SANTA CATALINA ISLAND CONSERVANCY

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2022)

SANTA CATALINA ISLAND CONSERVANCY
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YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2022)

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 DECEMBER 31, 2023

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.

Situated off the Southern California coast, Catalina Island boasts a rich biodiversity, housing over 60 endemic species within its 48,000 acres. As stewards of 88% of the Island, the Catalina Island Conservancy leads in research and conservation efforts, safeguarding precious habitats and species in its Mediterranean climate. Beyond conservation, the Conservancy offers immersive recreational and educational experiences, attracting over 370,000 annual visitors to its wildlands and influencing over 1.2 million visitors Island-wide. Through diverse engagement initiatives and strategic partnerships, the Conservancy fosters environmental stewardship, connecting people with the Island's unique resources.

KEY HIGHLIGHTS

In January 2023, the Conservancy's Board of Directors approved a new strategic plan for the organization – *A Timeless Place, An Endless Purpose: Turning Vision into Action* – intended to address visionary direction and growth over the next five years.

Embracing a mission set forth by its founders in 1972 to balance conservation, education, and recreation on one of the most important island ecosystems on Earth, in a world facing climate change, scarce natural resources, and high population density, the Conservancy is privileged to be the primary steward of Catalina Island.

Now is the time to execute the vision for Catalina Island and share with the world that successful ecosystem management can coexist with opportunities for nature recreation inclusive of people of all backgrounds and abilities. We will embrace our responsibility by investing in our staff, our land, and assessing the relationships we have with all stakeholders and partners, including the residents of and visitors to Catalina Island. We will be an example for others to build resilient, self-sustaining, accessible ecosystems, to protect open spaces, and to help steward a community that understands and is inspired by the role that a healthy natural environment plays in the human experience.

Combined with the interim leadership of board chair William Hagenah prior to my arrival, the Conservancy maintained its core pillars of conservation, education, and recreation in 2023. The Conservation department's surveys of rare plants yielded crucial data, and wildlife monitoring highlighted the fox population's vitality and climate impacts on seabirds. Education saw expanded partnerships and funding, enhancing nature-based learning for youth and adults learners, while Recreation faced challenges from winter storms limiting access to our wildlands. Volunteer engagement surged post-COVID-19, and member-centric events and a new website boosted community engagement and membership growth.

Since joining the Conservancy as president and CEO in July 2023, we conducted a comprehensive listening tour involving stakeholders, staff, and donors to shape our strategic planning, ensuring alignment with Catalina Island's historical context and diverse perspectives. Our commitment to organizational growth is evidenced by targeted investments in technology, staffing, and business model enhancements, bolstering operational efficiency and preparedness for strategic execution. Additionally, we are prioritizing board development by fostering diverse leadership perspectives within the Conservancy, enriching strategic decision-making and governance with broader insights.

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, interior access, admissions to the Wrigley Memorial & 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, the Airport in the Sky, numerous buildings, and a fleet of vehicles and heavy equipment which provides safety infrastructure for Catalina Island.

FINANCIAL STATEMENT HIGHLIGHTS

In 2023, the Conservancy experienced a significant boost in total revenue, excluding investment revenue, with a 11.7% increase over 2022 driven by pledge receivables associated with the implementation of the new strategic plan. Including investment revenue, total revenue increased by $20M, primarily driven by market rebound from 2022. The Conservancy's expenses grew to $19.4M in 2023 from $15.8M in 2022, primarily due to the intensified focus on conservation program activities. Additionally, administrative expenses increased to support the expanded programmatic efforts.

In 2023, the Conservancy's net assets reached $110.1M, marking a 5% increase from the previous year. The organization's total liabilities stand at $2.4M against total assets of $112.5M, resulting in a liability to asset ratio of 2%. This reflects a decrease in total liabilities by $0.7M compared to 2022. The Conservancy holds $99.6M in net assets without donor restrictions and $10.5M in net assets with donor restrictions.

Whitney Latorre
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, 2023, 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, 2023, 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.

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.

Other Matters

Report on Summarized Comparative Information

The accompanying summarized comparative information of the Conservancy as of and for the year ended December 31, 2022, and the related notes, are derived from the Conservancy's audited consolidated financial statements as of and for the year ended December 31, 2022. We expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 31, 2023. The summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material aspects, with the audited consolidated financial statements from which it has been derived.

Other Information – Management's Discussion and Analysis

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis but does not include the basic consolidated financial statements and our auditors' report thereon. Our opinions on the basic consolidated financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
July 12, 2024

SANTA CATALINA ISLAND CONSERVANCY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2022)

	2023	2022
ASSETS		
Cash and Cash Equivalents	$ 4,055,546	$ 8,031,828
Investments	68,360,963	60,384,089
Receivables, Net	931,902	1,991,402
Pledges Receivable	3,136,120	3,988
Interest Receivable	-	57,301
Inventory	255,910	278,147
Prepaid Expenses and Other Assets	513,194	573,718
Deferred Rent Receivable	527,645	726,204
Operating Right of Use Asset	934,938	1,181,625
Property and Equipment, Net	33,819,259	34,758,771
Total Assets	$ 112,535,477	$ 107,987,073
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 333,039	$ 485,634
Accrued Liabilities	932,250	1,168,182
Lease Liability - Operating	917,676	1,186,302
Deferred Revenue	237,781	266,776
Total Liabilities	2,420,746	3,106,894
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Without Donor Restrictions	99,593,676	96,638,098
With Donor Restrictions	10,521,055	8,242,081
Total Net Assets	110,114,731	104,880,179
Total Liabilities and Net Assets	$ 112,535,477	$ 107,987,073

See accompanying Notes to Consolidated Financial Statements.

SANTA CATALINA ISLAND CONSERVANCY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2022)

	Without Donor Restrictions	With Donor Restrictions	Totals 2023	Totals 2022
REVENUES, SUPPORT, AND GAINS				
Revenues				
Airport/Bus	$ 513,900	$ -	$ 513,900	$ 628,055
Contributions	1,453,442	4,599,182	6,052,624	3,262,165
Interior Access	961,181	-	961,181	883,401
Eco Tours	1,405,289	-	1,405,289	1,735,075
Leases	4,330,265	-	4,330,265	3,919,624
Memberships	308,730	-	308,730	368,799
Special Events, Net	450,708	-	450,708	392,106
Wrigley Memorial and Botanic Garden	566,752	-	566,752	524,075
Unrealized Pension Change	(127,794)	-	(127,794)	515,026
Retail Sales - Visitor Center	908,946	-	908,946	855,047
Other	404,251	-	404,251	1,037,228
Total Revenues	11,175,670	4,599,182	15,774,852	14,120,601
Investment Return, Net				
Dividends and Interest	1,372,732	-	1,372,732	1,242,910
Net Realized and Unrealized Gains (Losses) on Securities	7,761,148	-	7,761,148	(11,015,092)
Investment Expenses	(294,871)	-	(294,871)	(307,702)
Total Investment Returns, Net	8,839,009	-	8,839,009	(10,079,884)
Total Revenues and Investments Returns, Net	20,014,679	4,599,182	24,613,861	4,040,717
Net Assets Released from Restrictions	2,320,208	(2,320,208)	-	-
Total Revenues, Support, and Gains	22,334,887	2,278,974	24,613,861	4,040,717
EXPENSES				
Program Services				
Recreation Services and Activities	4,505,551	-	4,505,551	4,326,177
Conservation	3,231,264	-	3,231,264	1,688,096
Educational Outreach	1,461,926	-	1,461,926	1,416,491
Interior Access/ Maintenance/Management	4,815,017	-	4,815,017	4,738,061
Total Program Services	14,013,758	-	14,013,758	12,168,825
Supporting Services				
Administrative	3,833,437	-	3,833,437	2,563,410
Development/Fundraising	1,532,114	-	1,532,114	1,059,200
Total Supporting Services	5,365,551	-	5,365,551	3,622,610
Total Expenses	19,379,309	-	19,379,309	15,791,435
INCREASE (DECREASE) IN NET ASSETS	2,955,578	2,278,974	5,234,552	(11,750,718)
Net Assets - Beginning of Year	96,638,098	8,242,081	104,880,179	116,630,897
NET ASSETS - END OF YEAR	$ 99,593,676	$ 10,521,055	$ 110,114,731	$ 104,880,179

See accompanying Notes to Consolidated Financial Statements.

SANTA CATALINA ISLAND CONSERVANCY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2022)

	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	2023	2022
Accounting	$ -	$ -	$ -	$ -	$ -	$ 199,140	$ -	$ 199,140	$ 199,140	$ 150,182
Computer/IT	134,839	198,693	102,021	114,787	550,340	276,293	157,878	434,171	984,511	614,667
Depreciation	951,347	37,772	19,002	564,110	1,572,231	90,676	7,393	98,069	1,670,300	1,669,392
Insurance	174,608	39,678	31,542	155,352	401,180	36,449	10,968	47,417	448,597	439,688
Legal	-	23,399	-	248,551	271,950	68,477	-	68,477	340,427	188,403
Other	408,513	23,873	32,449	161,816	626,651	75,612	29,575	105,187	731,838	552,729
Professional Development	11,489	6,294	6,323	8,673	32,779	18,211	6,129	24,340	57,119	30,002
Professional Fees	60,840	1,247,018	65,423	115,168	1,488,449	397,593	173,074	570,667	2,059,116	789,636
Promotion	16,883	76,294	89,997	61,935	245,109	65,976	60,419	126,395	371,504	264,790
Property Taxes	7,532	398	3,732	(16,156)	(4,494)	87,061	66	87,127	82,633	471,096
Recruiting	1,731	1,247	3,886	2,101	8,965	202,930	7,371	210,301	219,266	115,723
Rent	-	-	18,364	105,042	123,406	71,021	67,062	138,083	261,489	239,037
Repairs/Maintenance	477,823	308,678	166,735	1,017,427	1,970,663	44,283	14,505	58,788	2,029,451	2,603,354
Salaries/Benefits	1,939,584	779,418	803,832	1,947,615	5,470,449	2,108,351	919,266	3,027,617	8,498,066	6,218,414
Supplies/Operating	214,759	464,759	85,950	238,279	1,003,747	65,747	71,075	136,822	1,140,569	1,208,394
Telephone/Utilities	105,603	23,743	32,670	90,317	252,333	25,617	7,333	32,950	285,283	235,928
Total Expenses	$ 4,505,551	$ 3,231,264	$ 1,461,926	$ 4,815,017	$ 14,013,758	$ 3,833,437	$ 1,532,114	$ 5,365,551	$ 19,379,309	$ 15,791,435

See accompanying Notes to Consolidated Financial Statements.

SANTA CATALINA ISLAND CONSERVANCY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) In Net Assets	$ 5,234,552	$ (11,750,718)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash and Cash Equivalents Provided (Used) by Operating Activities:		
Depreciation	1,670,300	1,669,392
Loss (Gain) on Disposal of Equipment	(99,695)	3,865
Realized (Gains) Losses on Investments, Net	(1,910,295)	91,223
Unrealized (Gains) Losses on Investments, Net	(5,850,853)	10,923,869
Unrealized Pension Change	359,808	(546,489)
Noncash Contribution of Marketable Securities	(76,901)	(74,696)
Proceeds from Sale of Marketable Securities	76,901	-
Contribution of Property and Equipment	(11,910)	(85,599)
Pledges Received	(4,100,000)	(12,500)
Discount on Pledges	317,868	(4,881)
Change in Allowance for Credit Losses	59,466	(36,054)
Deferred Rental Income	198,559	12,995
Noncash Lease Expense	(21,939)	4,677
Forgiveness of Paycheck Protection Program Loan	-	(861,135)
Changes in Operating Assets and Liabilities:		
(Increases) Decreases in:		
Accounts Receivable	1,000,034	90,409
Interest Receivable	57,301	(26,048)
Inventory	22,237	7,262
Prepaid Expenses and Other Assets	(299,284)	154,009
Notes Receivable	-	241,975
Increases (Decreases) in:		
Accounts Payable	(152,595)	154,875
Accrued Liabilities	(235,932)	98,881
Deferred Revenue	(28,995)	(21,907)
Net Cash and Cash Equivalents Provided (Used) by Operating Activities	(3,791,373)	33,405
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(39,445,243)	(28,343,320)
Sales and Maturities of Investments	39,229,517	29,965,268
Purchases of Property and Equipment	(722,628)	(920,083)
Proceeds from Sales of Property and Equipment	103,445	86,066
Net Cash and Cash Equivalents Provided (Used) by Investing Activities	(834,909)	787,931

See accompanying Notes to Consolidated Financial Statements.

SANTA CATALINA ISLAND CONSERVANCY
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2022)

	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Pledges	$ 650,000	$ 678,150
Net Cash and Cash Equivalents Provided by Financing Activities	650,000	678,150
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,976,282)	1,499,486
Cash and Cash Equivalents - Beginning of Year	8,031,828	6,532,342
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,055,546	$ 8,031,828
SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING AND INVESTING ACTIVITIES		
Donated Equipment	$ 11,910	$ 85,599

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 Accounting Standards Codification (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)

Accounts Receivable and Allowance for Credit Losses

Accounts receivable and notes receivable are stated at the amount that management expects to collect from outstanding balances. The Conservancy extends credit to customers in the normal course of business for certain of its programs. Management establishes an allowance for credit losses to present the net amount of accounts receivable expected to be collected. The allowance represents the estimate of expected credit losses based on historical experience, current economic conditions, and certain forward-looking information. Management determined that the allowance for credit losses was insignificant as of December 31, 2023 and 2022, and there was no material activity related to the allowance for credit losses for the years then ended.

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 expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statements of activities. An allowance for uncollectible promises to give is provided based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible.

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.

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, 2023 and 2022, the amount of uninsured cash balances at this institution totaled approximately $2,518,000 and $6,626,000, respectively.

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

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 $5,000. 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.

Contributions and Special Events Revenue Recognition

We recognize contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of our revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when we have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position. We received cost reimbursable grants of $308,949 and $-0- that have not been recognized at December 31, 2023 and 2022 because qualifying expenditures have not yet been incurred. No amounts have been received in advance under our federal and state contracts and grants.

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

Contributions and Special Events Revenue Recognition (Continued)

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. We recognize special events revenue equal to the fair value of direct benefits to donors when the special event takes place. We recognize the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

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 are recorded at fair value at the date of donation. Donated auction items were valued at the sale price received during the auction on the day of event. Contributed services are recognized at fair value based on current rates for similar services. Contributed goods and services totaled approximately $126,000 ($12,000 of property and equipment, $55,000 of auction items for special events, and $59,000 for supporting services) and $199,000 ($86,000 of property and equipment, $55,000 of auction items for special events, and $58,000 for supporting services) for the years ended December 31, 2023 and 2022, 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.

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

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.

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.

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

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 2020 to 2023 are open to review for federal tax purposes, and tax years from 2019 to 2023 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 2023 and 2022, 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 2023 and 2022:

	2023	2022
Purchase of Goods and Services	$ 282,152	$ 304,977
Fees Received for Services	$ 892,515	$ 820,354

Amounts owed to these businesses at December 31, 2023 and 2022 were $9,030 and 2,047 respectively, and amounts owed from these businesses were $199,963 and $138,929, respectively.

Adoption of New Accounting Standards

At the beginning of 2023, the Conservancy adopted FASB ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The Conservancy adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Conservancy's consolidated financial statements but did change how the allowance for credit losses is determined.

The Conservancy uses historical loss information based on the aging of receivables as the basis to determine expected credit losses for receivables and believes that the composition of trade receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly.

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.

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

Leases – Conservancy as Lessee (Continued)

Operating leases are included in operating right-of-use (ROU) asset, and lease liability - operating on the accompanying 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.

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.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

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 as of December 31:

	2023	2022
Cash and Cash Equivalents	$ 2,492,113	$ 6,854,404
Receivables (Net of Allowance for Credit Losses)	931,902	1,991,402
Pledges Receivable	100,000	3,988
Board-Approved Endowment Distributions	2,231,000	1,240,473
Total	$ 5,755,015	$ 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 $63,000,000 is subject to annual spending rates of between 3.0% and 4.0% as described in Note 12.

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 $3,000,000 as of December 31, 2023. 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 are estimated to be collected in the following periods:

Year Ending December 31,	2023	2022
2023	$ -	$ 4,000
2024	954,000	-
2025	800,000	-
2026	800,000	-
2027	800,000	-
2028	100,000	-
Total Pledges Receivable	3,454,000	4,000
Less: Present Value Discount at Rates Ranging from 3.86% to 4.93%	(317,880)	(12)
Net Pledges Receivable	$ 3,136,120	$ 3,988

NOTE 4 INVESTMENTS

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

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Marketable Securities				
Equities	$ 11,829,009	$ 25,581,654	$ 11,217,366	$ 22,761,315
Equity Mutual Funds	18,070,268	22,746,644	17,944,730	19,861,186
Fixed Income Mutual Funds	20,550,700	20,032,664	9,316,051	8,398,790
Fixed Income Debt Securities				
Government Securities	-	-	5,433,480	5,266,574
Corporate Bonds	-	-	3,165,491	2,874,086
Asset- and Mortgage-Backed Securities	236	1	1,141,405	1,123,622
Other Debt Securities	-	-	105,728	98,516
Total Investments	$ 50,450,213	$ 68,360,963	$ 48,324,251	$ 60,384,089

NOTE 5 PROPERTY AND EQUIPMENT

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

	2023	2022
Land	$ 6,355,855	$ 6,355,855
Buildings and Improvements	28,478,788	28,266,749
Machinery and Equipment	6,858,685	6,827,561
Automobiles and Trucks	3,756,368	3,371,481
Furniture and Fixtures	288,962	288,962
Educational Art Collection	172,565	164,548
Airport Runway/Road Improvements	7,477,715	7,477,715
Work in Progress	15,208	304,564
Total Property and Equipment	53,404,146	53,057,435
Less: Accumulated Depreciation	(19,584,887)	(18,298,664)
Property and Equipment, Net	$ 33,819,259	$ 34,758,771

Depreciation expense was approximately $1,670,000 and $1,669,000 for the years ended December 31, 2023 and 2022, respectively.

NOTE 6 SPECIAL EVENTS

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

	2023		
	Conservancy Ball	Other Special Events	Total
Gross Revenues, Including Pledges	$ 730,659	$ 173,320	$ 903,979
Costs of Direct Benefits to Donors, Including In-Kind Donations	(326,008)	(127,263)	(453,271)
Special Event Revenue, Net	$ 404,651	$ 46,057	$ 450,708

	2022		
	Conservancy Ball	Other Special Events	Total
Special Event Revenue, Net	$ 379,029	$ 13,077	$ 392,106

NOTE 7 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).

NOTE 7 FAIR VALUE (CONTINUED)

The following table sets forth the Conservancy's financial assets and liabilities measured at fair value by level within the fair value hierarchy as of December 31, 2023 and 2022. 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.

	2023			
	Total	Level 1	Level 2	Level 3
Investments				
Equities	$ 25,581,654	$ 25,581,654	$ -	$ -
Equity Mutual Funds	22,746,644	22,746,644	-	-
Fixed Income Mutual Funds	20,032,664	20,032,664	-	-
Fixed Income Debt Securities	1	-	1	-
Total	$ 68,360,963	$ 68,360,962	$ 1	$ -

	2022			
	Total	Level 1	Level 2	Level 3
Investments				
Equities	$ 22,761,315	$ 22,761,315	$ -	$ -
Equity Mutual Funds	19,861,186	19,861,186	-	-
Fixed Income Mutual Funds	8,398,790	8,398,790	-	-
Fixed Income Debt Securities	9,362,798	-	9,362,798	-
Total	$ 60,384,089	$ 51,021,291	$ 9,362,798	$ -

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 equity mutual funds and fixed income mutual funds are classified within Level 1 and valued at the quoted net asset values of shares as reported by the fund.

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

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

NOTE 8 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 9 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, 2023 and 2022, the total deferred rent receivable amounted to $527,645 and $726,204, respectively.

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

Year Ending December 31,	
2024	$ 2,759,477
2025	2,684,182
2026	2,036,890
2027	1,523,243
2028	1,135,927
Thereafter	1,078,422
Total	$ 11,218,141

Total lease revenue for the year ended December 31, 2023, for land, facilities, and communications sites totaled approximately $4,330,000.

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.

NOTE 9 RENTALS UNDER OPERATING LEASES – ASC 842 (CONTINUED)

Conservancy as Lessee (Continued)

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

	2023	2022
Lease Costs		
Operating Lease Costs	$ 261,818	$ 275,131
Short-Term Lease Costs	-	-
Total Lease Costs	$ 261,818	$ 275,131
Other Information		
Operating Cash Flows from Operating Leases	$ 283,757	$ 270,454
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$ -	$ 1,438,468
Weighted-Average Remaining Lease Term - Operating Leases	4.4 Years	5.1 Years
Weighted-Average Discount Rate - Operating Leases	1.54%	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, 2023 is as follows:

Year Ending December 31,	Operating Leases
2024	$ 256,976
2025	253,455
2026	253,126
2027	115,023
2028	6,407
Thereafter	64,068
Total Lease Payments	949,055
Less: Interest	(31,379)
Present Value of Lease Liabilities	$ 917,676
Short-Term Operating Lease Liabilities	$ 245,600
Long-Term Operating Lease Liabilities	672,076
Present Value of Operating Lease Liabilities	$ 917,676

NOTE 10 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 45% are current employees. Subsequent to December 31, 2023, the Plan has distributed benefits to all participants, notified the Internal Revenue Service and Pension Benefit Guaranty Corporation of the termination of the plan, and expects to fully dissolve the plan by the end of 2024.

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 $140,780 and $500,588 at December 31, 2023 and 2022, respectively, which is included within prepaid expenses and other assets in the accompanying consolidated statement of financial position. The total amount contributed to meet the funding requirement was $-0- and 280,000 for the years ended December 31, 2023 and 2022, respectively.

NOTE 10 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:

	2023	2022
Projected Benefit Obligation, End of Year	$ (414,109)	$ (1,830,758)
Fair Value of Assets, End of Year	554,889	2,331,346
Overfunded (Unfunded) Status	$ 140,780	$ 500,588
Accrued Benefit Cost Recognized in the Consolidated Statements of Financial Position (Deficit)	$ 140,780	$ 500,588
Accumulated Benefit Obligation	414,109	1,812,933
Net Periodic Benefit Cost (Income)	232,014	(31,463)
Employer Contributions	-	280,000
Benefits Paid	42,793	52,693
Settlements	1,613,432	101,035

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 2023. The expected long-term rate of return on assets was 5.00%.

Net actuarial loss of $359,067 and net actual gain of $486,694, and the amortization of actuarial gain of $231,273 and $28,332, were netted for the years ended December 31, 2023 and 2022, respectively, and recognized as a loss of $127,794 and a gain of $515,026 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:

	2023	2022
Interest Cost	$ 62,410	$ 61,690
Expected Return on Plan Assets	(61,669)	(121,485)
Amortization of Net Gain	-	32,109
Settlement/Curtailment Expense	231,273	(3,777)
Net Pension Cost	$ 232,014	$ (31,463)

NOTE 10 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:

	2023	2022
Equities Securities	- %	48 %
Debt Securities	-	51
Other	100	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
2024	$ 414,000
Total	$ 414,000

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 $501,025 and $382,035 for the years ended December 31, 2023 and 2022, respectively.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Land Lease

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

The Conservancy has assigned the maintenance of this lease to Island Recreation Enterprises, LLC, (IRE) the members of which are the Santa Catalina Island Company and the Conservancy. Under the terms of the agreement with IRE, the Conservancy earns 7.5% to 12% of profits and 7.5% of any losses from the operating lease. All operating costs, including lease payments to the State, are the responsibility of IRE. The Conservancy earned revenue related to this agreement for the years ended December 31, 2023 and 2022, amounting to $333,563 and $324,264, respectively, which is reflected within lease revenue on the accompanying consolidated statement of activities.

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 12 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.

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

NOTE 12 ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

Endowment Net Asset Composition by Type of Fund

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	$ -	$ 5,535,945	$ 5,535,945
Board-Designated Endowment Funds	62,850,038	-	62,850,038
Total	$ 62,850,038	$ 5,535,945	$ 68,385,983

	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

Change in Endowment Net Assets

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - Beginning of Year	$ 56,499,550	$ 5,535,945	$ 62,035,495
Contributions	66,001	-	66,001
Investment Return			
Investment Income	922,640	-	922,640
Net Appreciation Gains (Realized and Unrealized)	7,592,847	-	7,592,847
Total Investment Return	8,515,487	-	8,515,487
Appropriation of Endowment Assets for Expenditures	(2,231,000)	-	(2,231,000)
Net Endowment Assets	$ 62,850,038	$ 5,535,945	$ 68,385,983

	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

NOTE 12 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 GAAP, there are no deficiencies of this nature that are reported in net assets without donor restrictions as of December 31, 2023 and 2022.

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.

Return Objectives and Risk Parameters (Continued)

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 13 NET ASSETS

Net assets without donor restrictions include board designations of approximately $63,000,000 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, 2023 consist of the following:

Endowment Net Assets	$ 5,535,945
Projects	
Island Restoration	3,431,506
Solar Project	231,393
Employee Housing Fund	248,500
Native Plant Nursery	156,929
Given Fund for Ocean Conservation	140,200
Bison Management	145,109
Airport Runway	177,442
Education Programs	148,501
Landscape Conservation Plan Development	77,944
Other	227,586
Total Net Assets with Donor Restrictions	$ 10,521,055

During the year ended December 31, 2023, net assets released from restriction consisted entirely of the release of donor-imposed purpose restrictions.

NOTE 14 CONTRACT REVENUE

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

	2023	2022
Recognized at Point in Time		
Single Day/Use Program Service Fees	$ 3,033,978	$ 3,298,371
Retail Sales - Visitor Center	908,946	855,047
Recognized Over Time		
Annual Memberships and Program Fees	721,874	841,034
Total Contract Revenues	$ 4,664,798	$ 4,994,452

NOTE 15 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, 2023 and 2022, contract assets associated with these revenues were not material.

As of December 31, 2023, 2022, and 2021, the Conservancy's contract liabilities represent payments received prior to satisfaction of the performance obligation of $237,781, $266,776, and $288,683, respectively, which are reflected as deferred revenue on the consolidated statement of financial position.

NOTE 16 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 PPP. 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 17 SUMMARIZED PRIOR-PERIOD INFORMATION

The consolidated financial statements include certain prior year summarized comparative information in total, but not by asset class. Such information does not include sufficient detail to constitute a presentation in accordance with GAAP. Accordingly, such information should be read in conjunction with the Conservancy's consolidated financial statements as of and for the year ended December 31, 2022, from which the summarized information was derived.

NOTE 18 SUBSEQUENT EVENTS

The Conservancy has evaluated subsequent events through July 12, 2024, 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.