31, 2021 and 2020, the amount of uninsured cash balances at this institution totaled approximately \$5,253,000 and \$3,823,000, respectively.

**Property and Equipment**

Property and equipment are stated at cost at the date of purchase or at estimated fair value at the date of donation. The Conservancy follows the practice of capitalizing all expenditures for individual items in excess of \$3,000 except for certain computer equipment. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	5 to 40 Years
Furniture and Fixtures	5 to 8 Years
Machinery and Equipment	3 to 20 Years
Automobiles and Trucks	4 to 10 Years
Airport Runway	40 Years
Educational Art Collection	Not Applicable

The cost of maintenance, repairs, and minor replacements is charged to expense as incurred. Major replacements and betterments of properties are capitalized.

The cost of property replaced, retired, or otherwise disposed of is removed from property and equipment accounts, and the related accumulated depreciation is removed from depreciation accounts; any resulting gain or loss is included in revenues and expenses.

The Conservancy has capitalized its collection of educational art since its inception. If purchased, items accessioned into the collection are capitalized at cost, and, if donated, they are capitalized at their fair value on the accession date (the date on which the item is accepted by a committee that includes members of the board of directors). Gains or losses on the deaccession of collection items are classified on the consolidated statement of activities as net assets without or with donor restrictions depending on donor restrictions, if any, placed on the item at the time of accession.

Property and equipment are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable. Impairment losses are recognized if expected future cash flows from the assets are less than their carrying values.

**SANTA CATALINA ISLAND CONSERVANCY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Contributed Goods and Services**

The value of donated goods and services is reflected as a contribution in the accompanying consolidated financial statements at the fair value of these goods and services and at the date of contribution. Contributed services are recorded in the consolidated financial statements only if they would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Contributed goods and services totaled approximately \$513,000 (\$481,000 of inventory and \$32,000 for supporting services) and \$24,000 (\$17,000 of inventory and \$7,000 for supporting services) for the years ended December 31, 2021 and 2020, respectively.

**Program Service Fees and Other Revenues**

Program service fees are reported at the amount that reflects the consideration to which the Conservancy expects to be entitled in exchange for providing services to their program participants. Performance obligations are determined based on the nature of the services provided by the Conservancy. Revenue for performance obligations satisfied at a point in time is recognized when the performance obligation is satisfied. Revenue for performance obligations satisfied over time is recognized ratably over the months in the period over which the performance obligation is satisfied. The Conservancy believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

The Conservancy's program service revenues relate to the operation of an airport terminal, operation of a bus service, permits for interior access on the island, Eco Tours, Conservancy memberships, access to the Wrigley Memorial and Botanic Garden, and visitor center retail sales. Certain of these programs include options for single use or single day purchases, which are recognized at a point in time on the date of use, or annual permits and memberships, which are recognized ratably over the 12-month period as the performance obligation is satisfied. Visitor Center retail sales are recognized at the point of sale. Payments received prior to satisfaction of the Conservancy's performance obligation are reported as deferred revenue on the consolidated statement of financial position.

**Functional Allocation of Expenses**

The costs of providing various programs and activities have been summarized on a functional basis in the consolidated statement of activities. Costs are principally charged to their functional area based on the underlying activities that those costs support. Departments are established in accordance with their functional activities, and costs within those departments are generally reported in those functional areas. Since most employees provide support to a single activity throughout the year, including the oversight of third-party vendors, those costs remain reported in that functional activity. There are some exceptions to this rule in regard to a small number of employees and centralized costs, the benefits of which span multiple functions. Accordingly, these costs have been allocated among the programs and supporting services benefited. These costs include central office expenses; certain executive salaries, benefits, and taxes; and pension, insurance, and computer expenses.

**SANTA CATALINA ISLAND CONSERVANCY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Functional Allocation of Expenses (Continued)**

The method used to allocate portions of these expenses from administrative support to program services and development/fundraising was based on either developing estimates of underlying activities tied to the specific expenses, where possible, or evenly across all cost centers where underlying activity was difficult to estimate.

The major programs of the Conservancy are as follows:

*Recreation Services and Activities* include expenses associated with providing guest services and tours, volunteer activities, airport activities, operation of the new Trailhead visitor center, and hiking trail maintenance.

*Conservation Programs* reflect expenses associated with plant and wildlife management programs.

*Educational Outreach* includes expenses incurred to deliver programming to both local and visiting children, adults (via naturalist training), and local families, which are in addition to the operational expenses of the Wrigley Memorial and Botanic Garden.

*Interior Access/Maintenance/Management* reflects a variety of expenses associated with providing access to the island and maintaining its infrastructure, including the maintenance of roads, buildings, and vehicles needed to deliver program and emergency response services, as well as property management expenses.

**Income Taxes**

The Conservancy is operating as a tax-exempt public charity under Sections 501(c)(3) and 509(a)(2) of the Internal Revenue Code (IRC) and Section 23701d of the California Revenue and Taxation Code.

In December 2009, the Conservancy elected to terminate its private foundation status under Section 507(b)(1)(B) of the IRC. After the end of the 60-month period, in April 2015, the Conservancy was notified by the Internal Revenue Service that it met the requirements of IRC Section 509(a)(1). The Conservancy was classified as a public charity effective January 1, 2010.

For the five years ended December 31, 2014, the Conservancy was required to file Form 990-PF, Return of Private Foundation, and elected to pay the federal excise tax on its net investment income under IRC Section 4940. Beginning with the year ended December 31, 2015, during which its status as a public charity was confirmed, the Conservancy was required to file Form 990. The Conservancy's tax years from 2018 to 2021 are open to review for federal tax purposes, and tax years from 2017 to 2021 are open to review for state tax purposes.

**SANTA CATALINA ISLAND CONSERVANCY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Income Taxes (Continued)**

The Conservancy follows the accounting for uncertainty in income taxes as recognized in a nonpublic entity's financial statements. It details how entities should recognize, measure, present, and disclose uncertain tax positions that have been or are expected to be taken. As such, financial statements will reflect the expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the position and all relevant facts. There was no impact to the Conservancy's consolidated financial statements as a result of these provisions.

**Related-Party Transactions**

During 2021 and 2020, the Conservancy purchased goods and services, primarily fuel for vehicle use and catering-related services, from businesses controlled by certain board members. Additionally, the Conservancy received fees for services rendered, primarily for the use of roads on Conservancy property, from the same businesses. All such transactions are reviewed quarterly by a committee of the board of directors responsible for governance matters to verify no excess economic benefit is transmitted to the related party via those transactions. Affected board members are required to recuse themselves from discussions of such transactions.

The following were totals of these transactions in 2021 and 2020:

	2021	2020
Purchase of Goods and Services	<u>\$ 149,428</u>	<u>\$ 120,733</u>
Fees Received for Services	<u>\$ 685,824</u>	<u>\$ 226,965</u>

Amounts owed to these businesses at December 31, 2021 and 2020 were \$-0- and amounts owed from these businesses were \$57,049 and \$1,164, respectively.

**Risks and Uncertainties**

In March 2020, the World Health Organization declared the spread of Coronavirus (COVID-19) a worldwide pandemic. The pandemic is having significant effects on global markets, supply chains, businesses, and communities. Management is actively monitoring the global situation on the Conservancy's financial condition, liquidity, operations, industry, and workforce. Management believes that the Conservancy is taking the appropriate actions to mitigate the negative impact of the pandemic. The full impact, however, of COVID-19 is unknown and cannot be reasonably estimated as of the date of this report.

**SANTA CATALINA ISLAND CONSERVANCY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Recent Accounting Pronouncement – Not Yet Adopted**

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), with subsequent improvements and corrections issued in ASU 2018-01, ASU 2018-10, and ASU 2018-20. ASU 2016-02 amends a number of aspects of lease accounting, including requiring lessees to recognize on their balance sheet a right-of-use asset and a lease liability for all operating leases with a term of more than 12 months. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize the right-of-use asset and lease liability. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021; however, early adoption is permitted. The Conservancy is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its consolidated financial statements.

**NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets available for general expenditure (that is, without donor or other restrictions limiting their use), within one year of the consolidated statement of financial position date comprise the following:

Cash and Cash Equivalents	\$ 5,764,351
Receivables (Net of Allowance for Doubtful Accounts)	651,800
Pledges Receivable	699,757
Notes Receivable	241,975
Board-Approved Endowment Distributions	<u>2,153,349</u>
Total	<u><u>\$ 9,511,232</u></u>

The Conservancy's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. The majority of income from board-designated endowments is available for general use. Donor-restricted endowment funds are not available for general expenditure. The Conservancy's board-designated endowment of approximately \$62,000,000 is subject to annual spending rates of between 3.0% and 4.0% as described in Note 14.

The Conservancy's policy is to designate a portion of any operating cash flow surplus to an operating reserve, the value of which was approximately \$1,200,000 as of December 31, 2021. The use of such reserve funds is approved by the board upon the request of management and is typically used for expenditures that are uncommon in nature.

**SANTA CATALINA ISLAND CONSERVANCY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 3 PLEDGES RECEIVABLE**

Pledges are recorded at their estimated net realizable value, including discounts reflecting the estimated impact of the passage of time on pledges to be received over more than one year. As of December 31, pledges receivable were expected to be realized in the following periods:

<u>Year Ending December 31,</u>	<u>2021</u>	<u>2020</u>
2021	\$ -	\$ 377,817
2022	694,019	310,750
2023	750	7,500
2024	5,000	-
Total Pledges Receivable	694,769	696,067
Less: Present Value Discount	(12)	(4,893)
Net Pledges Receivable	<u>\$ 694,757</u>	<u>\$ 691,174</u>

**NOTE 4 INVESTMENTS**

Investments held by the Conservancy are as follows as of December 31:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Marketable Securities:				
Equities	\$ 12,775,246	\$ 28,530,812	\$ 12,971,677	\$ 25,398,330
Mutual Funds	27,145,195	34,287,048	12,287,764	20,392,506
Fixed Income:				
Government Securities	5,156,117	5,194,866	9,683,914	10,245,707
Corporate Bonds	3,372,946	3,413,754	5,113,417	5,438,819
Asset- and				
Mortgage-Backed Securities	1,457,341	1,465,280	1,289,437	1,322,593
Other Debt Securities	55,731	54,673	35,852	35,909
Total Investments	<u>\$ 49,962,576</u>	<u>\$ 72,946,433</u>	<u>\$ 41,382,061</u>	<u>\$ 62,833,864</u>

**SANTA CATALINA ISLAND CONSERVANCY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 5 PROPERTY AND EQUIPMENT**

The Conservancy's property and equipment consist of the following as of December 31:

	2021	2020
Land	\$ 6,355,855	\$ 6,355,855
Buildings and Improvements	28,262,782	28,258,522
Machinery and Equipment	6,707,109	6,587,748
Automobiles and Trucks	3,314,167	3,012,617
Furniture and Fixtures	288,962	288,962
Educational Art Collection	164,549	159,700
Airport Runway/Road Improvements	7,477,715	6,443,875
Work in Progress	83,681	205,932
Total Property and Equipment	<u>52,654,820</u>	<u>51,313,211</u>
Less: Accumulated Depreciation	<u>(17,142,408)</u>	<u>(15,710,266)</u>
Property and Equipment, Net	<u>\$ 35,512,412</u>	<u>\$ 35,602,945</u>

Depreciation expense was approximately \$1,642,000 and \$1,651,000 for the years ended December 31, 2021 and 2020, respectively.

**NOTE 6 PAYCHECK PROTECTION PROGRAM LOAN**

In April 2021, the Conservancy received a loan from U.S. Bank in the amount of \$861,135 to fund payroll, rent, utilities and interest on existing debt through the Paycheck Protection Program (the PPP Loan). The loan is due in over 60 months, deferred for six months and bears interest at a fixed rate of 1.0% per annum, and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender.

In May 2020, the Conservancy received a loan from the bank in the amount of \$1,100,770 under the Paycheck Protection Program. The loan had similar terms to the second round loaned in April 2021. The Conservancy was legally released from this obligation by the SBA in September 2021 and recognized \$1,100,770 of other revenues related to this agreement during the year ended December 31, 2021, which represents the extinguishment of this obligation in full. The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Company's financial position.

**SANTA CATALINA ISLAND CONSERVANCY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 7 SPECIAL EVENTS**

Due to the COVID-19 pandemic, the 2020 Conservancy Ball was canceled, and other special events were hosted virtually later in the year. As a result, the amounts and nature of the revenues and expenses for all special events were substantially different than in previous years. Gross revenues for special events associated with the Conservancy's fundraising activities were as follows for the years ended December 31:

	2021		
	Conservancy Ball	Other Special Events	Total
Gross Revenues, Including Pledges	\$ 391,730	\$ 69,511	\$ 461,241
Costs of Direct Benefits to Donors, Including In-Kind Donations	-	-	-
Special Event Revenue, Net	<u>\$ 391,730</u>	<u>\$ 69,511</u>	<u>\$ 461,241</u>
	2020		
	Conservancy Ball	Other Special Events	Total
Gross Revenues, Including Pledges	\$ 110,304	\$ 60,018	\$ 170,322
Costs of Direct Benefits to Donors, Including In-Kind Donations	-	-	-
Special Event Revenue, Net	<u>\$ 110,304</u>	<u>\$ 60,018</u>	<u>\$ 170,322</u>

**NOTE 8 FAIR VALUE**

The Conservancy adopted FASB ASC 820-10, *Fair Value Measurements and Disclosures - Overall*, with respect to its financial assets and liabilities. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

*Level 1* – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

*Level 2* – Quoted prices 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* – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

**SANTA CATALINA ISLAND CONSERVANCY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 8 FAIR VALUE (CONTINUED)**

The following table sets forth the Conservancy's financial assets and liabilities measured at fair value by level within the fair value hierarchy as of December 31, 2021 and 2020. As required by FASB ASC 820-10, assets and liabilities are classified in their entirety based on the lowest level of output that is significant to the fair value measurement.

	2021			
	Total	Level 1	Level 2	Level 3
Investments:				
Equities	\$ 28,530,812	\$ 28,530,812	\$ -	\$ -
Mutual Funds	34,287,048	34,287,048	-	-
Fixed Income	10,128,573	-	10,128,573	-
Total	<u>\$ 72,946,433</u>	<u>\$ 62,817,860</u>	<u>\$ 10,128,573</u>	<u>\$ -</u>
	2020			
	Total	Level 1	Level 2	Level 3
Investments:				
Equities	\$ 25,398,330	\$ 25,398,330	\$ -	\$ -
Mutual Funds	20,392,506	20,392,506	-	-
Fixed Income	17,043,028	-	17,043,028	-
Total	<u>\$ 62,833,864</u>	<u>\$ 45,790,836</u>	<u>\$ 17,043,028</u>	<u>\$ -</u>

Investments composed of equity securities are classified within Level 1 and valued at the closing price reported on the active market on which the individual securities are traded. Investments composed of mutual funds are classified within Level 1 and valued at the quoted net asset values of shares as reported by the fund.

Investments composed of U.S. government securities, corporate debt securities, and asset- and mortgage-backed securities, and other debt securities are classified within Level 2 and valued using a market approach on yields currently available on comparable securities of issuers with similar credit ratings.

FASB ASC 825, *The Fair Value Option for Financial Assets and Financial Liabilities*, permits measurement of certain financial assets and financial liabilities at fair value. If the fair value option is elected, the unrealized gains and losses are reported in earnings at each reporting date. Generally, the fair value option may be elected on an instrument-by-instrument basis as long as it is applied to the instrument in its entirety. The fair value option election is irrevocable unless a new election date occurs. The Conservancy did not elect the fair value option for any of its financial assets or liabilities and, therefore, the adoption of FASB ASC 825 had no impact on the Conservancy's financial position, changes in net assets, or cash flows.

**SANTA CATALINA ISLAND CONSERVANCY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 9 OPEN-SPACE EASEMENT**

Substantially all the land owned by the Conservancy is covered by an open-space easement agreement with the County of Los Angeles. The Conservancy owns substantially all the undeveloped land on Santa Catalina Island. The purpose of the easement, which expires in 2024, is (a) to provide an opportunity for, and encourage access by, the public to substantial portions of Santa Catalina Island for scenic, open-space, and recreational purposes, and (b) to preserve portions of Santa Catalina Island for the protection of wildlife, plants, and unique geological and archeological sites.

**NOTE 10 RENTALS UNDER OPERATING LEASES**

**Conservancy as Lessor**

The Conservancy is the lessor in various property leases for land and facilities used principally for recreational and educational purposes. The leases expire at various dates through 2046. The Conservancy is also the lessor in various operating leases for communication sites with various terms, most of which are renewable on a yearly basis. Rental amounts for these leases range from approximately \$100 to \$511,000 per year. Certain leases can be canceled at any time by either party.

Certain of the leases include escalating rental amounts over the term of the lease. Rental income is recognized on a straight-line basis over the term of each lease. The Conservancy recognizes a deferred rent receivable when rental income is in excess of the rent payments received. At December 31, 2021 and 2020, the total deferred rent receivable amounted to \$739,199 and \$529,072, respectively.

Future annual minimum lease payments from operating leases are as follows for years ending December 31:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 2,479,228
2023	2,335,757
2024	2,153,386
2025	2,012,808
2026	879,110
Thereafter	2,573,573
Total	<u><u>\$ 12,433,862</u></u>

Management expects all significant operating leases to be renewed upon expiration. Total lease revenue for the years ended December 31, 2021 and 2020, for land, facilities, and communication sites totaled approximately \$4,000,000 and \$3,000,000, respectively.

**Conservancy as Lessee**

The Conservancy is the lessee of certain property, including office and communication sites, under operating leases expiring in various years through 2026. Aggregate rent expense for the years ended December 31, 2021 and 2020, totaled approximately \$273,000 and \$241,000, respectively.

**SANTA CATALINA ISLAND CONSERVANCY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 10 RENTALS UNDER OPERATING LEASES (CONTINUED)**

**Conservancy as Lessee (Continued)**

At December 31, 2021, minimum noncancelable annual rental commitments are as follows:

<u>Year Ending December 31.</u>	<u>Amount</u>
2022	\$ 79,463
2023	83,358
2024	76,944
2025	71,656
Total	<u>\$ 311,421</u>

**NOTE 11 EMPLOYEE RETIREMENT PLANS**

**Defined Benefit Plan**

The Conservancy maintains a noncontributory defined benefit plan (the Plan). Prior to January 1, 1989, the Plan had a benefit formula equal to 59% of the participant's highest three years' average earnings minus 74% of the participant's Social Security primary insurance amount payable at age 65. Effective January 1, 1989, as a result of the change in the Social Security integration law for pension plans, the Plan changed its benefit formula as follows:

For service prior to January 1, 1989: The participant's accrued benefit as of December 31, 1988, is based on the old benefit formula.

For service after December 31, 1988: 1.5% of the participant's highest three years' average earnings plus 0.65% of the participant's highest three years' average earnings in excess of his or her Social Security covered compensation times the participant's years of service after December 31, 1989. (Social Security covered compensation is the average of the Social Security taxable wage base for the 35 calendar years ending with the year in which the participant attains Social Security retirement age.)

As a result of the March 31, 1996, combination of the Wrigley Memorial Garden Foundation (the Foundation) with the Conservancy, employees of the Foundation were included in the Plan and their prior years of service with the Foundation count for participation and vesting. No benefit services prior to the combination were carried over from the Foundation.

In 2008, the Plan was amended to cease future benefit accruals effective December 31, 2008. Only eligible compensation and years of participation earned through December 31, 2008, will be taken into consideration, and there will be no further benefit accruals earned after December 31, 2008. Of the number of active participants remaining in the Plan, more than half are current employees.

**SANTA CATALINA ISLAND CONSERVANCY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)**

**Defined Benefit Plan (Continued)**

FASB ASC 715-30, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, requires companies to recognize an asset or liability for the overfunded or underfunded status of their benefit plans in their financial statements. The Conservancy has adopted the provisions of FASB ASC 715-30 and, accordingly, has recorded an accrued liability in the amount of approximately \$325,901 and \$854,000 at December 31, 2021 and 2020, respectively, in the accompanying consolidated financial statements. The total amount contributed to meet the funding requirement was \$250,000 and \$62,000 for the years ended December 31, 2021 and 2020, respectively.

The following table sets forth the funded status and amounts recognized in accrued liabilities in the consolidated statement of financial position at December 31:

	<u>2021</u>	<u>2020</u>
Projected Benefit Obligation, End of Year	\$ (2,805,725)	\$ (2,991,995)
Fair Value of Assets, End of Year	2,479,824	2,137,690
Unfunded Status	<u>\$ (325,901)</u>	<u>\$ (854,305)</u>
Accrued Benefit Cost Recognized in the Consolidated Statements of Financial Position (Deficit)	\$ 325,901	\$ 854,305
Accumulated Benefit Obligation	2,805,725	2,991,995
Net Periodic Benefit Cost (Income)	9,941	56,246
Employer Contributions	250,000	62,000
Benefits Paid	57,708	45,600
Settlements	47,630	325,818

The weighted-average discount rate used at the end of the year in determining the actuarial present value of the benefit obligations was 2.30% for 2021. The expected long-term rate of return on assets was 5.00%.

Net actuarial gain (loss) of \$225,830 and \$(5,295) and the amortization of actuarial gain of \$62,965 and \$161,857 were netted for the years ended December 31, 2021 and 2020, respectively, and recognized as a gain (loss) of \$288,345 and \$156,562 in net assets without donor restrictions in the consolidated statement of activities, respectively. The Conservancy's policy is to fund an amount that is equal to the Plan's normal cost plus an amount necessary to amortize the Plan's past service liabilities. Plan assets consist of invested equity and debt securities and government and agency notes that are held in a trust.

**SANTA CATALINA ISLAND CONSERVANCY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)**

**Defined Benefit Plan (Continued)**

Net pension cost for the Plan included the following components for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Interest Cost	\$ 51,727	\$ 72,124
Expected Return on Plan Assets	(104,751)	(97,707)
Amortization of Net Gain	62,965	81,829
Settlement/Curtailment Expense	-	80,028
Net Pension Cost	<u>\$ 9,941</u>	<u>\$ 136,274</u>

The Conservancy's pension plan weighted-average asset allocations by asset categories are as follows at December 31:

	<u>2021</u>	<u>2020</u>
Equities Securities	50 %	52 %
Debt Securities	49	45
Other	1	3
Total	<u>100 %</u>	<u>100 %</u>

Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows for years ending December 31:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 249,000
2023	109,000
2024	528,000
2025	387,000
2026	182,000
2027-2030	<u>1,088,000</u>
Total	<u>\$ 2,543,000</u>

The total assumes that an additional contribution of \$120,000 will be paid to the Plan in 2022.

**403(b) Thrift Plan**

At January 1, 2009, the Conservancy began its sponsorship of a 403(b) thrift plan (Thrift Plan) utilizing the safe harbor employer contribution as follows:

- a. 3% nonelective contribution for all employees
- b. 100% match of an employee's contribution not to exceed 5% of his or her compensation

Whether an employee chooses to make salary reduction contributions or not, all employees are automatically enrolled and an amount equal to 3% of their earnings will be contributed to their account in the Thrift Plan. Total amounts contributed were \$343,400 and \$288,089 for the years ended December 31, 2021 and 2020, respectively.

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**NOTE 12 COMMITMENTS AND CONTINGENCIES**

**Land Lease**

In December 2001, the Conservancy and the Santa Catalina Island Company signed a 20-year lease as co-lessees with the state of California (the State) for submerged lands adjacent to Santa Catalina Island. The lease term was renewed effective January 1, 2022 and expires on December 31, 2041. The lease requires the provision and maintenance of 752 recreational moorings, together with open coves for anchorage.

The Conservancy has assigned the maintenance of this lease to Island Recreation Enterprises, LLC, (IRE) the members of which are the Santa Catalina Island Company and the Conservancy. Under the terms of the agreement with IRE, the Conservancy earns 7.5% to 12% of profits and 7.5% of any losses from the operating lease. All operating costs, including lease payments to the State, are the responsibility of IRE. The Conservancy earned revenue related to this agreement for the years ended December 31, 2021 and 2020, amounting to \$319,691 and \$391,952, respectively, which is reflected on the accompanying consolidated statement of activities in the lease revenue balance.

**Contingencies**

In the normal course of business, the Conservancy is a party to various legal claims, actions, and complaints. It is not possible to predict with certainty whether or not the Conservancy will ultimately be successful in any of these legal matters or, if not, what the impact might be. However, the Conservancy's management does not expect that the results in any legal proceedings will have a material adverse effect on the Conservancy's results of operations, financial position, or cash flows.

**NOTE 13 ACCOUNTING AND REPORTING FOR ENDOWMENTS**

The Conservancy adopted the provisions of FASB ASC 958-205, *Accounting and Reporting for Endowments*.

**Endowment**

The Conservancy's endowment includes donor-restricted and board-designated endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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**NOTE 13 ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)**

**Interpretation of Relevant Law**

The board of directors of the Conservancy has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation 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 Conservancy retains in perpetuity (a) the original value of initial and subsequent gift amounts and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by an organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, an organization 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 organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

**Endowment Net Asset Composition by Type of Fund**

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
	Donor-Restricted Endowment Funds	\$ -	\$ 5,435,945
Board-Designated Endowment Funds	68,470,746		68,470,746
Total	\$ 68,470,746	\$ 5,435,945	\$ 73,906,691
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 5,334,640	\$ 5,334,640
Board-Designated Endowment Funds	62,202,487	-	62,202,487
Total	\$ 62,202,487	\$ 5,334,640	\$ 67,537,127

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**NOTE 13 ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)**

**Change in Endowment Net Assets**

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
	Net Assets - Beginning of Year	\$ 62,202,487	\$ 5,334,640
Contributions	119,530		119,530
Board-Designated Transfer	1,753,309		1,753,309
Recategorization		100,000	100,000
Investment Return:			-
Investment Income	545,766	1,305	547,071
Net Appreciation (Realized and Unrealized)	6,515,688		6,515,688
Total Investment Return	7,061,454	1,305	7,062,759
Appropriation of Endowment Assets for Expenditures	(2,666,034)	-	(2,666,034)
Net Endowment Assets	<u>\$ 68,470,746</u>	<u>\$ 5,335,945</u>	<u>\$ 73,806,691</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - Beginning of Year	\$ 53,749,896	\$ 5,150,024	\$ 58,899,920
Contributions	125,434	50,000	175,434
Board-Designated Transfer	937,490	-	937,490
Recategorization	-	125,000	125,000
Investment Return:			
Investment Income	522,989	9,616	532,605
Net Appreciation (Realized and Unrealized)	7,364,549	-	7,364,549
Total Investment Return	7,887,538	9,616	7,897,154
Appropriation of Endowment Assets for Expenditures	(497,871)	-	(497,871)
Net Endowment Assets	<u>\$ 62,202,487</u>	<u>\$ 5,334,640</u>	<u>\$ 67,537,127</u>

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds and board-designated endowment trends may fall below the level that the donor or UPMIFA requires the Conservancy to retain as a fund of perpetual duration. In accordance with GAAP, there are no deficiencies of this nature that are reported in net assets without donor restrictions as of December 31, 2021 and 2020.

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**NOTE 13 ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)**

**Return Objectives and Risk Parameters**

The primary investment objective of the Conservancy is to obtain a return (income and capital appreciation), over time, that will provide funding for the Conservancy's programs and activities, with due consideration for the preservation of capital. Long-term growth is more important than short-term results.

Risk shall be carefully controlled by investing in broadly diversified investment strategies and by investing in several different asset classes (such as U.S. large-cap equities, U.S. small-cap equities, non-U.S. equities, fixed income instruments). Risk, as defined by market value volatility and the possible loss of principal, is to be commensurate with the objective of an 8% return over time. Achievement of the objective shall be measured in rolling five-year periods.

**Strategies Employed for Achieving Objectives**

The investment strategy shall be long-term, total return oriented, with a bias in favor of equities to achieve growth and broad diversification to control volatility of the value of assets due to changing market conditions. The overall long-term asset allocation target shall be 65% equities and 35% fixed income, with a target allocation for each asset class and a minimum and maximum range for each asset class. The Conservancy's investment advisor may, at his or her discretion, manage the assets under his or her control within ranges specified for each asset class.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Conservancy has a payout policy for each of its endowment funds. The payout percentages are between 3% and 4%. The Conservancy's management calculates the amount available for distribution pursuant to this policy. The amounts available for distribution are calculated by determining the average of the month-end values for the previous 36 months, and to this value shall be applied the payout percentage that was in effect as of June 30 of the prior year. Promptly following this computation by the Conservancy's chief financial officer (CFO), and with the written consent of the benefactors or board of directors, funds shall be disbursed as needed, from time to time, using interest and dividend first and principal, if necessary, up to but not exceeding the approved payout percentage (unless prior consent is given).

Net investment income from donor-restricted endowment investments is classified and reported based on the existence or absence of donor-imposed restrictions. Net investment income from board-designated endowment investments is considered unrestricted, and the board of directors has approved including the earnings in the board-designated endowment funds.

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**NOTE 14 NET ASSETS**

Net assets without donor restrictions include board designations of approximately \$62,000,000 for endowment funds. Net assets with donor restrictions consist of pledges and contributions restricted by time and purpose.

Net assets with donor restrictions as of December 31, 2021 consist of the following:

Endowment Net Assets	\$ 5,435,945
Projects:	
Conservation Fund	554,621
Solar Project	300,000
Employee Housing Fund	248,500
Native Plant Nursery	208,262
Given Fund for Ocean Conservation	189,842
Bison Management	158,567
Mule Deer Mitigation	125,000
Other	586,703
Total Net Assets	<u><u>\$ 7,807,440</u></u>

During the year ended December 31, 2021, net assets released from restriction consisted entirely of the release of donor-imposed purpose restrictions.

**NOTE 15 CONTRACT REVENUE**

The following table shows the Conservancy's revenue disaggregated according to the timing of transfer of services:

	<u>2021</u>	<u>2020</u>
Recognized at Point in Time:		
Single Day/Use Program Service Fees	\$ 2,780,301	\$ 1,751,233
Retail Sales - Visitor Center	738,950	318,928
Recognized Over Time:		
Annual Memberships and Program Fees	736,231	645,349
Total Contract Revenues	<u><u>\$ 4,255,482</u></u>	<u><u>\$ 2,715,510</u></u>

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**NOTE 16 CONTRACT ASSETS AND CONTRACT LIABILITIES**

The majority of the Conservancy's contract revenues are paid on the same date that the performance obligation is satisfied or are paid in advance. As of December 31, 2021 and 2020, contract assets associated with these revenues were not material.

As of December 31, 2021 and 2020, the Conservancy's contract liabilities represent payments received prior to satisfaction of the performance obligation of \$340,343 and \$262,939, respectively, which are reflected as deferred revenue on the consolidated statement of financial position.

**NOTE 17 SUMMARIZED PRIOR-PERIOD INFORMATION**

The consolidated financial statements include certain prior year summarized comparative information in total, but not by asset class. Such information does not include sufficient detail to constitute a presentation in accordance with GAAP. Accordingly, such information should be read in conjunction with the Conservancy's consolidated financial statements as of and for the year ended December 31, 2020, from which the summarized information was derived.

**NOTE 18 SUBSEQUENT EVENTS**

The Conservancy has evaluated subsequent events through August 15, 2022, which was the date the consolidated financial statements were available to be issued, and has not identified any other events that it deems to be material.



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