

Descanso Gardens



2020 | Annual Report



From our director



There was nothing ordinary about 2020: It required flexibility, constant change, a dedicated staff, and most importantly members and visitors who supported us through it all.

The year was about many things, but in the end, I would describe it as extraordinary.

I could talk to you about the ever-changing health guidelines, the closing and reopening, masks, and social distancing, but instead, I want to tell the success story of Descanso Garden during the pandemic.

Membership is a shining example. Membership increased 50 percent in 2020. We promise our members unlimited visits and although it required a lot of work from our staff, we figured out a way to keep our members happy and our visitor numbers at safe levels. Our members are so important to us and we thank them for choosing the gardens as a place of retreat and relaxation this year.

Even though we could not continue programming, composer Pete M. Wyer's "The Sky Beneath Our Feet" turned out to be a perfect antidote. In April, the music began playing on speakers located through the Camellia Forest. Visitors experienced the choral and instrumental composition as they walked through the garden. Inspired by the success of Pete Wyer, the Descanso staff created holiday surprises that could be enjoyed while keeping a safe distance. One highlight was the wishing tree, where visitors were encouraged to make a wish; more than 30,000 made wishes ranging from "continued health" to "more Lego sets."

In June, tragic events, protests, and calls to action forced us to consider with new urgency, systemic racism and Descanso's role in enacting change. Although Descanso had begun work related to diversity, equity, accessibility, and inclusion with our senior staff and board in 2019, these events prompted discussion about our understanding of racism and how museums, gardens, and Descanso Gardens specifically can play a role in addressing this issue. Descanso Gardens believes that access to nature matters, and our commitment is to make it accessible and safe for everyone.

In 2020 our Master Plan was approved by the County of Los Angeles. This plan will guide the care and improvement of Descanso for the next 10 to 15 years, and environmental sustainability and water stewardship are central to the plan. In 2020, we introduced one piece of equipment to support our water goals at Descanso: The Membrane Bioreactor (MBR) located in the southeast corner of the parking lot. The MBR takes wastewater and turns it into water for irrigating the garden. When in full use, it can produce up to 40,000 gallons of recycled water a day.

The keystone project of the Master Plan is a new nursery, which will allow us to propagate the plants we need to sustain our collections. With a generous gift in 2020 from the Anna and Harry Borun Foundation, the new Ruth Borun Nursery and Propagation Center will open in 2021. It will be better located than our current nursery and expand our nursery operations significantly, including plenty of space for plant propagation, materials storage, and educational opportunities. Our volunteers and staff will have a place worthy of the important work they do here.

We look forward to 2021 as Descanso Gardens continues to grow and inspire.

Juliann Rooke
Executive Director

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Our Mission

Descanso Gardens is a unique Southern California landscape distinguished by its specialized botanic collections, historical significance, and rare natural beauty. Our mission is to practice exemplary stewardship of Descanso's distinctive character and assets; offer people an experience close to nature; and cultivate understanding of the natural world and people's place in it through inspiration, education and example.

I've spent most of my life in So Cal yet I'd rarely heard of and never been to Descanso Gardens! Well my loss, until today. What an awesome place. Covid has driven us all outside and this is one of the best places to be outside for many miles around.

– Tony M.



I went this morning and the gardens were beautiful! It was a lovely and peaceful morning...

– Jessica H..



Thank you for creating an opportunity and space for inspiration and healing.

– Nicole E.



I'm thankful to have beautiful places like Descanso to visit.

– Meg M.



We were just there and absolutely loved our walk around the gardens.... It felt good feeling "normal" being surrounded by nature. Healing.

– Lara B.

Our Supporters: Sponsorships

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Our first virtual fundraising event, Rooted at Descanso, was a success thanks to our supporters.

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Bench and Chair Donors

Tribute benches and chairs provide seating for our guests while offering a way to honor a loved one. We gratefully acknowledge contributions by the following donors toward new seating in the Gardens:

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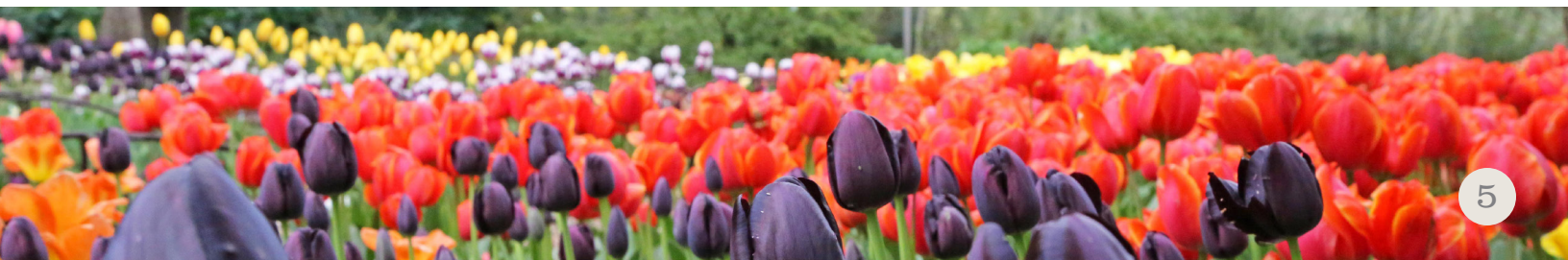
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Gifts of any amount support and sustain Descanso Gardens. The donors below gave philanthropic gifts over \$100.

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Report of Independent Auditors

The Board of Trustees
Descanso Gardens Guild, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Descanso Gardens Guild, Inc. (the "Guild"), which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements (collectively, "financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Guild as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2019 the Guild adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 was adopted using the modified retrospective method applied to all contracts. Our opinion is not modified with respect to these matters.

Moss Adams LLP

Los Angeles, California

May 19, 2021

Descanso Gardens Guild, Inc.
Statements of Financial Position

ASSETS		December 31,	
		<u>2020</u>	<u>2019</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	1,870,947	\$ 2,499,625
Cash restricted to nursery project		194,100	-
Operating investments		679,848	272,145
Accounts receivable		87,085	403,585
Contributions receivable		153,000	5,000
Gift shop inventory		188,811	387,505
Prepaid expenses		<u>95,962</u>	<u>31,448</u>
Total current assets		3,269,753	3,599,308
ENDOWMENT INVESTMENTS		2,961,215	2,706,349
PROPERTY AND EQUIPMENT, net		<u>4,780,869</u>	<u>4,853,768</u>
Total assets	\$	<u><u>11,011,837</u></u>	\$ <u><u>11,159,425</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	219,580	\$ 1,154,571
Accrued expenses		208,994	391,022
Deferred revenues		<u>1,820,200</u>	<u>1,635,912</u>
Total current liabilities		<u>2,248,774</u>	<u>3,181,505</u>
NET ASSETS			
Without donor restrictions			
Undesignated		5,583,291	5,242,456
Designated by the Board for operating reserve		<u>1,887,690</u>	<u>1,621,106</u>
		7,470,981	6,863,562
With donor restrictions			
Perpetual endowment		890,344	890,344
Time-restricted endowment		183,181	194,899
Purpose restrictions		<u>218,557</u>	<u>29,115</u>
		<u>1,292,082</u>	<u>1,114,358</u>
Total net assets		<u>8,763,063</u>	<u>7,977,920</u>
Total liabilities and net assets	\$	<u><u>11,011,837</u></u>	\$ <u><u>11,159,425</u></u>

Descanso Gardens Guild, Inc.
Statements of Activities and Changes in Net Assets

	Year Ended December 31, 2020		
	Without Donor Restriction	With Donor Restriction	Total
REVENUES, SUPPORT, AND GAINS			
Admissions	\$ 2,452,234	\$ -	\$ 2,452,234
Sales, rentals, and programs	834,685	-	834,685
Management fee	270,000	-	270,000
Other revenue	15,667	-	15,667
Subtotal, revenues	3,572,586	-	3,572,586
Memberships	1,707,636	-	1,707,636
Contributions	523,191	275,321	798,512
Grants	636,300	-	636,300
Sponsorships	96,340	-	96,340
Interest and dividends	36,130	11,226	47,356
Realized and unrealized gains on investments, net	201,020	132,215	333,235
In-kind contributions	4,868	-	4,868
Net assets released from restrictions – other	85,879	(85,879)	-
Net assets released pursuant to endowment spend rate	155,159	(155,159)	-
Subtotal, contributed sources	3,446,523	177,724	3,624,247
Total revenues, support, and gains	7,019,109	177,724	7,196,833
EXPENSES AND LOSSES			
Program services expense			
Garden stewardship and operations	4,258,148	-	4,258,148
Education, public programs, and gallery	793,435	-	793,435
Total program services expense	5,051,583	-	5,051,583
Supporting services expense			
Management and general	690,522	-	690,522
Fundraising and development	669,585	-	669,585
Total supporting services expense	1,360,107	-	1,360,107
Total expenses and losses	6,411,690	-	6,411,690
CHANGE IN NET ASSETS	607,419	177,724	785,143
NET ASSETS, beginning of year	6,863,562	1,114,358	7,977,920
NET ASSETS, end of year	\$ 7,470,981	\$ 1,292,082	\$ 8,763,063

Descanso Gardens Guild, Inc.
Statements of Activities and Changes in Net Assets (Continued)

	Year Ended December 31, 2019		
	Without Donor Restriction	With Donor Restriction	Total
REVENUES, SUPPORT, AND GAINS			
Admissions	\$ 5,430,832	\$ -	\$ 5,430,832
Sales, rentals, and programs	2,346,622	-	2,346,622
Management fee	270,000	-	270,000
Other revenue	1,067	-	1,067
Subtotal, revenues	8,048,521	-	8,048,521
Memberships	1,461,684	-	1,461,684
Contributions	397,926	203,098	601,024
Sponsorships	206,600	-	206,600
Interest and dividends	41,640	16,200	57,840
Realized and unrealized losses on investments, net	236,875	210,068	446,943
In-kind contributions	26,250	-	26,250
Net assets released from restrictions – other	235,068	(235,068)	-
Net assets released pursuant to endowment spend rate	217,255	(217,255)	-
Subtotal, contributed sources	2,823,298	(22,957)	2,800,341
Total revenues, support, and gains	10,871,819	(22,957)	10,848,862
EXPENSES AND LOSSES			
Program services expense			
Garden stewardship and operations	7,189,149	-	7,189,149
Education, public programs and gallery	1,286,992	-	1,286,992
Total program services expense	8,476,141	-	8,476,141
Supporting services expense			
Management and general	676,028	-	676,028
Fundraising and development	1,005,608	-	1,005,608
Total supporting services expense	1,681,636	-	1,681,636
Total expenses and losses	10,157,777	-	10,157,777
CHANGE IN NET ASSETS	714,042	(22,957)	691,085
NET ASSETS, beginning of year (restated)	6,149,520	1,137,315	7,286,835
NET ASSETS, end of year	\$ 6,863,562	\$ 1,114,358	\$ 7,977,920

Descanso Gardens Guild, Inc.

Statements of Functional Expenses

Year Ended December 31, 2020

	Program Services		Program Total	Management	Fundraising	Total
	Garden Stewardship Operations	Public Programs Education & Gallery				
Salaries and benefits	\$ 1,902,625	\$ 190,913	\$ 2,093,538	\$ 504,863	\$ 464,906	\$ 3,063,307
Professional services	322,666	151,677	474,343	37,287	18,730	530,360
Cost of sales	385,859	-	385,859	-	-	385,859
Depreciation	351,914	223,264	575,178	40,345	1,281	616,804
Repairs and maintenance	315,898	15,132	331,030	83	539	331,652
Utilities	174,265	31,197	205,462	24,376	16,387	246,225
Office expense and supplies	70,958	12,922	83,880	11,014	14,518	109,412
Printing and copying	49,858	23,597	73,455	1,254	71,703	146,412
Bank and credit card fees	158,520	942	159,462	11,007	2,152	172,621
Fees and honorariums	-	34,455	34,455	-	-	34,455
Insurance	114,593	75,267	189,860	25,440	417	215,717
Inventory loss	36,932	-	36,932	-	-	36,932
Bad debt expense	-	-	-	-	5,000	5,000
Plants and horticultural supplies	163,771	-	163,771	-	-	163,771
Event expense	-	-	-	-	15,649	15,649
Postage and freight	30,220	106	30,326	3,840	596	34,762
Maintenance supplies	57,788	25,119	82,907	1,002	55	83,964
Storage rental	52,932	-	52,932	-	-	52,932
Catering	734	1,025	1,759	4,829	2,498	9,086
Dues, subscriptions, and books	21,387	2,939	24,326	13,669	2,887	40,882
Telephone	11,074	1,526	12,600	2,006	2,895	17,501
Legal and accounting	21,135	2,178	23,313	4,704	5,390	33,407
Travel	1,838	44	1,882	1,453	43	3,378
Board expenses	-	-	-	138	-	138
Professional development	805	455	1,260	1,932	989	4,181
Taxes and licenses	12,376	677	13,053	1,280	657	14,990
Advertising	-	-	-	-	42,293	42,293
Total	\$ 4,258,148	\$ 793,435	\$ 5,051,583	\$ 690,522	\$ 669,585	\$ 6,411,690

Descanso Gardens Guild, Inc. Statements of Functional Expenses (Continued)

Year Ended December 31, 2019

	Program Services		Program Total	Management	Fundraising	Total
	Garden Stewardship Operations	Public Programs Education & Gallery				
Salaries and benefits	\$ 2,328,864	\$ 294,639	\$ 2,623,503	\$ 475,814	\$ 556,140	\$ 3,655,457
Professional services	2,263,111	382,779	2,645,890	77,184	93,398	2,816,472
Cost of sales	604,877	-	604,877	-	-	604,877
Depreciation	346,911	222,891	569,802	32,426	1,279	603,507
Repairs and maintenance	713,567	14,916	728,483	363	709	729,555
Utilities	159,730	79,865	239,595	13,311	13,311	266,217
Office expense and supplies	94,329	12,870	107,199	5,946	12,582	125,727
Printing and copying	58,474	45,454	103,928	3,367	53,792	161,087
Bank and credit card fees	187,846	2,037	189,883	5,933	5,986	201,802
Fees and honorariums	-	168,408	168,408	-	-	168,408
Insurance	75,911	49,303	125,214	19,253	275	144,742
Inventory loss	21,300	-	21,300	-	-	21,300
Plants and horticultural supplies	114,532	-	114,532	-	-	114,532
Event expense	-	-	-	-	130,464	130,464
Event rental expense	12,235	-	12,235	112	-	12,347
Postage and freight	38,063	178	38,241	4,331	1,407	43,979
Maintenance supplies	58,670	3,151	61,821	-	240	62,061
Storage rental	44,900	-	44,900	-	-	44,900
Catering	2,730	2,188	4,918	7,043	12,832	24,793
Dues, subscriptions, and books	21,074	3,079	24,153	17,857	3,155	45,165
Telephone	12,147	1,648	13,795	1,731	2,752	18,278
Legal and accounting	15,172	1,871	17,043	2,951	3,753	23,747
Travel	2,898	585	3,483	5,430	2,816	11,729
Board expenses	-	-	-	408	-	408
Professional development	2,750	232	2,982	2,544	3,498	9,024
Taxes and licenses	9,058	898	9,956	24	267	10,247
Advertising	-	-	-	-	106,952	106,952
Total	\$ 7,189,149	\$ 1,286,992	\$ 8,476,141	\$ 676,028	\$ 1,005,608	\$ 10,157,777

Descanso Gardens Guild, Inc.

Statements of Cash Flows

	Years Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 785,143	\$ 691,085
Adjustments to reconcile changes in net assets to net cash from operating activities		
Gains on operating investments	(5,473)	(8,802)
Contributions restricted from SBA PPP loan	(636,300)	-
Depreciation expense	616,804	603,507
Endowment net investment return	(327,768)	(438,141)
Changes in operating assets and liabilities		
Accounts receivable	316,500	(107,240)
Contributions receivable	(148,000)	5,000
Gift shop inventory	198,694	(51,914)
Prepaid expenses	(64,514)	(4,057)
Accounts payable	(934,991)	377,436
Accrued expenses	(182,028)	175,930
Deferred revenues	184,288	181,414
Net cash (used in) provided by operating activities	<u>(197,645)</u>	<u>1,424,218</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(2,138,653)	(1,901,496)
Proceeds from sales of investments	1,809,325	1,929,017
Purchases of property and equipment	<u>(543,905)</u>	<u>(1,289,249)</u>
Net cash used in investing activities	<u>(873,233)</u>	<u>(1,261,728)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from SBA PPP loan	636,300	-
Proceeds from line of credit	500,000	-
Repayment on line of credit	<u>(500,000)</u>	<u>-</u>
Net cash provided by financing activities	<u>636,300</u>	<u>-</u>
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(434,578)	162,490
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	\$ 2,499,625	\$ 2,337,135
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	\$ 2,065,047	\$ 2,499,625
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 6,875</u>	<u>\$ -</u>
RECONCILIATION TO STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 1,870,947	\$ 2,499,625
Cash restricted to nursery project	<u>194,100</u>	<u>-</u>
	<u>\$ 2,065,047</u>	<u>\$ 2,499,625</u>

Note 1 – Organization

Garden operations and stewardship – Descanso Gardens Guild, Inc. (the “Guild”), is a nonprofit organization whose mission is to practice exemplary stewardship of Descanso Gardens’ distinctive character and assets, offer people an experience close to nature, and cultivate understanding of the natural world and people’s place in it through inspiration, education, and example. The Guild was formed in 1960 and operates out of facilities at Descanso Gardens (the “Gardens”).

The Gardens are located in La Cañada Flintridge, California, and were established in 1937. The Gardens are owned by the County of Los Angeles (the “County”) and encompass 160 acres of land. The Gardens contain a variety of floral and horticultural exhibits and are open to members and the general public.

Education, public programs, and gallery – Descanso Gardens is a valuable resource for educators seeking to facilitate meaningful nature experiences. Serving over 14,000 participants each year from all over Los Angeles County and beyond, the Guild provides opportunities for students to discover and connect with the natural world through close observation, self-guided exploration, and hands-on learning.

The Sturt Haaga Gallery was conceived as an important addition to Descanso’s education mission. Programming in the gallery derives from and seeks to illuminate the intersection between contemporary arts and the sciences represented by the garden – botany, horticulture, biology, ecology, conservation, and the study of gardens as cultural artifacts.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The accompanying financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP).

Cash, cash equivalents, and restricted cash – The Guild considers all cash and highly liquid investments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. The Guild considers restricted cash to be all cash held for the purpose of the Borun Nursery building project. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature, or other long-term purposes, are excluded from this definition.

Receivables and credit policies – Accounts receivable consist primarily of noninterest-bearing amounts due from the County related to funding for the wastewater treatment facility, ticket brokers for admissions, and amounts due from the Guild’s caterer under a revenue-share arrangement for food and beverage operations at the Gardens. As of December 31, 2020 and 2019, accounts receivable amounts owed by the County totaled approximately \$75,000 and \$324,000, respectively. The Guild determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. At December 31, 2020 and 2019, no allowance was deemed necessary.

Descanso Gardens Guild, Inc.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Contributions receivable – Contributions receivable represent amounts due from donors for financial commitments to the Guild’s programs. The Guild records contributions receivable that are expected to be collected within one year at net realizable value. Allowances for contributions receivable are determined based on review of the individual donors and agreements. At December 31, 2020 and 2019, no allowance was deemed necessary.

Gift shop inventory – Inventory consists of program-related merchandise held-for-sale in the gift shop and is stated at the lower of cost or market determined by the first-in first-out method, or net realizable value.

Property and equipment and leasehold improvements – The Guild records property and equipment and leasehold improvement additions over \$2,500 at cost or, if donated, at fair value at the date of donation. Depreciation is computed using the straight-line method over the shorter of the term of the operating agreement or the estimated useful life of the related assets as follows:

Vehicles and machinery	7–15 years
Equipment	3–10 years
Furniture and fixtures	5–10 years
Leasehold improvements	5–30 years

When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Guild reviews the carrying values of property and leasehold improvements for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2020 and 2019.

Investments – The Guild records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at fair value in the statements of financial position. Net investment return/(loss) and interest income are reported in the statements of activities and consist of realized and unrealized capital gains and losses, and interest and dividend income, respectively, and both are shown net of external investment expenses.

Note 2 – Summary of Significant Accounting Policies (continued)

Net assets – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor-) 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.

Revenue and revenue recognition – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958-605)* in June 2018. These standards replace existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. These standards became effective for annual reporting periods beginning after December 15, 2018, for non-public entities. The Guild has adopted this new treatment using the modified retrospective method. Accordingly, prior periods have not been adjusted to conform to the new guidance. There was determined to be no cumulative effect to opening net assets after applying the new guidance to all contracts with customers that were not completed as of January 1, 2019. The adoption is not expected to have a material impact on future financial results, as the adoption did not change the recognition pattern for the Guild's existing revenue streams.

Revenue is recognized when earned. Membership revenue is recognized evenly during the membership term. Admission and sponsorship revenue is recognized when the activity or event occurs.

Gifts of equipment and securities are recognized as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as support with donor restrictions until the assets are placed in service.

Revenues from grants and contracts that are nonreciprocal are treated like contributions. If the grant or contract is conditional, a barrier to entitlement exists, and revenue is recognized when the barrier is considered overcome and as allowable expenditures under such agreements are incurred, as increases in net assets without donor restrictions. If the grant or contract is unconditional, revenue is reported as an increase in net assets without donor restrictions.

Revenues from management fees and sales, rentals, and programs are recognized when the transaction occurs and/or earned and are reported as increases in net assets without donor restrictions.

Descanso Gardens Guild, Inc.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Deferred revenues consist of advanced ticket sales, unearned management fees, unearned memberships, and deposits received for future rental events and meetings to be held subsequent to year end. Deferred revenues are recognized when the event occurs or when service performance has been completed.

Contributions – Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

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. In 2020, the Guild received a conditional promise in the amount of \$600,000 for the Borun Nursery project. Of this amount, \$200,000 was recognized as contributions with donor restrictions and included in the statement of activities for the year ended December 31, 2020, as conditions were met.

Unconditional promises to give are reported as revenue in the period received and are considered available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, such as when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions.

Contributed services consist of volunteers donating time and services to the Guild's operations. The Guild recognizes contributed services if the services a) create or enhance long-lived assets, or b) require specialized skills that would be purchased if not provided by donation.

Sponsorship revenue – Sponsorship revenue recognition is evaluated individually for each transaction to determine whether it falls under the scope of an exchange transaction (Topic 606, *Revenue from Contracts with Customers*) or a non-reciprocal transaction (Topic 958-605, *Not-for-Profit Entities – Revenue Recognition*). If the sponsoring entity receives commensurate value in return for their cash transferred, the transaction falls under the scope of Topic 606 (e.g., revenue for goods/services provided). If the sponsoring entity does not receive commensurate value in return for their cash transferred, the transaction falls under the scope of Topic 958-605 (e.g., a contribution). The Guild recognized \$96,340 and \$206,600 in sponsorship revenue for the years ended December 31, 2020 and 2019, respectively. For both years, all sponsorship revenues were recognized as contributions.

Note 2 – Summary of Significant Accounting Policies (continued)

Income taxes – The Guild is exempt from income taxes under Internal Revenue Code §501(c)(3) and California Revenue and Taxation Code §23701(d).

The Guild recognizes the impact of tax positions in the financial statements if that position is more-likely-than-not to be sustained on audit, based on the technical merits of the position. To date, the Guild has not recorded any uncertain tax positions. During the years ended December 31, 2020 and 2019, the Guild did not recognize any amount in potential interest and penalties associated with uncertain tax positions.

Advertising – The Guild expenses advertising costs as incurred. Advertising expenses totaled approximately \$42,000 and \$107,000 for the years ended December 31, 2020 and 2019, respectively.

Functional expenses – The costs of providing the Guild’s programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among garden stewardship and operations, public programs, and supporting services benefited. Such allocations are determined by management on an equitable basis and are allocated based on the nature of expense and based on either percentage of revenues, square footage, or headcount.

Use of estimates – The preparation of financial statements in accordance with U.S. GAAP requires and includes management estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, the reported amounts of revenues, and other support and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations

Cash and cash equivalents – The Guild maintains its cash and cash equivalent accounts with high credit quality financial institutions. At times during the year, cash in these accounts may exceed the insured limits. The Guild has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Investments – The Guild holds investments in equities, treasury bonds, equity funds, and exchange traded funds (which consist of equity and fixed income securities). Invested funds are subject to certain risks, such as market fluctuation, credit risk, and changes in interest rates, which could result in losses in the event of adverse economic circumstances. The Guild attempts to limit its risk associated with investments through diversification and by utilizing the expertise and processes of an outside investment advisor.

Revenue – A significant portion of the Guild’s admissions revenue has historically been derived from its Enchanted: Forest of Light (“Enchanted”) event. Due to the COVID-19 pandemic, this event was cancelled for fiscal year 2020. For the years ended December 31, 2020 and 2019, Enchanted ticket sales accounted for 0% and 33%, respectively, of the Guild’s total revenue.

Descanso Gardens Guild, Inc.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Reclassifications – Certain amounts presented in the prior year financial statements have been reclassified to conform to the current year presentation. Reclassifications of prior year amounts have no impact on net assets.

Recent accounting pronouncements – In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the timing of expense recognition in the statements of activities and changes in net assets. The new standard is effective for years beginning after December 15, 2021, including interim periods within those years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Guild is currently evaluating the impact of its pending adoption of the new standard on the financial statements.

Note 3 – Liquidity and Availability

The following represents the Guild's financial assets at December 31, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	<u>2020</u>	<u>2019</u>
Financial assets at year end		
Cash and cash equivalents	\$ 1,870,947	\$ 2,499,625
Accounts receivable	87,085	403,585
Contributions receivable	153,000	5,000
Investments	<u>3,641,063</u>	<u>2,978,494</u>
Total financial assets	<u>5,752,095</u>	<u>5,886,704</u>
 Add: endowment spending-rate distributions and appropriations	 <u>120,100</u>	 <u>113,200</u>
 Less: amounts not available to be used within one year		
Net assets with donor restrictions	218,557	29,115
Designated by the board for endowment	1,887,690	1,621,106
Perpetual endowment	890,344	890,344
Time-restricted endowment	<u>183,181</u>	<u>194,899</u>
	<u>3,179,772</u>	<u>2,735,464</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,692,423</u>	<u>\$ 3,264,440</u>

Note 3 – Liquidity and Availability (continued)

The Guild's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments up to the stipulated annual spending rate is available for general use.

The Guild's board-designated endowment of \$1,887,690 and \$1,621,106 as of December 31, 2020 and 2019, respectively, is subject to an annual spending rate of 4% of the average of the total account value as of December 31 of the preceding three years, as described in Note 8. Although the Guild does not intend to spend from this Board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of the Guild's liquidity management plan, the Guild invests cash in excess of daily requirements in short-term investments such as U.S. Treasury bills, with maturities designed to follow the timing of operating cash needs. In addition, the Guild also maintains a line of credit, as described in Note 7, which could be drawn upon if additional cash was needed for operations.

Note 4 – Management Agreement

The Guild has an agreement with the County in which it manages, operates, and maintains the Gardens, including the grounds, buildings, facilities, and other improvements in exchange for a management fee. The agreement expires in October 2024 and includes one five-year renewal option.

Note 5 – Investments

The Guild reports all of its investments at fair value in accordance with generally accepted accounting principles. U.S. GAAP defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

Descanso Gardens Guild, Inc.

Notes to Financial Statements

Note 5 – Investments (continued)

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Guild can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Guild develops inputs using the best information available in the circumstances.

The investments of the Guild in Level 1 include cash equivalents, direct equity investments, bond and equity mutual funds, and exchange traded funds, and are valued based on quoted market prices of identical assets.

The investments of the Guild in Level 2 include U.S. Treasury bonds and are valued based on quoted market prices of similar assets.

Transfers between hierarchy levels are recognized at the end of the reporting period. There were no transfers for the years ended December 31, 2020 and 2019.

The following is a summary of investments at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash equivalents	\$ 106,779	\$ 140,727
Direct equities – domestic	1,670,460	1,494,820
Bond funds – mutual funds	487,248	500,126
Equity funds – mutual funds	151,063	226,255
Exchange traded funds – equities	189,368	188,703
Exchange traded funds – bond funds	386,347	228,753
U.S. Treasury bonds	649,798	199,110
	<u>\$ 3,641,063</u>	<u>\$ 2,978,494</u>

Descanso Gardens Guild, Inc.
Notes to Financial Statements

Note 5 – Investments (continued)

The following tables present the Guild's investments by the fair value hierarchy levels as of December 31, 2020 and 2019:

	Fair Value Measurements at December 31, 2020			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Operating Investments				
Cash equivalents	\$ 30,050	\$ 30,050	\$ -	\$ -
U.S. Treasury bonds	649,798	-	649,798	-
	<u>679,848</u>	<u>30,050</u>	<u>649,798</u>	<u>-</u>
Endowment Investments				
Cash equivalents	76,729	76,729	-	-
Equities – domestic	1,670,460	1,670,460	-	-
Exchange traded funds – equities	189,368	189,368	-	-
Exchange traded funds – bond funds	386,347	386,347	-	-
Bond mutual funds	487,248	487,248	-	-
Equity mutual funds	151,063	151,063	-	-
	<u>2,961,215</u>	<u>2,961,215</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 3,641,063</u>	<u>\$ 2,991,265</u>	<u>\$ 649,798</u>	<u>\$ -</u>

	Fair Value Measurements at December 31, 2019			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Operating Investments				
Cash equivalents	\$ 73,035	\$ 73,035	\$ -	\$ -
U.S. Treasury bonds	199,110	-	199,110	-
	<u>272,145</u>	<u>73,035</u>	<u>199,110</u>	<u>-</u>
Endowment Investments				
Cash equivalents	67,692	67,692	-	-
Equities – domestic	1,494,820	1,494,820	-	-
Exchange traded funds – equities	188,703	188,703	-	-
Exchange traded funds – bond funds	228,753	228,753	-	-
Bond mutual funds	500,126	500,126	-	-
Equity mutual funds	226,255	226,255	-	-
	<u>2,706,349</u>	<u>2,706,349</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 2,978,494</u>	<u>\$ 2,779,384</u>	<u>\$ 199,110</u>	<u>\$ -</u>

Descanso Gardens Guild, Inc.

Notes to Financial Statements

Note 6 – Property and Equipment

As of December 31, 2020 and 2019, property and equipment consisted of the following:

	<u>2020</u>	<u>2019</u>
Vehicles and machinery	\$ 554,287	\$ 554,290
Equipment	225,261	157,993
Leasehold improvements	7,064,910	6,899,307
Furniture and fixtures	429,955	379,008
Construction in progress	<u>956,079</u>	<u>695,990</u>
Total gross, property, and equipment	9,230,492	8,686,588
Accumulated depreciation	<u>(4,449,623)</u>	<u>(3,832,820)</u>
Total property and equipment, net	<u>\$ 4,780,869</u>	<u>\$ 4,853,768</u>

Depreciation expense for the years ended December 31, 2020 and 2019, was \$616,804 and \$603,507, respectively.

The land and buildings occupied and operated by the Guild are not included in the financial statements, as title to such land and buildings is held by the County.

Note 7 – Line of Credit

The Guild had a revolving line of credit with a banking institution which allowed for borrowings up to \$500,000 and was secured by the Guild's receivables, gift shop inventory, and equipment. The borrowings bore interest at a rate equal to the sum of the applicable index plus 1.5% (6.25% at December 31, 2019) or 5.00%. The line of credit expired on September 10, 2020, and was not renewed.

In October 2020, the Guild signed a new line of credit agreement with a new banking institution which allows for borrowings up to \$500,000 and is secured by the Guild's receivables, gift shop inventory, and equipment. The borrowings bear interest at the Wall Street Journal prime rate plus 1.0% (5.75% at December 31, 2020), but not less than 4.25% per annum. The line of credit expires on August 1, 2021.

As of December 31, 2020 and 2019, there was no balance outstanding on the line of credit. Interest expense for the years ended December 31, 2020 and 2019, was \$6,875 and \$0, respectively.

Descanso Gardens Guild, Inc. Notes to Financial Statements

Note 8 – Endowments

Endowments (the “Endowment”) consist of individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions designated for endowment by the board of trustees. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation 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 Guild classifies as net assets with donor restriction (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the following factors are to be considered in making a determination to appropriate or accumulate endowment funds:

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

As of December 31, 2020 and 2019, the Guild had the following endowment net asset composition by type of fund:

December 31, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 1,887,690	\$ -	\$ 1,887,690
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	890,344	890,344
Donor-restricted term endowment	-	183,181	183,181
	\$ 1,887,690	\$ 1,073,525	\$ 2,961,215
December 31, 2019	Without Donor Restriction	With Donor Restrictions	Total
Board-designated endowment funds	\$ 1,621,106	\$ -	\$ 1,621,106
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	890,344	890,344
Donor-restricted term endowment	-	194,899	194,899
	\$ 1,621,106	\$ 1,085,243	\$ 2,706,349

Descanso Gardens Guild, Inc.

Notes to Financial Statements

Note 8 – Endowments (continued)

Investment and spending policies – Unless otherwise specified by the donors, the Guild’s spending policy for endowment funds is to transfer an amount equal to 4% of the average of the total account value as of December 31 of the preceding three years.

The Guild has adopted investment policies for endowment assets that enhance the Guild’s capabilities to execute its current mission in the short term and provide stability and institutional longevity over the very long term. Investments should be sufficiently diversified to provide total returns to achieve the preservation of capital, funding an annual transfer to support operations, protecting capital from inflation, and increasing capital while minimizing the risks inherent in market swings and economic conditions.

The asset allocation guidelines for the endowments are as follows:

	Allocation Range	Target
Equity investments	40% to 80%	65%
Fixed income securities	20% to 60%	35%
Cash and cash equivalents	0% to 5%	0%

Changes in endowment net assets for the years ended December 31, 2020 and 2019, are as follows:

Year Ended December 31, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,621,106	\$ 1,085,243	\$ 2,706,349
Investment return, net	16,924	11,226	28,150
Net unrealized gain	214,601	132,215	346,816
Appropriation of endowment assets pursuant to spending-rate policy	-	(92,100)	(92,100)
Reclassification for underwater endowments	35,059	(35,059)	-
Appropriation of endowment assets subject to passage of time – SHG term endowment	-	(28,000)	(28,000)
Endowment net assets, end of year	<u>\$ 1,887,690</u>	<u>\$ 1,073,525</u>	<u>\$ 2,961,215</u>
Year Ended December 31, 2019	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,251,110	\$ 1,076,231	\$ 2,327,341
Investment return, net	19,113	16,200	35,313
Net unrealized gain	246,828	210,068	456,896
Appropriation of endowment assets pursuant to spending-rate policy	-	(85,201)	(85,201)
Reclassification for underwater endowments	104,055	(104,055)	-
Appropriation of endowment assets subject to passage of time – SHG term endowment	-	(28,000)	(28,000)
Endowment net assets, end of year	<u>\$ 1,621,106</u>	<u>\$ 1,085,243</u>	<u>\$ 2,706,349</u>

Descanso Gardens Guild, Inc.
Notes to Financial Statements

Note 9 – Net Assets with Donor Restrictions

Net assets with donor restrictions were as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose		
Borun Nursery	\$ 194,100	\$ -
Restricted gifts <\$25K	8,841	2,500
Garden Operations	466	4,050
Front Drive	150	5,353
Arborjet	15,000	15,000
CA Natives	-	2,212
	<u>\$ 218,557</u>	<u>\$ 29,115</u>
Endowments		
Subject to the passage of time		
SHG Term Endowment	\$ 183,181	\$ 194,899
Subject to endowment spending policy and appropriation		
Permanently restricted to general endowment	890,344	890,344
Total endowments	<u>\$ 1,073,525</u>	<u>\$ 1,085,243</u>
Total net assets with donor restrictions	<u>\$ 1,292,082</u>	<u>\$ 1,114,358</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Expiration of time restrictions	\$ 28,000	\$ 28,000
Satisfaction of purpose restrictions		
Borun Nursery	10,900	-
Harvest Garden	-	982
Ahmanson Grant	-	95,800
Restricted gifts <\$25K	36,962	36,362
Garden Accessibility	-	12,310
Garden Operations	8,284	12,270
Front Drive	27,521	41,665
Water Project	-	4,828
CA Natives	2,212	4,288
ED Innovation Fund	-	26,563
	<u>113,879</u>	<u>263,068</u>
Restricted-purpose spending-rate distributions and appropriations		
Reclass	<u>127,159</u>	<u>189,256</u>
Total	<u>\$ 241,038</u>	<u>\$ 452,324</u>

Descanso Gardens Guild, Inc.

Notes to Financial Statements

Note 10 – Joint Costs of Activities that Include a Fund-Raising Appeal

The Guild produces a newsletter thrice yearly that includes programmatic and administrative information, together with a request for contributions in support of the Guild's mission. During the years ended December 31, 2020 and 2019, the costs of producing the newsletter included joint costs not directly attributable to any single function. Those costs were allocated among the following functional expense categories as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Garden stewardship and operations	\$ 35,668	\$ 23,423
Education, public programs, and gallery	11,402	23,071
Management and general	1,254	1,018
Fundraising and development	<u>3,801</u>	<u>1,344</u>
	<u>\$ 52,125</u>	<u>\$ 48,856</u>

Note 11 – Commitments

Leases – The Guild leased warehouse storage space under an operating lease agreement on a quarterly basis with payments of \$13,500. The Guild cancelled this lease in November 2019.

In December 2019, the Guild entered into a non-cancelable operating lease for storage space. The lease expires in November 2024. Future minimum lease payments under the non-cancelable operating lease are as follows:

	<u>Operating Lease</u>
Years Ending December 31,	
2021	\$ 54,520
2022	56,156
2023	57,840
2024	54,472
2025	<u>-</u>
Total	<u>\$ 222,988</u>

The Guild leased office equipment with monthly payments of \$521 through July 2020.

The Guild leases a postage meter with monthly payments of \$198 through May 2022.

The Guild leases office equipment with monthly payments of \$275 for 48 months through July 2024.

Rent expense for the years ended December 31, 2020 and 2019, was \$52,932 and \$51,184, respectively.

Descanso Gardens Guild, Inc.
Notes to Financial Statements

Note 11 – Commitments (continued)

Catering agreement – The Guild has a catering agreement that provides a third party with exclusive rights to conduct all food and beverage operations at the Gardens. The Guild receives 10% of gross sales from the café and special events and 15% of gross sales from catering events. The agreement expires in May 2025 and includes a five-year renewal option.

Note 12 – Employee Benefit Plan

The Guild sponsors the Descanso Gardens Guild Plan (the “Plan”), a defined contribution plan. The Plan covers eligible employees who meet certain eligibility requirements. Contributions to the Plan are made through elective employee deferrals and employer discretionary contributions. Employer contributions made for the years ended December 31, 2020 and 2019, were \$55,276 and \$63,420, respectively.

Note 13 – Deferred Revenue

Deferred revenues for the years ended December 31, 2020 and 2019, totaled \$1,820,199 and \$1,635,912, respectively. Included in those amounts are deferred revenues related to admissions memberships, programs, and rentals. The following table provides information about significant changes in deferred admissions and membership revenue for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Deferred admissions and membership revenue, beginning of period	\$ 1,429,419	\$ 1,245,481
Decreases in deferred revenue due to performance satisfaction	(1,239,944)	(644,742)
Increases in deferred revenue due to cash received during the period	<u>1,391,855</u>	<u>828,680</u>
Deferred admissions and membership revenue, end of period	<u>\$ 1,581,330</u>	<u>\$ 1,429,419</u>

Note 14 – COVID-19 Pandemic

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Guild is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Guild’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Guild’s customers, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact the Guild’s financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of the pandemic.

Descanso Gardens Guild, Inc.

Notes to Financial Statements

Note 15 – Paycheck Protection Program Loan

The Guild obtained a loan from a financial institution in the amount of \$636,300 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated April 28, 2020, and bears interest at a rate of 1%. The term of the loan is two years. Monthly payments begin after a 10-month deferral from the end of the 6-month covered period. The loan is subject to partial or full forgiveness and the Guild has applied for full forgiveness of the loan amount. The loan may be repaid at any time with no prepayment penalty.

The Guild accounted for the PPP loan as a conditional contribution in accordance with FASB Accounting Standards Codification (ASC) Subtopic: 958-065, *Not-for-Profit Entities: Revenue Recognition*. PPP loan proceeds in the amount of \$636,300 were recorded as a refundable advance liability when received. During the year ended December 31, 2020, the Guild recognized contributions of \$636,300 as qualifying expenses were incurred and conditions were substantially met. The Guild reported these contributions in the Statement of Activities for the year ended December 31, 2020, as grants.

Note 16 – Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. The Guild recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Guild's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

On March 8, 2021, the Guild received approval from the Small Business Administration (SBA) for the second round of PPP funding in the amount of \$636,347 under similar terms to the PPP first-round note (see Note 15). The loan matures in March 2026.

The Guild has evaluated subsequent events through May 19, 2021, which is the date the financial statements were available to be issued.