SANTA CATALINA ISLAND CONSERVANCY

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

WITH INDEPENDENT AUDITORS' REPORT

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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.

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FINANCIAL STATEMENT HIGHLIGHTS FROM 2020 AND 2019

2020 was a year in which the Conservancy, like businesses and individuals around the world, was significantly affected by the COVID-19 pandemic. Nearly all operations of the business were shut down in mid-March of 2020 upon order of the Governor of the State of California. By mid-summer, operations began to slowly re-open but were again scaled back near the end of the year upon issuance of new state orders.

The effect these government orders had on operations is seen across most operating revenue categories in the Statement of Activities for 2020. Nearly all such categories declined vs. 2019, most significantly in the areas of Contributions, Eco Tours, and Special Events (the latter reflecting the cancellation of the annual Conservancy Ball in April of 2020). The decline in Contributions was magnified by the completion of two large capital campaigns in 2019 which, combined, yielded approximately $4 million in revenue that did not recur in 2020. When excluding the effect of these Capital Campaigns from 2019 Contributions, revenue declined by a more modest 12.5% in 2020. The Conservancy's donor base was instrumental in helping the organization maintain liquidity during such a tumultuous year as was our ability to secure a loan from the Small Business Administration's Paycheck Protection Program. Investment income, net of related expenses, was also down for 2020 but was still a robust $8 million primarily reflecting gains in portfolio values during the year.

Quick action by management allowed for total expenses to be reduced by approximately $320,000 in 2020 vs. 2019, also reflecting the impact of the temporary shutdown in operations. As shown in the Statement of Functional Expenses, depreciation expense was up significantly as a result of the new Trailhead Visitor Center and reconstructed ACE Clearwater Airfield at the Conservancy's Airport in the Sky having been placed in service in late May 2019.

Overall, despite the challenges faced during 2020, and aided in large part by strong investment market performance and a committed donor base, the Conservancy's net assets increased by nearly $8 million in 2020. We believe that the strength of our Financial Position at the end of 2020 combined with a return to pre-pandemic levels of operations in 2021 sustains a bright outlook for the Conservancy.

SUMMARY

We hope this overview and financial analysis helps to provide you with some additional insight as to the Conservancy's financial performance during 2020 and 2019. Should you have additional questions, please contact me at 310.510.2595 x131.

Tony Budrovich

Tony Budrovich,
President & Chief Executive Officer

INDEPENDENT AUDITORS' REPORT

Board of Directors
Santa Catalina Island Conservancy

Report on the Financial Statements

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, 2020, 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.

Management's Responsibility for the Financial Statements

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Conservancy as of December 31, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

The accompanying summarized comparative information of the Conservancy as of and for the year ended December 31, 2019, and the related notes, are derived from the Conservancy's audited consolidated financial statements as of and for the year ended December 31, 2019. We expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 23, 2020. The summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Management Discussion and Analysis

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Management Discussion and Analysis, which is the responsibility of management, is presented for 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 3, 2021

SANTA CATALINA ISLAND CONSERVANCY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(WITH SUMMARIZED TOTALS FOR 2019)

	2020	2019
Assets:		
Cash and cash equivalents	$ 8,730,508	$ 5,321,777
Investments	62,833,864	56,591,962
Receivables, net	761,280	1,023,067
Pledges receivable	691,174	1,531,418
Interest receivable	69,806	84,119
Inventory	253,732	319,142
Prepaid expenses and other assets	185,648	41,163
Notes receivable	458,568	-
Deferred rent receivable	529,072	534,542
Property and equipment, net	35,602,945	37,238,836
Total Assets	$ 110,116,597	$ 102,686,026
Liabilities:		
Accounts payable	$ 414,989	$ 455,877
Accrued liabilities	1,555,702	2,212,854
Deferred revenue	262,939	68,784
Notes payable	-	1,086,345
Paycheck Protection Program loan	1,100,770	-
Total liabilities	3,334,400	3,823,860
Commitments and Contingencies	-	-
Net Assets:		
Without donor restrictions	99,245,742	92,792,707
With donor restrictions	7,536,455	6,069,459
Total net assets	106,782,197	98,862,166
Total Liabilities and Net Assets	$ 110,116,597	$ 102,686,026

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

SANTA CATALINA ISLAND CONSERVANCY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED TOTALS FOR 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Revenues, Support, and Gains:				
Revenues:				
Airport/bus	$ 465,744	$ -	$ 465,744	$ 584,439
Contributions	1,873,204	1,892,796	3,766,000	8,403,989
Interior access	850,397	-	850,397	863,366
Eco tours	623,698	-	623,698	883,473
Leases	3,244,088	-	3,244,088	4,325,333
Memberships	247,444	-	247,444	262,490
Special events, net	170,322	-	170,322	470,993
Wrigley Memorial and Botanic Garden	209,299	-	209,299	361,729
Unrealized pension change	156,562	-	156,562	(402,278)
Retail sales - Visitor Center	318,928	-	318,928	542,006
Property tax refunds	708,967	-	708,967	-
Other	610,165	-	610,165	120,757
Total revenues	9,478,818	1,892,796	11,371,614	16,416,297
Investment Return, Net:				
Dividends and interest	847,115	10,911	858,026	1,109,583
Net realized and unrealized gains on securities	7,465,387	-	7,465,387	9,285,997
Investment expenses	(283,518)	-	(283,518)	(264,696)
Total investment returns, net	8,028,984	10,911	8,039,895	10,130,884
Net Assets Released from Restrictions	436,711	(436,711)	-	-
Total Revenues, Support, and Gains	17,944,513	1,466,996	19,411,509	26,547,181
Expenses:				
Program Services:				
Recreation services and activities	3,072,256	-	3,072,256	3,089,985
Conservation	813,940	-	813,940	1,317,989
Educational outreach	990,577	-	990,577	1,279,963
Interior access/maintenance/management	3,869,494	-	3,869,494	3,642,213
Total program services	8,746,267	-	8,746,267	9,330,150
Supporting services:				
Administrative	1,790,909	-	1,790,909	1,537,566
Development/fundraising	954,302	-	954,302	944,508
Total supporting services	2,745,211	-	2,745,211	2,482,074
Total expenses	11,491,478	-	11,491,478	11,812,224
Increase in Net Assets	6,453,035	1,466,996	7,920,031	14,734,957
Net Assets, Beginning of Year	92,792,707	6,069,459	98,862,166	84,127,209
Net Assets, End of Year	$ 99,245,742	$ 7,536,455	$ 106,782,197	$ 98,862,166

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

SANTA CATALINA ISLAND CONSERVANCY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED TOTALS FOR 2019)

	Program Services					Supporting Services				
	Recreation Services and Activities	Conservation	Educational Outreach	Interior Access/ Maintenance/ Management	Total Program Services	Administrative	Development/ Fundraising	Total Supporting Services	Total 2020	Total 2019
Accounting	$ -	$ -	$ -	$ -	$ -	$ 117,409	$ -	$ 117,409	$ 117,409	$ 112,161
Computer/IT	34,189	67,227	32,228	28,227	161,871	42,989	28,152	71,141	233,012	211,958
Depreciation	979,632	46,825	16,122	498,398	1,540,977	104,145	5,507	109,652	1,650,629	1,345,297
Insurance	106,112	29,989	27,671	129,552	293,324	51,824	10,211	62,035	355,359	302,189
Interest	-	-	-	19,562	19,562	-	-	-	19,562	62,997
Legal	7,100	406	2,198	140,907	150,611	55,561	1,029	56,590	207,201	199,934
Other	180,360	9,727	24,688	65,941	280,716	40,993	20,769	61,762	342,478	327,700
Professional development	1,157	320	837	712	3,026	3,522	764	4,286	7,312	20,469
Professional fees	-	29,290	4,444	305,959	339,693	104,845	788	105,633	445,326	401,576
Promotion	9,419	1,202	30,094	3,592	44,307	10,759	43,748	54,507	98,814	204,858
Property taxes	44,207	-	13,597	174,491	232,295	16,665	206	16,871	249,166	92,874
Recruiting	863	8,446	75	-	9,384	2,267	1,015	3,282	12,666	20,134
Rent	-	-	22,039	94,909	116,948	45,546	79,338	124,884	241,832	227,476
Repairs/maintenance	512,647	254,825	245,661	1,017,637	2,030,770	29,955	139,195	169,150	2,199,920	2,701,349
Salaries/benefits	916,199	195,490	484,925	1,128,675	2,725,289	1,099,659	531,027	1,630,686	4,355,975	4,303,438
Supplies/operating	196,313	101,244	42,802	173,817	514,176	42,306	86,466	128,772	642,948	1,004,616
Telephone/utilities	84,058	68,949	43,196	87,115	283,318	22,464	6,087	28,551	311,869	273,198
Total Expenses	$ 3,072,256	$ 813,940	$ 990,577	$ 3,869,494	$ 8,746,267	$ 1,790,909	$ 954,302	$ 2,745,211	$ 11,491,478	$ 11,812,224

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

SANTA CATALINA ISLAND CONSERVANCY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED TOTALS FOR 2019)

	2020	2019
Cash Flows from Operating Activities:		
Increase in net assets	$ 7,920,031	$ 14,734,957
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	1,650,629	1,345,297
Loss on disposal of property and equipment	310,837	127,535
Realized gains on investments, net	(411,955)	(1,343,834)
Unrealized gains (losses) on investments, net	(7,053,432)	(7,938,235)
Dividends and interest, net	(574,508)	(844,887)
Unrealized pension change	(20,288)	428,251
Contribution of marketable securities	(70,434)	(111,365)
Contribution of property and equipment	-	(2,917,590)
Pledges received	-	(285,000)
Discount on pledges	(7,974)	84
Change in allowance for doubtful accounts	53,544	-
Deferred rental income	5,470	(534,542)
Changes in operating assets and liabilities:		
(Increases) decreases in:		
Accounts receivable	(210,440)	(382,419)
Interest receivable	14,313	4,133
Inventory	65,410	(112,714)
Prepaid expenses and other assets	(144,485)	164,087
Increases (decreases) in:		
Accounts payable	(40,888)	(1,131,197)
Accrued liabilities	(636,864)	96,803
Deferred revenue	194,155	(6,072)
Total adjustments	(6,876,910)	(13,441,665)
Net cash and cash equivalents provided by operating activities	1,043,121	1,293,292
Cash Flows from Investing Activities:		
Purchases of investments	(29,310,870)	(20,241,923)
Sales and maturities of investments	31,179,297	23,018,481
Purchases of property and equipment	(462,700)	(3,984,227)
Proceeds from sales of property and equipment	137,125	66,000
Net cash and cash equivalents provided by (used in) investing activities	1,542,852	(1,141,669)

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

SANTA CATALINA ISLAND CONSERVANCY
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED TOTALS FOR 2019)

	2020	2019
Cash Flows from Financing Activities:		
Proceeds from pledges	$ 808,333	$ 1,118,168
Proceeds from Paycheck Protection Program loan	1,100,770	-
Principal payments on notes payable	(1,086,345)	(226,656)
Net cash and cash equivalents provided by financing activities	822,758	891,512
Net Increase in Cash and Cash Equivalents	3,408,731	1,043,135
Cash and Cash Equivalents, Beginning of Year	5,321,777	4,278,642
Cash and Cash Equivalents, End of Year	$ 8,730,508	$ 5,321,777
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Interest	$ 19,562	$ 62,997
Noncash financing and investing activities:		
Donated equipment	$ -	$ 117,590
Donated labor for runway restoration	$ -	$ 2,800,000

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

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 (U.S. 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 U.S. 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.

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 US 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.

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 December 31, 2020 and 2019 was $181,751 and $168,093, respectively, including $7,500 and $35,795 related to pledges receivable, respectively.

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, 2020, approximately $459,000 of notes receivable remained unpaid. Approximately $208,000, $156,000, and $95,000 is expected to be collected in 2021, 2022, and 2023, respectively. 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, 2020 and 2019, 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 U.S. 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.

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, 2020 and 2019, the amount of uninsured cash balances at this institution totaled approximately $3,823,000 and $2,612,000, 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 – 40 years
Furniture and fixtures	5 – 8 years
Machinery and equipment	3 – 20 years
Automobiles and trucks	4 – 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.

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 $24,000 ($17,000 of inventory and $7,000 for supporting services) and $3,040,000 ($2,917,000 of property and equipment and $123,000 for supporting services) for the years ended December 31, 2020 and 2019, 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.

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-PF. The Conservancy’s tax years from 2017 to 2020 are open to review for federal tax purposes, and tax years from 2016 to 2020 are open to review for state tax purposes.

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.

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Related-Party Transactions

During 2020 and 2019, 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 2020 and 2019:

	2020	2019
Purchase of Goods and Services	$ 120,733	$ 310,213
Fees Received for Services	$ 226,965	$ 545,376

Amounts owed to these businesses at December 31, 2020 and 2019, were $0 and $7,841, respectively, and amounts owed from these business were $1,164 and $104,902, 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.

Recent Accounting Pronouncements – Adopted

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB has issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements – Adopted (Continued)

The Conservancy's consolidated financial statements reflect the application of ASC 606 guidance beginning January 1, 2020. No cumulative-effect adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact the Conservancy's reported historical revenue.

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 statement of financial position date comprise the following:

Cash and cash equivalents	$ 4,243,415
Receivables (net of allowance for doubtful accounts)	761,280
Pledges receivable	377,817
Notes receivable	207,649
Board-approved endowment distributions	2,116,727
Total	$ 7,706,888

The Conservancy's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. The majority of income from donor-restricted 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 $1,290,000 as of December 31, 2020. 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.

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, 2020 and 2019, pledges receivable were expected to be realized in the following periods:

	2020	2019
2020	$ -	$ 871,536
2021	377,817	372,750
2022	310,750	300,000
2023	7,500	-
Total Pledges Receivable	696,067	1,544,286
Present Value Discount 0.7% - 0.8%	(4,893)	(12,868)
Net Pledges Receivable	$ 691,174	$ 1,531,418

Note 4: Investments

As of December 31, 2020 and 2019, investments held by the Conservancy, are as follows:

	2020	
	Cost	Fair Value
Marketable Securities:		
Equities	$ 12,971,677	$ 25,398,330
Mutual funds	12,287,764	20,392,506
Fixed income:		
Government securities	9,683,914	10,245,707
Corporate bonds	5,113,417	5,438,819
Asset- and mortgage-backed securities	1,289,437	1,322,593
Other debt securities	35,852	35,909
Total Investments	$ 41,382,061	$ 62,833,864

Note 4: Investments (Continued)

	2019	
	Cost	Fair Value
Marketable Securities:		
Equities	$ 11,054,814	$ 20,286,602
Mutual funds	14,279,465	19,197,758
Fixed income:		
Government securities	10,432,330	10,600,903
Asset- and mortgage-backed securities	2,680,614	2,717,020
Corporate bonds	3,647,249	3,789,679
Total Investments	$ 42,094,472	$ 56,591,962

Note 5: Property and Equipment

As of December 31, 2020 and 2019, the Conservancy's property and equipment consist of the following:

	2020	2019
Land	$ 6,355,855	$ 6,355,855
Buildings and improvements	28,258,522	28,258,522
Machinery and equipment	6,587,748	6,518,404
Automobiles and trucks	3,012,617	3,040,981
Furniture and fixtures	288,962	288,962
Educational art collection	159,700	159,700
Airport runway	6,443,875	6,443,875
Work in progress	205,932	420,700
Total property and equipment	51,313,211	51,486,999
Less: Accumulated depreciation	(15,710,266)	(14,248,163)
Property and Equipment, Net	$ 35,602,945	$ 37,238,836

Depreciation expense was approximately $1,651,000 and $1,345,000 for the years ended December 31, 2020 and 2019, respectively.

Note 6: Paycheck Protection Program Loan

In May 2020, the Conservancy received a loan from U.S. Bank in the amount of $1,100,770 to fund payroll, rent, utilities and interest on existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5, 2020) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the Conservancy will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in March 2021, principal and interest payments will be required through the maturity date in May 2025.

Note 7: Notes Payable

As of December 31, 2020 and 2019, the Conservancy's notes payable consist of the following:

	2020	2019
In December 2006, the Conservancy entered into a loan agreement with a bank in the amount of $700,000. The interest rate was 6.27% and the loan was scheduled to mature on December 1, 2021. Principal and interest payments of $6,045 were due in monthly installments. The loan was secured by a dwelling at 310 Whitley, Avalon, California.	$ -	$ 132,627
In March 2007, the Conservancy entered into a note agreement with a bank in the amount of $550,000. The interest rate was 6.27% and the loan was scheduled to mature on March 15, 2022. Principal and interest payments of $4,749 were due in monthly installments. The loan was secured by a dwelling at 56 Playa Azul, Avalon, California.	-	120,491
In November 2008, the Conservancy entered into a loan agreement with a bank in the amount of $1,040,000. The interest rate was 5.80% and the loan was scheduled to mature on November 20, 2023. Principal and interest payments of $8,710 were due in monthly installments. The loan was secured by a dwelling at 341 Sumner, Avalon, California.	-	362,438

Note 7: Notes Payable (Continued)

	2020	2019
In June of 2016, the Conservancy entered into a loan agreement with a bank in the amount of $628,000. The loan bears interest at 3.75% and matures on June 1, 2030. Principal and interest payments of $4,584 are due in monthly installments. The loan is secured by a dwelling at 316.5 Whitley, Avalon, California.	$ -	$ 470,789
Total notes payable	-	1,086,345
Less: Current portion	-	(239,912)
Long-Term Notes Payable	$ -	$ 846,433

In March 2020, the outstanding principal balances plus all accrued but unpaid interest on the notes payable were repaid.

Note 8: 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, 2020 and 2019:

	Year Ended December 31, 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 Events Revenue, Net	$ 110,304	$ 60,018	$ 170,322

	Year Ended December 31, 2019		
	Conservancy Ball	Other Special Events	Total
Gross revenues, including pledges	$ 819,533	$ 86,491	$ 906,024
Costs of direct benefits to donors, including in-kind donations	(374,758)	(60,273)	(435,031)
Special Events Revenue, Net	$ 444,775	$ 26,218	$ 470,993

Note 9: 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).

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, 2020 and 2019. 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.

	Fair Value at December 31, 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	-
	$ 62,833,864	$ 45,790,836	$ 17,043,028	$ -

	Fair Value at December 31, 2019			
	Total	Level 1	Level 2	Level 3
Investments:				
Equities	$ 20,286,602	$ 20,286,602	$ -	$ -
Mutual funds	19,197,758	19,197,758	-	-
Fixed income	17,107,602	-	17,107,602	-
	$ 56,591,962	$ 39,484,360	$ 17,107,602	$ -

Note 9: Fair Value (Continued)

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 US 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.

Note 10: 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 11: 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.

Note 11: Rentals under Operating Leases (Continued)

Conservancy as Lessor (Continued)

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, 2020 and 2019, the total deferred rent receivable amounted to $529,072 and $534,542, respectively.

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

2021	$ 2,856,845
2022	1,919,901
2023	1,736,642
2024	1,549,541
2025	1,453,426
Thereafter	3,270,893
Total	$ 12,787,248

Management expects all significant operating leases to be renewed upon expiration. Total lease revenue for the years ended December 31, 2020 and 2019, for land, facilities, and communication sites totaled approximately $3,000,000 and $3,920,000, 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, 2020 and 2019, totaled approximately $241,000 and $227,000, respectively.

At December 31, 2020, minimum noncancelable annual rental commitments are as follows:

2021	$ 199,138
2022	20,499
2023	20,276
2024	4,952
Total	$ 244,865

Note 12: 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:

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

b. 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.

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 $854,000 and $937,000 at December 31, 2020 and 2019, respectively, in the accompanying consolidated financial statements. The total amount contributed to meet the funding requirement was $62,000 and $120,000 for the years ended December 31, 2020 and 2019, respectively.

Note 12: Employee Retirement Plans (Continued)

Defined Benefit Plan (Continued)

The following table sets forth the funded status and amounts recognized in accrued liabilities in the consolidated statement of financial position at December 31, 2020 and 2019:

	2020	2019
Projected benefit obligation, end of year	$ (2,991,995)	$ (3,186,808)
Fair value of assets, end of year	2,137,690	2,250,215
Unfunded Status	$ (854,305)	$ (936,593)
Accrued Benefit Cost Recognized in the Consolidated Statement of Financial Position (Deficit)	$ (854,305)	$ (936,593)
Accumulated Benefit Obligation	$ 2,991,995	$ 3,186,808
Net Periodic Benefit Cost (Income)	$ 56,246	$ 25,973
Employer Contributions	$ 62,000	$ 120,000
Benefits Paid	$ 45,600	$ 16,503
Settlements	$ 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 1.80% for 2020. The expected long-term rate of return on assets was 5.00%.

Net actuarial gain (loss) of $(5,295) and $(432,650) and the amortization of actuarial gain of $161,857 and $30,372 were netted for the years ended December 31, 2020 and 2019, respectively, and recognized as a gain (loss) of $156,562 and $(402,278) 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.

Net pension cost for the Plan for the years ended December 31, 2020 and 2019, included the following components:

	2020	2019
Interest cost	$ 72,124	$ 85,005
Expected return on Plan assets	(97,707)	(89,404)
Amortization of net gain	81,829	30,372
Settlement/curtailment expense	80,028	-
Net Pension Cost	$ 136,274	$ 25,973

Note 12: Employee Retirement Plans (Continued)

Defined Benefit Plan (Continued)

The Conservancy's pension plan weighted-average asset allocations at December 31, 2020 and 2019, by asset categories are as follows:

	2020	2019
Equities securities	52%	50%
Debt securities	45%	46%
Other	3%	4%
Total	100%	100%

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

2021	$ 238,000
2022	128,000
2023	108,000
2024	486,000
2025	386,000
2026–2029	1,163,000
Total	$ 2,509,000

The total assumes that an additional contribution of $120,000 will be paid to the Plan in 2021.

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 $288,089 and $320,719 for the years ended December 31, 2020 and 2019, respectively.

Note 13: Commitments and Contingencies

Land Lease

In December 2002, 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 effective beginning January 1, 2002, and expires on December 31, 2021. The lease requires the provision and maintenance of 720 recreational moorings, together with open coves for anchorage.

The Conservancy had assigned the maintenance of this lease to Two Harbor Enterprises, a subsidiary of the Santa Catalina Island Company. Under the terms of the agreement with Two Harbor Enterprises, the Conservancy earns 5.5% of the gross income from the operating lease. All operating costs, including lease payments to the State, are the responsibility of Two Harbor Enterprises. The Conservancy earned revenue related to this agreement for the years ended December 31, 2020 and 2019, amounting to $391,952 and $245,844, respectively, which is reflected on the accompanying consolidated statement of activities in the lease revenue balance. In 2012, the Santa Catalina Island Company merged Two Harbor Enterprises into a sister company, Santa Catalina Island Resort Services (SCIRS) with SCIRS assuming the roles and responsibilities relating to this land lease that were previously held by Two Harbor Enterprises.

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 14: Accounting and Reporting for Endowments

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

The Endowment

The Conservancy's endowment includes donor-restricted and board-designated endowment funds. As required by U.S. 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.

Note 14: 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:

a. The duration and preservation of the fund
b. The purposes of the organization and the donor-restricted endowment fund
c. General economic conditions
d. The possible effect of inflation or deflation
e. The expected total return from income and the appreciation of investments
f. Other resources of the organization
g. The investment policies of the organization

Endowment Net Asset Composition by Type of Fund

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2020			
Donor-restricted endowment funds	$ -	$ 5,334,640	$ 5,334,640
Board-designated endowment funds	62,202,487	-	62,202,487
	$ 62,202,487	$ 5,334,640	$ 67,537,127
December 31, 2019			
Donor-restricted endowment funds	$ -	$ 5,150,024	$ 5,150,024
Board-designated endowment funds	53,749,896	-	53,749,896
	$ 53,749,896	$ 5,150,024	$ 58,899,920

Note 14: Accounting and Reporting for Endowments (Continued)

Change in Endowment Net Assets

	December 31, 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	$ 62,202,487	$ 5,334,640	$ 67,537,127

	December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	$ 46,524,326	$ 5,150,024	$ 51,674,350
Contributions	235,365	-	235,365
Investment return:			
Investment income	859,512	-	859,512
Net appreciation (realized and unrealized)	9,164,761	-	9,164,761
Total investment return	10,024,273	-	10,024,273
Appropriation of endowment assets for expenditures	(3,034,068)	-	(3,034,068)
Net Endowment Assets	$ 53,749,896	$ 5,150,024	$ 58,899,920

Note 14: Accounting and Reporting for Endowments (Continued)

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 U.S. GAAP, there are no deficiencies of this nature that are reported in net assets without donor restrictions as of December 31, 2020 and 2019.

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 US large-cap equities, US small-cap equities, non-US 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.

Note 15: 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, 2020, consist of the following:

Endowment assets	$ 5,334,640
Projects:	
Solar Project	300,000
Conservation Fund	372,081
Employee Housing Fund	248,500
Given Fund for Ocean Conservation	189,842
Bison Management	138,587
Other	952,805
	$ 7,536,455

During the year ended December 31, 2020, net assets released from restriction consisted entirely of the release of donor-imposed purpose restrictions.

Note 16: Contract Revenue

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

	2020	2019
Recognized at Point in Time:		
Single day/use program service fees	$ 1,751,233	$ 2,281,773
Retail sales - visitor center	318,928	542,006
Recognized Over Time:		
Annual memberships and program fees	645,349	673,724
Contract Revenues	$ 2,715,510	$ 3,497,503

Note 17: 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, 2020 and 2019, contract assets associated with these revenues were not material.

As of December 31, 2020 and 2019, the Conservancy's contract liabilities represent payments received prior to satisfaction of the performance obligation of $262,939 and $68,784, which are reflected as deferred revenue on the consolidated statement of financial position.

Note 18: Reclassifications

Certain amounts in the prior period have been reclassified to match the current period financial statement presentation. These reclassifications have no effect on previously reported net assets or changes in net assets.

Note 19: 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 US 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, 2019, from which the summarized information was derived.

Note 20: Subsequent Events

In April 2021, the Conservancy received a Second Draw PPP loan totaling $861,135. Similar to the PPP loan received in May 2020, these funds are to be used for payroll costs, rent, and utilities. Loan payments will be deferred for ten months, and no collateral or personal guarantees were required. Forgiveness will be based on maintenance of employee and compensation levels and use of loan proceeds for eligible costs. This loan has a maturity of five years and an interest rate of 1%. At this time, it is not determinable what amounts may need to be repaid.

The Conservancy has evaluated subsequent events through August 3, 2021, 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.