SANTA CATALINA ISLAND CONSERVANCY

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

SANTA CATALINA ISLAND CONSERVANCY
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

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, 2022

MISSION

The mission of the Catalina Island Conservancy is to be an exemplary steward of Island resources through a balance of conservation, education, and recreation. The Conservancy's vision is for a beautifully functioning island ecosystem for all to enjoy.

Just off the densely populated Southern California coast, Catalina Island is home to approximately 4,000 year-round residents and more than 60 endemic species of plants and animals found nowhere else on Earth. The Catalina Island Conservancy protects 88 percent of Catalina Island's approximately 48,000 acres, including the region's largest publicly accessible undeveloped coastline. The Conservancy is a research and conservation leader, protecting and restoring vulnerable habitats and species in its Mediterranean climate. The Conservancy offers recreational experiences and educational programs for not only the 300,000 annual visitors who choose to visit the unique and special Conservancy "Wildlands Ecosystems" but also inspires the nearly 1.2 million visitors to other parts of the Island. Recreation, educational engagement, service opportunities, and partnerships connect the Island's unique resources to people's lives, inspiring environmental stewardship, and action.

KEY HIGHLIGHTS

In 2022, Catalina Island Conservancy celebrated its 50-year anniversary, marking half a century of responsible stewardship of Catalina Island. The achievement was commemorated at the annual Catalina Island Conservancy Ball as well as through various unique tour opportunities – from guided hikes to facility walk-throughs – for the organization's members. Leadership Circle members also had the opportunity to experience the Island through a complimentary eco tour that celebrated seminal successes. The year was not only about looking back at important work, but also fostering a foundation for future success. In an effort that began in 2021 and continued into 2022, the team performed an overhaul of Whites Restoration Area, repairing fencing, repatriating rare and endemic plants, and adding educational signage to inspire visitors and donors with hope for the future of Catalina and its rare species. The number of recognized rare species on the Island continues to grow, with Catalina popcorn-flower (Cryptantha catalinensis) joining the pack of endemic plants in 2022.

The Conservation department developed a Rare Plant Workplan to prevent the extirpation and extinction of plant species on Catalina Island, identifying over 10 species, many of which are currently being propagated in the Ackerman Native Plant Nursery. The wildlife team identified four species of bats, 10 species of amphibian and reptiles and 23 species of birds in each of the surveys they conducted. Through these continued studies conservationists can learn more about and have a positive impact on the Island's flora and fauna to promote outdoor engagement and learning within the community and with a grant from the National Recreation Foundation, the Conservancy reimagined an existing field trip program with Avalon School as Island Explorers. About 240 children in Catalina, grades kindergarten through 5th, benefitted from the free program. The Guest Services department launched a new point of sale system at the Trailhead and the Development team performed extensive work to prepare to unveil a new membership platform and website in Q1 2023. CEO Tony Budrovich transitioned out of the organization, leading Chair of the Board of Directors Will Hagenah to step in. The Board and Executive Team began meeting with strategic planning in mind, developing a five-year plan to be launched in January 2023.

FINANCIAL STATEMENT OVERVIEW

The Conservancy's Consolidated Statement of Activities reflects several revenue sources including traditional philanthropic revenue (contributions with and without donor restrictions). Other revenues are generated from mission-focused activities such as land-lease revenues with tenants that provide educational experiences and 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. 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 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, a fleet of vehicles and heavy equipment which provides safety infrastructure for Catalina Island.

FINANCIAL STATEMENT HIGHLIGHTS

Revenue from airport/buses, eco tours, garden admissions and retail sales grew as tourism to the Island increased. Contributions and memberships were consistent with 2021 indicating a stabilization from pandemic impacts. Total revenue, excluding investment revenue, was 4% lower than 2021. The Conservancy's expenses grew to $15.8M in 2022 from $12.0M in 2021 as program activities commenced across conservation, education, and recreation areas. Administrative expenses increased to support the programmatic work.

Overall, the Conservancy's net assets total $104.8M in 2022, a decrease of 10% versus the prior year. The change is largely driven by market fluctuations. The organization has $3.1M in total liabilities compared to $108.0M in total assets, resulting in a 3% liability to asset ratio. Total liabilities decreased by $0.5M from 2021. The Conservancy has $96.7M in net assets without donor restrictions and $8.2M in net assets with donor restrictions.

William Hagenah
President and Chief Executive Officer

INDEPENDENT AUDITORS' REPORT

Board of Directors
Santa Catalina Island Conservancy
Long Beach, California

Report on the Audit of the Consolidated 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, 2022, 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, 2022, 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 Consolidated 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 have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, in 2022 the Conservancy adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 the aggregate, that raise substantial doubt about Santa Catalina Island Conservancy's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, 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 judgment 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.

Board of Directors
Santa Catalina Island Conservancy

Other Matters

Report on Summarized Comparative Information

The accompanying summarized comparative information of the Conservancy as of and for the year ended December 31, 2021, and the related notes, are derived from the Conservancy's audited consolidated financial statements as of and for the year ended December 31, 2021. We expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 15, 2022. The summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material aspects, with the audited consolidated financial statements from which it has been derived, expect for the effect of the adjustment described in the Emphasis of Matter paragraph below.

Emphasis-of-Matter Regarding a Correction of an Error

As discussed in Note 19 to the financial statements, an error resulting in an understatement of amounts previously reported for accounts receivable and contribution as of and for the year ended December 31, 2021 was discovered by management of the Conservancy during the current year. Accordingly, amounts reported for accounts receivable and contributions in the summarized comparative information have been adjusted to correct the error. Our opinion is not modified with respect to this matter.

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 prepared by management, 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
July 31, 2023

SANTA CATALINA ISLAND CONSERVANCY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

	2022	Restated 2021
ASSETS		
Cash and Cash Equivalents	$ 8,031,828	$ 6,532,342
Investments	60,384,089	72,946,433
Receivables, Net	1,991,402	2,010,757
Pledges Receivable	3,988	699,757
Interest Receivable	57,301	31,253
Inventory	278,147	285,409
Prepaid Expenses and Other Assets	573,718	227,139
Notes Receivable	-	241,975
Deferred Rent Receivable	726,204	739,199
Operating Right of Use Asset	1,181,625	-
Property and Equipment, Net	34,758,771	35,512,412
Total Assets	$ 107,987,073	$ 119,226,676
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 485,634	$ 330,759
Accrued Liabilities	1,168,182	1,115,202
Lease Liability - Operating	1,186,302	-
Deferred Revenue	266,776	288,683
Paycheck Protection Program Loan	-	861,135
Total Liabilities	3,106,894	2,595,779
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Without Donor Restrictions	96,638,098	108,823,457
With Donor Restrictions	8,242,081	7,807,440
Total Net Assets	104,880,179	116,630,897
Total Liabilities and Net Assets	$ 107,987,073	$ 119,226,676

See accompanying Notes to Consolidated Financial Statements.

SANTA CATALINA ISLAND CONSERVANCY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

	Without Donor Restrictions	With Donor Restrictions	Totals 2022	Totals Restated 2021
REVENUES, SUPPORT, AND GAINS				
Revenues:				
Airport/Bus	$ 628,055	$ -	$ 628,055	$ 580,044
Contributions	2,039,952	1,222,213	3,262,165	3,324,978
Interior Access	883,401	-	883,401	964,055
Eco Tours	1,735,075	-	1,735,075	1,334,870
Leases	3,919,624	-	3,919,624	3,683,461
Memberships	368,799	-	368,799	322,048
Special Events, Net	392,106	-	392,106	461,241
Wrigley Memorial and Botanic Garden	524,075	-	524,075	317,915
Unrealized Pension Change	515,026	-	515,026	288,345
Employer Retention Tax Credits	-	-	-	1,186,532
Retail Sales - Visitor Center	855,047	-	855,047	756,239
Other	1,037,228	-	1,037,228	1,482,079
Total Revenues	12,898,388	1,222,213	14,120,601	14,701,807
Investment Return, Net:				
Dividends and Interest	1,242,910	-	1,242,910	891,659
Net Realized and Unrealized Gains (Losses) on Securities	(11,010,068)	(5,024)	(11,015,092)	6,581,057
Investment Expenses	(307,702)	-	(307,702)	(325,395)
Total Investment Returns, Net	(10,074,860)	(5,024)	(10,079,884)	7,147,321
Total Revenues and Investments Returns, Net	2,823,528	1,217,189	4,040,717	21,849,128
Net Assets Released from Restrictions	782,548	(782,548)	-	-
Total Revenues, Support, and Gains	3,606,076	434,641	4,040,717	21,849,128
EXPENSES				
Program Services:				
Recreation Services and Activities	4,326,177	-	4,326,177	3,312,108
Conservation	1,688,096	-	1,688,096	1,276,850
Educational Outreach	1,416,491	-	1,416,491	1,199,320
Interior Access/ Maintenance/Management	4,738,061	-	4,738,061	3,484,313
Total Program Services	12,168,825	-	12,168,825	9,272,591
Supporting Services:				
Administrative	2,563,410	-	2,563,410	1,614,454
Development/Fundraising	1,059,200	-	1,059,200	1,113,383
Total Supporting Services	3,622,610	-	3,622,610	2,727,837
Total Expenses	15,791,435	-	15,791,435	12,000,428
INCREASE (DECREASE) IN NET ASSETS	(12,185,359)	434,641	(11,750,718)	9,848,700
Net Assets - Beginning of Year	108,823,457	7,807,440	116,630,897	106,782,197
NET ASSETS - END OF YEAR	$ 96,638,098	$ 8,242,081	$ 104,880,179	$ 116,630,897

See accompanying Notes to Consolidated Financial Statements.

SANTA CATALINA ISLAND CONSERVANCY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

	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	2022	Restated 2021
Accounting	$ -	$ -	$ -	$ -	$ -	$ 150,182	$ -	$ 150,182	$ 150,182	$ 130,587
Computer/IT	116,945	113,298	87,267	89,819	407,329	128,698	78,640	207,338	614,667	287,006
Depreciation	949,109	20,189	12,187	553,352	1,534,837	129,766	4,789	134,555	1,669,392	1,642,257
Insurance	138,369	40,159	35,351	151,390	365,269	62,465	11,954	74,419	439,688	457,526
Legal	5,444	-	-	128,001	133,445	53,799	1,159	54,958	188,403	104,415
Other	342,976	21,579	55,377	27,848	447,780	94,447	10,502	104,949	552,729	391,600
Professional Development	11,794	7,711	1,673	2,914	24,092	5,889	21	5,910	30,002	7,076
Professional Fees	19,776	83,035	98,416	72,172	273,399	491,137	25,100	516,237	789,636	264,021
Promotion	21,082	30,130	95,517	15,070	161,799	28,697	74,294	102,991	264,790	118,793
Property Taxes	249,733	-	15,216	192,973	457,922	13,029	145	13,174	471,096	287,615
Recruiting	438	-	34,196	-	34,634	47,258	33,831	81,089	115,723	91,996
Rent	60	-	18,857	108,403	127,320	45,344	66,373	111,717	239,037	268,316
Repairs/Maintenance	565,782	327,517	145,583	1,441,960	2,480,842	66,062	56,450	122,512	2,603,354	1,611,934
Salaries/Benefits	1,541,920	625,205	718,797	1,565,301	4,451,223	1,138,223	628,968	1,767,191	6,218,414	4,990,034
Supplies/Operating	269,138	403,560	66,610	322,116	1,061,424	85,967	61,003	146,970	1,208,394	1,058,182
Telephone/Utilities	93,611	15,713	31,444	66,742	207,510	22,447	5,971	28,418	235,928	289,070
Total Expenses	$ 4,326,177	$ 1,688,096	$ 1,416,491	$ 4,738,061	$ 12,168,825	$ 2,563,410	$ 1,059,200	$ 3,622,610	$ 15,791,435	$ 12,000,428

See accompanying Notes to Consolidated Financial Statements.

SANTA CATALINA ISLAND CONSERVANCY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

	2022	Restated 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) Increase In Net Assets	$ (11,750,718)	$ 9,848,700
Adjustments to Reconcile (Decrease) Increase in Net Assets to Net Cash and Cash Equivalents Provided (Used) by Operating Activities:		
Depreciation	1,669,392	1,642,257
Loss (Gain) on Disposal of Equipment	3,865	(33,784)
Realized (Gains) Losses on Investments, Net	91,223	(5,189,562)
Unrealized (Gains) Losses on Investments, Net	10,923,869	(1,392,050)
Dividends and Interest, Net	(935,208)	(665,012)
Unrealized Pension Change	(546,489)	(20,288)
Contribution of Marketable Securities	(74,696)	(89,431)
Contribution of Property and Equipment	(85,599)	(480,643)
Pledges Received	(12,500)	(388,150)
Discount on Pledges	(4,881)	4,881
Change in Allowance for Doubtful Accounts	(36,054)	(39,599)
Deferred Rental Income	12,995	(210,127)
Noncash Lease Expense	4,677	-
Forgiveness of Paycheck Protection Program Loan	(861,135)	(1,100,770)
Employer Rentention Tax Credit	-	
Changes in Operating Assets and Liabilities:		
(Increases) Decreases in:		
Accounts Receivable	90,409	(1,209,878)
Interest Receivable	(26,048)	38,553
Inventory	7,262	(31,677)
Prepaid Expenses and Other Assets	154,009	(41,491)
Notes Receivable	241,975	216,593
Increases (Decreases) in:		
Accounts Payable	154,875	(84,230)
Accrued Liabilities	98,881	(420,212)
Deferred Revenue	(21,907)	25,744
Net Cash and Cash Equivalents Provided (Used) by Operating Activities	(901,803)	379,824
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(27,408,112)	(50,610,065)
Sales and Maturities of Investments	29,965,268	47,833,551
Purchases of Property and Equipment	(920,083)	(1,102,154)
Proceeds from Sales of Property and Equipment	86,066	64,855
Net Cash and Cash Equivalents Provided (Used) by Investing Activities	1,723,139	(3,813,813)

See accompanying Notes to Consolidated Financial Statements.

SANTA CATALINA ISLAND CONSERVANCY
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

	2022	Restated 2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Pledges	$ 678,150	$ 374,688
Proceeds from Paycheck Protection Program Loan	-	861,135
Net Cash and Cash Equivalents Provided by Financing Activities	678,150	1,235,823
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,499,486	(2,198,166)
Cash and Cash Equivalents - Beginning of Year	6,532,342	8,730,508
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 8,031,828	$ 6,532,342
SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING AND INVESTING ACTIVITIES		
Donated Equipment	$ 85,599	$ 40,000
Donated Labor for Road Restoration	$ -	$ 440,643

See accompanying Notes to 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 more than 60 miles of rugged shoreline, 50 miles of biking and 165 miles of hiking opportunities within its road and trail system. The Conservancy conducts educational outreach through various programs for children and adults, its Wrigley Memorial & Botanic Garden, and guided experiences in the Island's wildlands. In addition to the Garden facility, the Conservancy also operates Airport in the Sky, housing, offices, and its flagship facility, the Trailhead visitor center. Twenty miles from the mainland, the Island is a treasure trove of historical and archaeological sites. It also contains numerous rare and endangered animals and plants. The Island is home to more than 60 species that are found only on Catalina. The Conservancy manages a variety of conservation, ecological restoration, education, and recreation programs, with a vision for a beautifully functioning Island ecosystem for all to enjoy. The mission of the Catalina Island Conservancy is to be an exemplary steward of Island resources through a balance of conservation, education, and recreation.

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.

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 of 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.

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, 2022 and 2021, was $24,635 and $142,152, respectively, including $-0- and $7,500 related to pledges receivable for 2022 and 2021, 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, 2021, $241,975 of notes receivable remained unpaid; all of these notes receivable were 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 (FIFO).

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, 2022 and 2021, there were no conditional pledges or contributions. 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.

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, 2022 and 2021, the amount of uninsured cash balances at this institution totaled approximately $6,626,000 and $5,253,000, 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. 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.

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 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 $199,000 ($86,000 of property and equipment, $55,000 of auction items for special events, and $58,000 for supporting services) and $513,000 ($481,000 of property and equipment and $32,000 for supporting services for the years ended December 31, 2022 and 2021, 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 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 2019 to 2022 are open to review for federal tax purposes, and tax years from 2018 to 2022 are open to review for state tax purposes.

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 2022 and 2021, 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 2022 and 2021:

	2022	2021
Purchase of Goods and Services	$ 304,977	$ 149,428
Fees Received for Services	$ 820,354	$ 685,824

Amounts owed to these businesses at December 31, 2022 and 2021 were $2,047 and $-0-, respectively, and amounts owed from these businesses were $138,929 and $57,049, respectively.

Adoption of New Accounting Standards

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of consolidated financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

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

Adoption of New Accounting Standards (Continued)

The Conservancy adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, with certain practical expedients available. The Conservancy elected the available practical expedients to account for operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Conservancy recognized on January 1, 2022, a lease liability of $1,413,816, which represents the present value of the remaining operating lease payments of $1,492,044, discounted using the risk free rate ranging from 0.78% to 2.05% and a right-of-use asset of $1,413,816.

The standard had a material impact on the 2022 consolidated statement of financial position but did not have a material impact on the 2022 consolidated statement of activities, nor the 2022 consolidated statement of cash flows. The most significant impact was the recognition of ROU asset and lease liability for operating leases.

Leases – Conservancy as Lessee

The Conservancy leases its facilities and certain equipment under noncancelable lease arrangements. The Conservancy determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Conservancy considers factors such as if the Conservancy has obtained substantially all of the rights to the underlying asset through exclusivity, if the Conservancy can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Operating leases are included in operating ROU asset, and lease liability - operating on the accompanying 2022 consolidated statement of financial position. ROU assets represent the Conservancy's right to use an underlying asset for the lease term and lease liabilities represent the Conservancy's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Conservancy uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Conservancy will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

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

Leases – Conservancy as Lessee (Continued)

The Conservancy has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the consolidated statement of financial position. The Conservancy has elected to separate nonlease components from lease components and accounts for each separate lease component and the nonlease component. The Conservancy's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Leases – Conservancy as Lessor

Revenue from lease payments is recognized under the accrual method. Lease payments are included in revenues as rents become due. Lease payments received in advance are deferred until earned. At the commencement of an operating lease, no revenue is recognized; subsequently, lease payments received by the Conservancy are recognized as revenue on the straight-line basis.

The Conservancy has elected to apply the practical expedient, which does not require contracts to be separated between lease and nonlease components.

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	$ 6,854,404
Receivables (Net of Allowance for Doubtful Accounts)	1,991,402
Pledges Receivable	3,988
Board-Approved Endowment Distributions	1,240,473
Total	$ 10,090,267

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 $56,000,000 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 $1,100,000 as of December 31, 2022. 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, pledges receivable were expected to be realized in the following periods:

Year Ending December 31,	2022	2021
2022	$ -	$ 694,019
2023	4,000	750
2024	-	5,000
Total Pledges Receivable	4,000	699,769
Less: Present Value Discount	(12)	(12)
Net Pledges Receivable	$ 3,988	$ 699,757

NOTE 4 INVESTMENTS

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

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Marketable Securities:				
Equities	$ 11,217,366	$ 22,761,315	$ 12,775,246	$ 28,530,812
Mutual Funds	27,260,781	28,259,976	27,145,195	34,287,048
Fixed Income:				
Government Securities	5,433,480	5,266,574	5,156,117	5,194,866
Corporate Bonds	3,165,491	2,874,086	3,372,946	3,413,754
Asset- and Mortgage-Backed Securities	1,141,405	1,123,622	1,457,341	1,465,280
Other Debt Securities	105,728	98,516	55,731	54,673
Total Investments	$ 48,324,251	$ 60,384,089	$ 49,962,576	$ 72,946,433

NOTE 5 PROPERTY AND EQUIPMENT

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

	2022	2021
Land	$ 6,355,855	$ 6,355,855
Buildings and Improvements	28,266,749	28,262,782
Machinery and Equipment	6,827,561	6,707,109
Automobiles and Trucks	3,371,481	3,314,167
Furniture and Fixtures	288,962	288,962
Educational Art Collection	164,548	164,549
Airport Runway/Road Improvements	7,477,715	7,477,715
Work in Progress	304,564	83,681
Total Property and Equipment	53,057,435	52,654,820
Less: Accumulated Depreciation	(18,298,664)	(17,142,408)
Property and Equipment, Net	$ 34,758,771	$ 35,512,412

NOTE 5 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense was approximately $1,669,000 and $1,642,000 for the years ended December 31, 2022 and 2021, 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 was due in over 60 months, deferred for six months and bore interest at a fixed rate of 1.0% per annum, and was unsecured and guaranteed by the U.S. Small Business Administration (SBA).The Conservancy was legally released from this obligation by the SBA in April 2022 and recognized $861,135 of other revenues related to this agreement during the year ended December 31, 2022, which represents the extinguishment of the obligation in full.

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 Conservancy's financial position.

NOTE 7 SPECIAL EVENTS

Gross revenues for special events associated with the Conservancy's fundraising activities were as follows for the years ended December 31:

	2022		
	Conservancy Ball	Other Special Events	Total
Gross Revenues, Including Pledges	$ 751,267	$ 91,980	$ 843,247
Costs of Direct Benefits to Donors, Including In-Kind Donations	(372,238)	(78,903)	(451,141)
Special Event Revenue, Net	$ 379,029	$ 13,077	$ 392,106

	Restated 2021		
	Conservancy Ball	Other Special Events	Total
Gross Revenues, Including Pledges	$ 391,730	$ 69,511	$ 461,241

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).

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, 2022 and 2021. 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.

	2022			
	Total	Level 1	Level 2	Level 3
Investments:				
Equities	$ 22,761,315	$ 22,761,315	$ -	$ -
Mutual Funds	28,259,976	28,259,976	-	-
Fixed Income	9,362,798	-	9,362,798	-
Total	$ 60,384,089	$ 51,021,291	$ 9,362,798	$ -

	Restated 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	$ 72,946,433	$ 62,817,860	$ 10,128,573	$ -

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.

NOTE 8 FAIR VALUE (CONTINUED)

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 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 – ASC 842

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, 2022, the total deferred rent receivable amounted to $726,204.

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

Year Ending December 31,	Amount
2023	$ 2,851,297
2024	2,180,509
2025	2,040,185
2026	1,392,093
2027	903,150
Thereafter	1,671,226
Total	$ 11,038,460

NOTE 10 RENTALS UNDER OPERATING LEASES – ASC 842 (CONTINUED)

Conservancy as Lessor (Continued)

Total lease revenue for the year ended December 31, 2022, for land, facilities, and communications sites totaled approximately $3,920,000.

Conservancy as Lessee

The Conservancy leases office facilities and communications sites for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through the year 2038. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. The agreements generally require the Conservancy to pay insurance and repairs.

The following table provides quantitative information concerning the Conservancy's leases:

Lease Costs:	
Operating Lease Costs	$ 275,131
Short-Term Lease Costs	-
Total Lease Costs	$ 275,131
Other Information:	
Operating Cash Flows from Operating Leases	$ 270,454
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$ 1,438,468
Weighted-Average Remaining Lease Term - Operating Leases	5.1 Years
Weighted-Average Discount Rate - Operating Leases	1.52%

The Conservancy classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022 is as follows:

Year Ending December 31,	Operating Leases
2023	$ 283,803
2024	256,976
2025	253,455
2026	253,126
2027	115,023
Thereafter	70,475
Total Lease Payments	1,232,858
Less: Interest	(46,556)
Present Value of Lease Liabilities	$ 1,186,302

NOTE 11 RENTALS UNDER OPERATING LEASES – ASC 840

The Conservancy elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption with certain practical expedients available. Lease disclosures for the year ended 2021, are made under prior guidance in FASB ASC 840.

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, the total deferred rent receivable amounted to $739,199.

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

Year Ending December 31,	Amount
2023	$ 2,479,228
2024	2,335,757
2025	2,153,386
2026	2,012,808
2027	879,110
Thereafter	2,573,573
Total	$ 12,433,862

Management expects all significant operating leases to be renewed upon expiration. Total lease revenue for the year ended December 31, 2021, for land, facilities, and communication sites totaled approximately $3,683,000.

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 year ended December 31, 2021, totaled approximately $273,000.

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

Year Ending December 31,	Amount
2022	$ 79,463
2023	83,358
2024	76,944
2025	71,656
Total	$ 311,421

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:

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, approximately 40% are current employees.

FASB ASC 715-30, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, requires entities 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 asset in the amount of $500,588 at December 31, 2022 which is included within prepaid expenses and other assets in the accompanying 2022 consolidated statement of financial position and an accrued liability in the amount of $325,901 at December 31, 2021, which is included within accrued liabilities in the accompanying 2021 consolidated statement of financial position. The total amount contributed to meet the funding requirement was $280,000 and $250,000 for the years ended December 31, 2022 and 2021, respectively.

NOTE 12 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan (Continued)

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

	2022	2021
Projected Benefit Obligation, End of Year	$ (1,830,758)	$ (2,805,725)
Fair Value of Assets, End of Year	2,331,346	2,479,824
Overfunded (Unfunded) Status	$ 500,588	$ (325,901)
Accrued Benefit Cost Recognized in the Consolidated Statements of Financial Position (Deficit)	$ 500,588	$ (325,901)
Accumulated Benefit Obligation	1,812,933	2,805,725
Net Periodic Benefit Cost (Income)	(31,463)	9,941
Employer Contributions	280,000	250,000
Benefits Paid	52,693	57,708
Settlements	101,035	47,630

The weighted-average discount rate used at the end of the year in determining the actuarial present value of the benefit obligations was 5.32% for 2022. The expected long-term rate of return on assets was 5.00%.

Net actuarial gain of $486,694 and $225,380 and the amortization of actuarial gain of $28,332 and $62,965 were netted for the years ended December 31, 2022 and 2021, respectively, and recognized as a gain of $515,026 and $288,345 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 included the following components for the years ended December 31:

	2022	2021
Interest Cost	$ 61,690	$ 51,727
Expected Return on Plan Assets	(121,485)	(104,751)
Amortization of Net Gain	32,109	62,965
Settlement/Curtailment Expense	(3,777)	-
Net Pension Cost	$ (31,463)	$ 9,941

NOTE 12 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan (Continued)

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

	2022	2021
Equities Securities	48 %	50 %
Debt Securities	51	49
Other	1	1
Total	100 %	100 %

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

Year Ending December 31,	Amount
2023	$ 1,149,000
2024	686,000
Total	$ 1,835,000

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 $382,035 and $343,400 for the years ended December 31, 2022 and 2021, respectively.

NOTE 13 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.

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Land Lease (Continued)

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, 2022 and 2021, amounting to $324,264 and $319,691, respectively, which is reflected within lease revenue on the accompanying consolidated statement of activities.

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*.

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.

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.

NOTE 14 ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

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

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	$ -	$ 5,535,945	$ 5,535,945
Board-Designated Endowment Funds	56,499,550	-	56,499,550
Total	$ 56,499,550	$ 5,535,945	$ 62,035,495

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	$ -	$ 5,435,945	$ 5,435,945
Board-Designated Endowment Funds	68,470,746	-	68,470,746
Total	$ 68,470,746	$ 5,435,945	$ 73,906,691

NOTE 14 ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

Change in Endowment Net Assets

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - Beginning of Year	$ 68,470,746	$ 5,435,945	$ 73,906,691
Contributions	64,396	100,000	164,396
Investment Return:			
Investment Income	889,660	-	889,660
Net Appreciation Gains (Realized and Unrealized)	(10,771,903)	-	(10,771,903)
Total Investment Return	(9,882,243)	-	(9,882,243)
Appropriation of Endowment Assets for Expenditures	(2,153,349)	-	(2,153,349)
Net Endowment Assets	$ 56,499,550	$ 5,535,945	$ 62,035,495

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - Beginning of Year	$ 62,202,487	$ 5,334,640	$ 67,537,127
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 Gains (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	$ 68,470,746	$ 5,435,945	$ 73,906,691

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, 2022 and 2021.

NOTE 14 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.

NOTE 15 NET ASSETS

Net assets without donor restrictions include board designations of approximately $56,000,000 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, 2022 consist of the following:

Endowment Net Assets	$ 5,535,945
Projects:	
Conservation Fund	702,275
Solar Project	300,000
Employee Housing Fund	248,500
Native Plant Nursery	114,271
Given Fund for Ocean Conservation	171,623
Bison Management	158,567
Mule Deer Mitigation	119,583
Airport Runway	177,442
Education Programs	122,505
Landscape Conservation Plan Development	100,000
Other	491,370
Total Net Assets	$ 8,242,081

During the year ended December 31, 2022, 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 contract revenue disaggregated according to the timing of transfer of services:

	2022	2021
Recognized at Point in Time:		
Single Day/Use Program Service Fees	$ 3,298,371	$ 2,780,301
Retail Sales - Visitor Center	855,047	738,950
Recognized Over Time:		
Annual Memberships and Program Fees	841,034	736,231
Total Contract Revenues	$ 4,994,452	$ 4,255,482

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, 2022 and 2021, contract assets associated with these revenues were not material.

As of December 31, 2022, 2021, and 2020, the Conservancy's contract liabilities represent payments received prior to satisfaction of the performance obligation of $266,776, $288,683, and $262,939, respectively, which are reflected as deferred revenue on the consolidated statement of financial position.

NOTE 18 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, 2021, from which the summarized information was derived.

NOTE 19 NET ASSET RESTATEMENT

In the previously issued financial statements, the Conservancy did not record the Employee Retention Tax Credits (ERTC) as revenue. The Conservancy has determined that the ERTC should have been booked as revenue in 2021 based on the filing dates of the amended payroll tax returns. Correcting the error resulted in an increase in receivables of $1,358,957, increase in revenues of $1,186,532 and payroll taxes decreasing by $172,425. The effect of the restatement on the change in net assets without donor restrictions for the year ended December 31, 2021 was an increase of $1,358,957.

NOTE 20 SUBSEQUENT EVENTS

The Conservancy has evaluated subsequent events through July 31, 2023, 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.