



# Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

## La Jolla Historical Society Audited Financial Statements June 30, 2020

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Members  
La Jolla Historical Society

We have audited the accompanying statement of financial position of La Jolla Historical Society as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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 U.S. generally accepted accounting principles; 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 audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit 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 entities' 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 La Jolla Historical Society as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

**Report on Summarized Comparative Information**

We have previously audited La Jolla Historical Society's June 30, 2019 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 7, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



October 21, 2020

Sonnenberg & Company, CPAs

**La Jolla Historical Society**  
**Statement of Financial Position**  
**June 30, 2020**  
(With Comparative Totals for June 30, 2019)

	2020	2019
<b>ASSETS</b>		
Cash	\$ 425,841	\$ 162,742
Investments	345,370	329,476
Contribution Receivable	-	21,737
Pledges Receivable	1,850	1,850
Other Receivables	-	22,090
Other Assets	63,062	7,028
Property and Equipment, Net	4,295,550	4,344,749
Website (Net of Amortization)	-	3,350
	<u>5,131,673</u>	<u>4,893,022</u>
TOTAL ASSETS	\$ <u>5,131,673</u>	\$ <u>4,893,022</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 1,226	\$ 13,645
Accrued Payroll and Accrued Vacation	3,400	2,737
Deferred Revenue - Membership Dues	14,631	11,522
Deferred Revenue - Prepaid Event Income	577,779	15,625
Sales Tax Payable	153	57
	<u>597,189</u>	<u>43,586</u>
TOTAL LIABILITIES	597,189	43,586
 <b>NET ASSETS</b>		
Without Donor Restrictions	4,447,274	4,806,226
With Donor Restrictions	87,210	43,210
	<u>4,534,484</u>	<u>4,849,436</u>
TOTAL NET ASSETS	4,534,484	4,849,436
TOTAL LIABILITIES AND NET ASSETS	\$ <u>5,131,673</u>	\$ <u>4,893,022</u>

See Auditor's Report and Notes to Financial Statements

**La Jolla Historical Society**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2020**  
(With Comparative Totals for the Fiscal Year Ended June 30, 2019)

	2020			2019
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Total
<b>SUPPORT AND REVENUE</b>				
Support				
Contributions	\$ 94,272	\$ 2,000	\$ 96,272	\$ 231,973
Grant Income - PPP Loan	-	44,000	44,000	1,900
Grant Income - Others	106,472	-	106,472	-
Membership	50,785	-	50,785	53,496
Program Income - Exhibits	33,474	-	33,474	59,200
Program Income - Other Events	43,581	-	43,581	875,554
Interest and Dividends	10,507	-	10,507	11,725
Realized Gains/(Losses)	1,713	-	1,713	3,047
Unrealized Gains (Losses), net of Invest. Fees	9,836	-	9,836	(219)
Other Income	-	-	-	455
Net Assets Released from Restrictions	2,000	(2,000)	-	-
Total Support	<u>352,640</u>	<u>44,000</u>	<u>396,640</u>	<u>1,237,131</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>352,640</u>	<u>44,000</u>	<u>396,640</u>	<u>1,237,131</u>
<b>EXPENSES</b>				
Program Services	590,155	-	590,155	1,098,148
Supporting Activities				
Management and General	100,901	-	100,901	104,839
Fundraising	20,536	-	20,536	20,502
<b>TOTAL EXPENSES</b>	<u>711,592</u>	<u>-</u>	<u>711,592</u>	<u>1,223,488</u>
<b>CHANGE IN NET ASSETS</b>	\$ (358,952)	\$ 44,000	\$ (314,952)	\$ 13,643
Net Assets at Beginning of Fiscal Year	<u>\$ 4,806,226</u>	<u>\$ 43,210</u>	<u>\$ 4,849,436</u>	<u>\$ 4,835,793</u>
Net Assets at End of Fiscal Year	<u>\$ 4,447,274</u>	<u>\$ 87,210</u>	<u>\$ 4,534,484</u>	<u>\$ 4,849,436</u>

See Auditor's Report and Notes to Financial Statements

**La Jolla Historical Society**  
**Statement of Functional Expenses**  
**For the Fiscal Year Ended June 30, 2020**  
(With Comparative Totals for the Fiscal Year Ended June 30, 2019)

	2020				2019
	Program Services	Management and General	Fundraising	Total	Total
<b>Personnel Expenses:</b>					
Salaries and Wages	\$ 152,950	\$ 40,787	\$ 10,197	\$ 203,933	\$ 186,515
Payroll Taxes	13,184	3,516	879	17,578	16,352
Employee Benefits	10,583	2,822	706	14,110	6,600
Workers Compensation Insurance	2,114	564	141	2,818	2,404
<b>Total Personnel Expenses</b>	<u>178,829</u>	<u>47,688</u>	<u>11,922</u>	<u>238,439</u>	<u>211,871</u>
<b>Non-Personnel Expenses:</b>					
Bad Debt	-		-	-	10,000
Credit Card Processing and Bank Fees	6,454	1,721	430	8,605	5,130
Depreciation and Amortization	39,557	10,548	2,637	52,742	49,606
Development	3,971	-	2,010	5,981	5,490
Dues and Subscriptions	2,722	-	-	2,722	2,457
Equipment Lease	5,528	1,382	-	6,910	8,279
Exhibitions	36,310	-	-	36,310	57,742
Insurance	12,283	3,275	819	16,377	15,600
License and Filing Fee	1,962	491	-	2,453	390
Marketing	2,755	-	145	2,900	6,640
Miscellaneous	428	114	29	571	785
Newsletter/Magazines	7,156	-	-	7,156	15,031
Occupancy (storage, utilities, phone, landscape)	27,500	7,333	1,833	36,667	37,187
Payroll Service	1,934	516	129	2,579	2,355
Postage and Delivery	1,817	485	121	2,423	1,651
Printing and Reproduction	221	59	15	294	4,920
Professional Fees	8,141	23,625	314	32,080	37,501
Repairs and Maintenance	10,446	2,612	-	13,058	4,070
Security	2,088	522	-	2,610	2,735
Events Expenses	238,065	-	-	238,065	737,373
Supplies	1,222	326	81	1,629	4,310
Travel	766	204	51	1,021	2,365
<b>Total Non-Personnel Expenses</b>	<u>411,326</u>	<u>53,213</u>	<u>8,614</u>	<u>473,153</u>	<u>1,011,617</u>
<b>Total Functional Expenses for FY20</b>	<u>\$ 590,155</u>	<u>\$ 100,901</u>	<u>\$ 20,536</u>	<u>\$ 711,592</u>	
<b>Total Functional Expenses for FY19</b>	<u>\$ 1,098,148</u>	<u>\$ 104,839</u>	<u>\$ 20,502</u>		<u>\$ 1,223,488</u>

See Auditor's Report and Notes to Financial Statements

**La Jolla Historical Society**  
**Statement of Cash Flow**  
**For the Fiscal Year Ended June 30, 2020**  
(With Comparative Totals for the Fiscal Year Ended June 30, 2019)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (314,952)	\$ 13,643
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	52,742	49,606
(Increase) / Decrease in Assets:		
Pledges Receivables	0	3,314
Contribution Receivable	21,737	671
Other Receivables	22,090	(10,388)
Other Assets	(56,034)	368
Increase / (Decrease) in Liabilities:		
Accounts Payable	(12,419)	135
Accrued Payroll and Accrued Vacation	663	20
Sales Tax Payable	96	(25)
Deferred Revenue - Prepaid Event Income	562,154	(22,725)
Deferred Revenue - Membership Dues	3,109	(1,001)
Net Cash Provided (Used) by Operating Activities	279,186	33,618
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Construction in Progress	-	(98,261)
Sale of Investments	95,395	112,878
Purchase of Investments	(100,975)	(110,579)
Reinvestment of Interest and Dividends	(10,507)	(11,725)
Net Cash Provided (Used) by Investing Activities	(16,087)	(107,687)
Net Increase(Decrease) in Cash	263,099	(74,069)
Cash at the Beginning of the Year	162,742	236,811
Cash at the End of the Year	\$ 425,841	\$ 162,742

See Auditor's Report and Notes to Financial Statements

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**Year Ended June 30, 2020**

**Note 1.      Organization**

Organization and Nature of Activities

The La Jolla Historical Society (the Society) is dedicated to the discovery, collection and preservation of La Jolla's heritage. Through our collections, programs and advocacy, we carry out our mission by discovering, recording and sharing La Jolla's history; preserving La Jolla's historical objects, sites and structures; increasing community awareness of the value of our heritage.

**Note 2.      Summary of Significant Accounting Policies**

Basis of Presentation

The Society's financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles and the AICPA Accounting and Auditing Guide for Not-for-Profit Entities.

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. These result from revenues generated by receiving unrestricted contribution, and providing services less expenses incurred in providing program-related services and performing administrative functions.

*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. Donor-imposed 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

Cash and cash equivalents consist primarily of certificates of deposits and other securities with original maturities of 90 days or less. Securities with original maturities over 90 days are generally classified as short-term investments. There were no cash equivalents in the year ended June 30, 2020.



**La Jolla Historical Society**  
**Notes to Financial Statements**  
**Year Ended June 30, 2020**

**Note 2.        Summary of Significant Accounting Policies (continued)**

Unconditional Promises to Give/Pledge Receivables

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Investments

The Society records investment purchases at cost, or if donated, at fair on the date of donation. Therefore, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. All donor -restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Allowance for Doubtful Accounts

Contribution receivable are reimbursements from governmental for the services provided fully collectible; therefore, no allowance for uncollectible accounts was recorded as of June 30, 2020. Other receivables are services provided to customers. No allowance was recorded on June 30, 2020.

Donated Materials and Services

The estimated fair market value of donated goods, if any, is recorded in the financial statements. In conformance with U.S. generally accepted accounting principles, the Society accounts for donated services at fair market value in the financial statements when and if such services create or enhance nonfinancial assets or require specialized professional skills, and would need to be purchased if not donated.

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**Year Ended June 30, 2020**

**Note 2.      Summary of Significant Accounting Policies (continued)**

Collections

Collection items acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as decreases in net assets without donor restrictions if purchased with unrestricted assets and as decreases in net assets with donor restrictions if purchased with donor-restricted assets. Contributions of collection items are not recognized in the Statement of Activities. Proceeds from deaccessions or insurance recoveries are reflected on the Statement of Activities based on the absence or existence and nature of donor-imposed restrictions.

Accrued Vacation

Employees of the Society are entitled to accrued vacation depending on the length of service and other factors. As of June 30, 2020, the liability for accrued vacation is \$3,400. The Society's policy is to record sick leave as an operation expense when taken, since such benefits do not vest, and payment is not probable.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value should be based on assumptions that market participants would use, including a consideration of non-performance risk. Management assesses the inputs used to measure fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs are quoted market prices for identical instruments in an active market that the entity has the ability to access and are the most observable. Level 2 inputs include quoted market prices for similar assets and observable inputs such as interest rates, currency exchange rates, commodity rates, and yield curves. Level 3 inputs are not observable in the market and include management's judgments about the assumptions market participants would use in pricing the asset or liability. All of the Society's investments are Level 1 inputs.

Functional Allocation of Expenses

Costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses and fund-raising expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction the Society.

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**Year Ended June 30, 2020**

**Note 2.      Summary of Significant Accounting Policies (continued)**

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncement

The Society adopted Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 605) and ASU No. 2014-09 Revenue from Contracts with Customers (Topic 606). Analysis of various provisions of these updates resulted in no significant changes in the way the Society recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Reclassifications

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

Income Tax Status

The Society is a California not-for-profit corporation exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California State Tax Code 23701(d). The Society evaluated its tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist. The Society's tax returns are subject to examination by Federal taxing authorities for a period of three years from the date they are filed and a period of four years for California taxing authorities.

Comparative Totals

The comparative information shown for the previous year is included to provide a basis for comparison and presents summarized totals only. Such information does not include sufficient detail to constitute a presentation in conformity with U. S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**Year Ended June 30, 2020**

**Note 3. Concentration of Risk and Uncertainty:**

The Society maintains bank accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Society's cash balance occasionally exceeded the FDIC limit during the fiscal year. The Society has not experienced any losses in such accounts. The Society maintains its investments at Merrill Lynch. The Society's management deems its funds not to be at significant risk.

**Note 4. Investments:**

Investments at June 30, 2020 are comprised of the following:

	Fair Value	Cost Basis
Cash and Money Funds	\$ 12,971	\$ 12,971
Mutual Funds	332,399	300,578
Total	\$ 345,370	\$ 313,549

The following schedule summarizes the investment return in its classification in the statement of activities for the year ended June 30, 2020.

	Amount
Interest and dividend income	\$ 10,507
Realized Gains (Losses)	1,713
Unrealized Gains and (Losses), net of Invest. Fee \$4,496	9,836
Total Investment Income	\$ 22,056

**Note 5. Pledges Receivable/Unconditional Promises to Give:**

Pledges are recognized when the donor makes an unconditional pledge to the Society. Pledges that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year which the pledges are recognized. All other donor-restricted pledges are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**Year Ended June 30, 2020**

**Note 6.      Property and Equipment:**

Property and equipment are capitalized at cost. It is the Society's policy to capitalize expenditures for these items in excess of \$2,000. Lesser amounts are expensed. Buildings are being depreciated over estimated useful lives of 40 years using a straight-line method, with a half year's depreciation recognized in the years of acquisition and disposal. All other capitalized property and equipment (with the exception of land), is being depreciated over estimated useful lives of 5 to 15 years using a straight-line method, with a half of year's depreciation recognized in the years of acquisition and disposal.

At June 30, 2020 Property and Equipment consisted of:

	Balance July 1, 2019	Additions	Deletions/Adj	Balance June 30, 2020
<b>Non-depreciable PP&amp;E</b>				
Land	\$2,970,600	\$ -	\$ -	\$ 2,970,600
Construction in Progress	-	-	-	-
<b>Total Non-depreciable PP&amp;E</b>	<b>2,970,600</b>	<b>-</b>	<b>-</b>	<b>2,970,600</b>
<b>Depreciable PP&amp;E</b>				
Buildings and Structures	1,424,594	-	-	1,424,594
Furniture and Equipment	122,193	-	-	122,193
Landscape Structures	161,030	-	-	161,030
<b>Total Depreciable PP&amp;E</b>	<b>1,707,817</b>	<b>-</b>	<b>-</b>	<b>1,707,817</b>
<b>Less Accumulated Depreciation</b>	<b>(333,667)</b>	<b>(49,199)</b>	<b>-</b>	<b>(382,866)</b>
<b>Net Depreciable PP&amp;E</b>	<b>1,374,149</b>	<b>(49,199)</b>	<b>-</b>	<b>1,324,951</b>
<b>PPE, Net</b>	<b>\$4,344,749</b>	<b>\$ (49,199)</b>	<b>\$ -</b>	<b>\$ 4,295,550</b>

**La Jolla Historical Society  
Notes to Financial Statements  
Year Ended June 30, 2020**

**Note 7. Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject o Expenditure for Specified Purpose:	
Survey Fund	\$ 21,250
Oral History	21,774
Archive Collection	186
PPP Loan	44,000
Total Net Assets with Donor Restrictions	\$ 87,210

**Note 8. IRA Retirement Plan:**

The Society maintains an IRA retirement plan covering all employees who meet the plan’s eligibility requirements. Under the plan, voluntary contributions may be made by participants. No contributions from the Society were made to the plan for the year ended June 30, 2020.

**Note 9. Government Grants**

In the year ended June 30, 2020, the Society received \$78,922 in City of San Diego Organizational Support Program (OSP) funding within the Arts, Culture and Community Festivals program category to enhance the economy and contribute to San Diego’s reputation as a cultural destination.

**Note 10. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial Assets at Year End

Cash	\$ 425,841
Investment	345,370
Accounts Receivable	1,850
Total Financial Assets	773,061
Funds Subject to Donor Imposed Restrictions	(87,210)
Financial Assets Available to Meet General Expenditure Within One Year	\$ 685,851

**La Jolla Historical Society**  
**Notes to Financial Statements**  
**Year Ended June 30, 2020**

**Note 10.      Liquidity and Availability (continued)**

As part of Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**Note 11.      Functionalized Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses required allocation on a reasonable basis that is consistently applied. The expense that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, insurance, and other, which are allocated on the basis estimated of time and efforts.

**Note 12.      Commitments and Contingencies:**

The Society entered into service agreements with various vendors. Future minimum payments are totaling \$260,000.

**Note 13.      Subsequent Events**

The Society has evaluated subsequent events through October 21, 2020, the date the financial statements were available to be issued.

The spread of a novel strain of Coronavirus (COVID-19) has caused a substantial impact on the U.S. economy. To help minimize the potential impact of the pandemic, the Society obtained a forgivable loan in April from the federal Paycheck Protection Program in the amount of \$44,000. The Society expects to satisfy all conditions for the forgiveness of the loan. The Society's two major events originally scheduled in Spring 2020 were canceled and rescheduled in fiscal year 2021 and were the largest contributor to the fiscal year 2020 operating deficit. The cancellation of these events was partially offset by various generous donors and sponsors who did not request refunds but instead prepaid for the 2021 events. There is significant uncertainty around the effects and duration of business interruption related to COVID-19, but the Society expects the recovery to be uneven and protracted, with fluctuating impacts on programs and operations. As a result, the Society anticipates a business environment of uncertainty and financial constraint.