

**THE LIVING DESERT**  
**Financial Statements**  
**Year ended June 30, 2024**  
**(With Independent Auditor's Report Thereon)**

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**THE LIVING DESERT**  
**Financial Statements**  
**Year ended June 30, 2024**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	8
Notes to the Financial Statements	9

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## **Independent Auditor’s Report**

Board of Directors  
The Living Desert  
Palm Desert, California

### **Opinion**

We have audited the financial statements of The Living Desert (the “Organization”), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, 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 Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern for one year after the date that the financial statements are issued.

### **Auditor’s Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s 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 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 the Organization'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, 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.

### **Report on Summarized Comparative Information**

We have previously audited the Organization's June 30, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 12, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Dawn Furr LLP*

Irvine, California  
October 11, 2024

**THE LIVING DESERT**

**Statement of Financial Position**

**June 30, 2024  
(with comparative totals for June 30, 2023)**

<u>Assets</u>	<u>2024</u>	<u>2023</u>
Current assets:		
Cash and cash equivalents (note 2b)	\$ 15,832,369	10,734,920
Investments (note 3)	63,382,068	68,149,212
Current pledges receivable, net (note 4)	2,021,729	2,702,795
Other receivables	831,370	434,136
Prepaid expenses	274,923	492,673
Inventory	83,671	-
Right-of-use assets - operating leases, net (note 8)	<u>10,932</u>	<u>10,932</u>
 Total current assets	 <u>82,437,062</u>	 <u>82,524,668</u>
Non-current assets:		
Non-current pledges receivable, net (note 4)	3,292,557	4,590,195
Loans receivable (note 6)	3,401,022	2,222,633
Right-of-use assets - operating leases, net (note 8)	27,334	38,266
Land, buildings and equipment, net (note 7)	<u>67,010,761</u>	<u>55,348,796</u>
 Total non-current assets	 <u>73,731,674</u>	 <u>62,199,890</u>
 Total assets	 <u>\$ 156,168,736</u>	 <u>144,724,558</u>
Current liabilities:		
Accounts payable	\$ 672,144	2,055,942
Accrued expenses	1,350,991	1,629,067
Unearned revenue and deposits (note 2j)	1,536,501	1,534,852
Lease liability, current portion (note 8)	<u>10,982</u>	<u>10,859</u>
 Total current liabilities	 <u>3,570,618</u>	 <u>5,230,720</u>
Non-current liabilities		
Lease liability, net of current portion (note 8)	<u>27,576</u>	<u>38,432</u>
 Total non-current liabilities	 <u>27,576</u>	 <u>38,432</u>
 Total liabilities	 <u>3,598,194</u>	 <u>5,269,152</u>
Net assets:		
Without donor restrictions	96,743,680	84,231,587
With donor restrictions (note 11)	<u>55,826,862</u>	<u>55,223,819</u>
 Total net assets	 <u>152,570,542</u>	 <u>139,455,406</u>
 Total liabilities and net assets	 <u>\$ 156,168,736</u>	 <u>144,724,558</u>

See accompanying notes to the financial statements

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**THE LIVING DESERT**

**Statement of Activities**

**Year ended June 30, 2024  
(with comparative totals for the year ended June 30, 2023)**

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2024	2023
Support and revenue:				
Program revenues:				
Park admissions	\$ 11,286,004	-	11,286,004	9,330,123
Memberships	2,561,589	-	2,561,589	2,762,881
Food and retail concessions	773,086	-	773,086	852,859
Park services and rentals	1,861,004	-	1,861,004	1,772,866
Education programs	118,404	-	118,404	93,436
	<u>16,600,087</u>	<u>-</u>	<u>16,600,087</u>	<u>14,812,165</u>
Subtotal program revenues				
Food and beverage sales	1,346,574	-	1,346,574	-
Less: cost of good sold	(325,868)	-	(325,868)	-
	<u>1,020,706</u>	<u>-</u>	<u>1,020,706</u>	<u>-</u>
Subtotal food and beverage				
Total program revenues	<u>17,620,793</u>	<u>-</u>	<u>17,620,793</u>	<u>14,812,165</u>
Other support:				
Contributions	3,773,600	4,734,548	8,508,148	11,542,128
Special events, net of direct expenses (notes 2m and 9)	2,016,571	-	2,016,571	2,381,216
In-kind contributions	28,593	-	28,593	32,598
Lease income (note 8)	397,968	-	397,968	384,567
Investment income (loss), net (note 3)	9,893,037	-	9,893,037	9,194,407
Endowment assets permanently restricted	(151,293)	151,293	-	-
Net assets released from restrictions	4,282,798	(4,282,798)	-	-
	<u>20,241,274</u>	<u>603,043</u>	<u>20,844,317</u>	<u>23,534,916</u>
Total other support				
Total support and revenues	<u>37,862,067</u>	<u>603,043</u>	<u>38,465,110</u>	<u>38,347,081</u>
Expenses:				
Program services:				
Zoological	8,155,670	-	8,155,670	6,489,632
Botanical	1,285,594	-	1,285,594	1,022,318
Education	2,379,203	-	2,379,203	1,802,213
Conservation	2,240,964	-	2,240,964	3,051,555
Memberships and park services	6,461,810	-	6,461,810	4,288,791
Marketing, advertising and public relations	1,870,723	-	1,870,723	1,337,859
	<u>22,393,964</u>	<u>-</u>	<u>22,393,964</u>	<u>17,992,368</u>
Total program services expenses				
Supporting services:				
Management and general	892,269	-	892,269	760,812
Fundraising	2,063,741	-	2,063,741	1,609,622
	<u>2,956,010</u>	<u>-</u>	<u>2,956,010</u>	<u>2,370,434</u>
Total supporting services expenses				
Total expenses	<u>25,349,974</u>	<u>-</u>	<u>25,349,974</u>	<u>20,362,802</u>
Change in net assets	12,512,093	603,043	13,115,136	17,984,279
Net assets at beginning of year	<u>84,231,587</u>	<u>55,223,819</u>	<u>139,455,406</u>	<u>121,471,127</u>
Net assets at end of year	<u>\$ 96,743,680</u>	<u>55,826,862</u>	<u>152,570,542</u>	<u>139,455,406</u>

See accompanying notes to the financial statements

**THE LIVING DESERT**

**Statement of Functional Expenses**

**Year ended June 30, 2024  
(with comparative totals for year ended June 30, 2023)**

	Program Services				Membership/ Park Services
	Zoological	Botanical	Education	Conservation	
Salaries and wages	\$ 3,252,744	587,253	1,277,216	977,995	2,766,420
Employee benefits	327,213	69,791	84,927	80,697	198,609
Payroll taxes	<u>255,781</u>	<u>46,671</u>	<u>95,877</u>	<u>71,100</u>	<u>218,850</u>
Subtotal	3,835,738	703,715	1,458,020	1,129,792	3,183,879
Repairs and maintenance	299,098	111,184	159,208	41,817	241,781
Professional fees and contracts	504,066	38,007	126,239	120,351	525,386
Office supplies	4,098	351	4,631	735	9,320
Equipment	251,705	35,529	30,517	41,403	268,398
Training and travel	75,514	3,658	35,536	56,745	39,053
Administrative expenses	32,132	5,670	15,119	7,436	58,320
Printing and postage	25,216	1,207	7,618	40,813	96,890
Park supplies	698,756	23,967	38,763	27,589	111,883
Insurance	117,058	6,626	22,086	2,209	66,259
Advertising	228	157	892	10,044	1,092
In-kind expenses	17,001	660	1,950	900	5,161
Utilities	343,310	226,622	65,539	69,856	300,824
Depreciation	1,778,402	100,664	335,548	33,555	1,006,641
Amortization	3,037	514	934	701	4,018
Miscellaneous costs	138,003	25,234	70,507	656,408	524,617
Loss on disposal	<u>32,308</u>	<u>1,829</u>	<u>6,096</u>	<u>610</u>	<u>18,288</u>
Total expenses	<u>\$ 8,155,670</u>	<u>1,285,594</u>	<u>2,379,203</u>	<u>2,240,964</u>	<u>6,461,810</u>

See accompanying notes to the financial statements

Program Services		Supporting Services			Totals	
Advertising/ Public Relations	Subtotal	Management and General	Fundraising	Subtotal	2024	2023
605,696	9,467,324	594,433	1,257,143	1,851,576	11,318,900	9,065,520
38,261	799,498	53,331	68,810	122,141	921,639	813,698
45,911	734,190	38,432	85,365	123,797	857,987	614,888
689,868	11,001,012	686,196	1,411,318	2,097,514	13,098,526	10,494,106
16,707	869,795	13,569	37,011	50,580	920,375	951,967
295,276	1,609,325	54,209	255,911	310,120	1,919,445	1,536,952
1,505	20,640	1,828	3,057	4,885	25,525	36,177
37,340	664,892	10,636	17,083	27,719	692,611	312,245
6,414	216,920	7,094	35,220	42,314	259,234	252,020
2,625	121,302	6,848	6,024	12,872	134,174	87,811
89,965	261,709	2,360	63,034	65,394	327,103	357,871
4,609	905,567	1,594	12,994	14,588	920,155	733,027
2,209	216,447	2,209	2,208	4,417	220,864	201,903
638,160	650,573	35	5,792	5,827	656,400	577,228
540	26,212	720	1,661	2,381	28,593	32,598
31,575	1,037,726	40,899	53,135	94,034	1,131,760	1,120,019
33,555	3,288,365	33,555	33,555	67,110	3,355,475	3,099,291
420	9,624	561	747	1,308	10,932	5,466
19,345	1,434,114	29,346	124,880	154,226	1,588,340	562,798
610	59,741	610	111	721	60,462	1,323
<u>1,870,723</u>	<u>22,393,964</u>	<u>892,269</u>	<u>2,063,741</u>	<u>2,956,010</u>	<u>25,349,974</u>	<u>20,362,802</u>

See accompanying notes to the financial statements

**THE LIVING DESERT**

**Statement of Cash Flows**

**Year ended June 30, 2024  
(with comparative totals for the year ended June 30, 2023)**

	2024	2023
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 13,115,136	17,984,279
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	3,355,475	3,099,291
Amortization	10,932	(49,198)
Unrealized and realized (gain) loss on investments	1,055,143	(7,808,578)
Loss on sale of fixed assets	60,959	-
(Increase) decrease in pledges receivable	1,978,704	(1,915,378)
(Increase) decrease in other receivable	(397,234)	(64,986)
(Increase) decrease in prepaid expenses	217,750	847,122
(Increase) decrease in inventory	(83,671)	-
(Increase) decrease in loans receivable	(1,178,389)	(1,133,787)
Increase (decrease) in accounts payable	(1,383,798)	100,684
Increase (decrease) in accrued expenses	(278,076)	(1,096,154)
Increase (decrease) in unearned revenue	1,649	(124,870)
Increase (decrease) in lease liability	(10,733)	49,291
	<u>16,463,847</u>	<u>9,887,716</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of fixed assets	(15,078,399)	(12,910,222)
Purchase of investments	(34,629,200)	(23,682,105)
Proceeds from sale of investments	38,341,201	27,710,209
	<u>(11,366,398)</u>	<u>(8,882,118)</u>
Net cash flows provided (used) by investing activities		
Net increase (decrease) in cash and cash equivalents	5,097,449	1,005,598
Cash and cash equivalents at beginning of year	<u>10,734,920</u>	<u>9,729,322</u>
Cash and cash equivalents at end of year	<u>\$ 15,832,369</u>	<u>10,734,920</u>

There were no significant non-cash capital and financing activities for the year ended June 30, 2024.

See accompanying notes to the financial statements

# THE LIVING DESERT

## Notes to the Financial Statements

Year ended June 30, 2024

### (1) Nature of Organization

The Living Desert (the "Organization") was incorporated in the State of California in April 1978 as a nonprofit corporation under section 501(c)(3) of the Internal Revenue Code and is located in Palm Desert, California. The specific and primary purpose was to establish a corporation to receive and acquire assets, consisting of real and personal property, and subsequently receive, to operate, control and use of said assets for the following purposes:

- To save, protect and conserve areas of open desert;
- To promote experience, interpretation and understanding of the ecology of the desert;
- To engage in conservation activities through preservation breeding of threatened or endangered species of desert animals and plants; and
- To conduct conservation research in the care and husbandry of desert animals that will aid in the conservation of natural desert ecosystems.

In April 2015, the Articles of Incorporation were amended to reflect the Organization as a California non-profit public corporation.

During the summer of 2023, the Organization's retail store was refurbished by a new vendor, who brought in different merchandise and marketing concepts. On January 9, 2024, the Organization assumed operations of all events and the food and beverage operations.

### (2) Summary of Significant Accounting Policies

#### (a) Financial Statement Presentation

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

#### Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

**THE LIVING DESERT**  
**Notes to the Financial Statements**  
**(Continued)**

**(2) Summary of Significant Accounting Policies (Continued)**

Net Assets with Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

The Organization's unspent contributions are included in this class if the donor limited their use. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

(b) Cash and Cash Equivalents

The Organization considers cash, demand deposits and money market funds to be cash and cash equivalents. The following items on the Statement of Financial Position were considered cash and cash equivalents for purposes of the Statement of Cash Flows as of June 30, 2024:

Petty cash	\$ 13,497
Demand deposits	<u>16,153,401</u>
Total cash and cash equivalents	<u>\$16,166,898</u>

These accounts may, at times, exceed federally insured limits as determined by the Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents. As of June 30, 2024, cash held in excess of FDIC limits was \$10,017,237.

(c) Investments

The Organization's investments are carried at fair value using quoted market prices with gains and losses included in the Statement of Activities. Investments include certificates of deposit, equities, U.S. government bonds and corporate bonds. The funds are subject to gains or losses of principal based on fluctuations in market prices. Investment income from permanently restricted investments is reported as unrestricted income.

## THE LIVING DESERT

### Notes to the Financial Statements

(Continued)

#### (2) Summary of Significant Accounting Policies (Continued)

##### (d) Fair Value Measurements

Accounting Standards Codification (ASC) 820, Fair Value Measurements (ASC 820), defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Organization accounts for its investments under ASC 820. The Statement establishes a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and the Organization's assumptions (unobservable inputs). Determining where an asset or liability falls within that hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. An adjustment to the pricing method used within either Level 1 or Level 2 inputs could generate a fair value measurement that effectively falls in a lower level in the hierarchy.

The hierarchy consists of three broad levels as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by several factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the Organization's financial statements.

# THE LIVING DESERT

## Notes to the Financial Statements

(Continued)

### (2) Summary of Significant Accounting Policies (Continued)

(e) Pledges Receivable

Pledges are recorded as receivables and recognized as revenue in the year the pledge is made. Pledges greater than one year are discounted using an average of an unsecured borrowing rate for individuals with excellent credit and the 3-year U.S. Treasury Note yield as of the end of the fiscal year. The discount rate as of June 30, 2024 was 5.76%.

(f) Property and Equipment

Property and equipment are recorded at cost, or in the case of donated items, at estimated fair market value at the date of the gift. Maintenance and repairs are expensed when incurred and betterments are capitalized. Property and equipment are depreciated using the straight-line method over their estimated useful lives of five to thirty years. It is the policy of the Organization to capitalize all assets \$35,000 and greater.

(g) Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

(h) In-Kind Contributions

Contributions with donor-imposed restrictions are reported as temporarily or permanently restricted support. Net assets with donor restrictions are reclassified to net assets without donor restrictions when an expense is incurred that satisfies the donor-imposed restriction or when a time restriction has been met.

The Organization is a beneficiary in several donors' wills. Contributions from bequests are recognized as contributions receivable when the probate court declares that the will is valid, and the Organization has an irrevocable right to the bequest.



**THE LIVING DESERT**  
**Notes to the Financial Statements**  
**(Continued)**

**(2) Summary of Significant Accounting Policies (Continued)**

Contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, are purchased by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements. Donated services with an estimated fair value of \$4,074 met those criteria and are included in in-kind contributions in the Statement of Activities. Those services were primarily marketing services used to promote the special events held at the Organization.

The Organization has a core group of volunteers who assist guests within the park, and educates them with animal, plant and conservation messaging. Some volunteers serve on the Board of Trustees and/or as members of advisory committees. For the year ended June 30, 2024, the number of volunteers was 638. The value of these volunteer hours is not recorded in the financials.

(i) Collections

Collections of animals, plants and works of art are not capitalized by the Organization.

(j) Membership Dues

Membership dues are reported as income when earned. Amounts received or billed in advance, but not earned, are reported as unearned revenue. As of June 30, 2024, unearned revenue was \$1,536,501.

(k) Income Taxes

The Organization is exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the State Revenue and Taxation Code.

The Organization's federal Return of Organization Exempt from Income Tax (Form 990) and Return of Organization Exempt from Business Income Tax (Form 990-T) for the last three fiscal years are subject to IRS examination. The Organization's Form 199, California Exempt Organization Annual Information Return, is subject to examination by state taxing authorities, generally for four years after they are filed. As of the date of this report, the Organization's returns covering the fiscal year ended June 30, 2024 had not yet been filed.

(l) Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants.

# THE LIVING DESERT

## Notes to the Financial Statements

(Continued)

### (2) Summary of Significant Accounting Policies (Continued)

#### (m) Expense Recognition and Allocation

The cost of providing the Organization's programs is summarized on a functional basis in the Statement of Functional Expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Professional fees, repairs and maintenance and other such expenses are allocated based on facility and maintenance activity.
- Other general expenses are allocated based on the program activity.

#### (n) Advertising Costs

Advertising costs are expensed as incurred by the Organization. Total advertising costs for the year ended June 30, 2024 were \$776,184, consisting of \$656,400 included on the Statement of Functional Expenses and \$119,784 of marketing costs included as a component of net special events costs.

#### (o) Endowments

The Organization's endowment consists of funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, 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. The Board of Trustees 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 Organization classifies net assets with donor restrictions as follows:

- The original value of gifts donated to the permanent endowment;
- The original value of subsequent gifts to the permanent endowment; or

# THE LIVING DESERT

## Notes to the Financial Statements

(Continued)

### (2) Summary of Significant Accounting Policies (Continued)

- Accumulations to the permanent 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 Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) the duration and preservation of the various funds; (2) the purposes of the donor-restricted funds; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Organization; and (7) the Organization's investment policies.

#### (p) Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of approximately 5%, while growing the funds if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

#### (q) Spending Policy

The Organization has a policy of distributing up to 5% of the past three years average value of the endowment balance over the following fiscal year. The Organization considers the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, some of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation.

#### (r) 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. However, management anticipates any variances to be immaterial.

**THE LIVING DESERT**  
**Notes to the Financial Statements**  
**(Continued)**

**(2) Summary of Significant Accounting Policies (Continued)**

(s) Prior Data

Selected information regarding the prior year has been included in the accompanying financial statements. Certain reclassifications have been made to prior year amounts to conform to the current year presentation. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's prior year financial statements, from which this selected financial data was derived.

**(3) Investments**

The following table presents investments recorded at fair value as of June 30, 2024 and indicates the fair value hierarchy of the valuation techniques used to measure fair value as described in 2(d).

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate bonds	\$ 14,771,252	-	14,771,252	-
Equities	<u>48,610,816</u>	<u>48,610,816</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 63,382,068</u>	<u>48,610,816</u>	<u>14,771,252</u>	<u>-</u>

Investment income for the year ended June 30, 2024, consisted of the following:

	<u>Without Donor Restrictions</u>
Interest and dividend income	\$ 1,455,754
Unrealized gains	(2,846,407)
Realized gains (losses)	11,476,861
Investment fees	<u>(193,171)</u>
Total investment income	<u>\$ 9,893,037</u>

**THE LIVING DESERT**

**Notes to the Financial Statements**

**(Continued)**

**(4) Pledges Receivable**

Pledges receivable as of June 30, 2024 were as follows:

Pledges receivable	\$ 5,627,346
Less amortized discount	(295,120)
Allowance for doubtful pledges	<u>(17,940)</u>
Net pledges receivable	<u>\$ 5,314,286</u>

Pledges receivable are due as follows:

Less than one year	\$ 2,021,729
One to five years	3,596,617
More than five years	<u>9,000</u>
Pledges receivable	<u>\$ 5,627,346</u>

Changes in pledges receivable for the year ended June 30, 2024 were as follows:

Pledges receivable at beginning of year	\$ 7,292,990
New pledges	1,463,700
Payments received	(3,645,955)
Write-offs	(242,300)
Change in present value	<u>445,851</u>
Pledges receivable at end of year	<u>\$ 5,314,286</u>

**(5) Intentions to Give**

The Organization has received indications of gifts in the form of irrevocable bequests where it is unable to estimate the amount of the receivable and bequests, which are revocable during the donors' lifetime. Due to the uncertain nature of these intentions, as of June 30, 2024 the Organization has not recognized an asset or contribution for these intentions to give.

## THE LIVING DESERT

### Notes to the Financial Statements

(Continued)

#### (6) Loans Receivable

On December 1, 2021, as part of an executive compensation program with four executives, the Organization entered into collateral split dollar life insurance arrangements with each executive and issued a loan receivable with full recourse to the executives. The policies were funded by the Organization with an initial premium payment of \$1,078,571. The Organization pays the premiums on the policies which in turn creates loans to the executives. In accordance with Internal Revenue Service regulations, interest on the note receivable is fixed and charged at the long-term Applicable Federal Rate commencing on the date the note receivable is funded, which was 1.90%. The premiums are paid over a period ranging from 7 to 15 years. Upon the death of the executive, the proceeds of the life insurance are first paid to the Organization as repayment of the loan, then any excess proceeds are paid to the executive's beneficiary(ies). Should the executive terminate prior to fully funding the policy and the cash surrender value is not sufficient to repay the loan, then the employee will be responsible for any shortfall in the repayment of the loan unless the Organization chooses to continue making payments. During the year ended June 30, 2023, one of the executives terminated and the Organization chose to continue making payments as it is beneficial to the Organization. As of June 30, 2024, the following are associated with the split dollar loan regime agreements:

Loans receivable	\$ 3,301,205
Accrued interest	<u>99,817</u>
Total loans receivable	<u>\$ 3,401,022</u>
Cash surrender value of policies	<u>\$ 1,924,404</u>

Premiums due in future years associated with the split dollar loan regime life insurance are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2025	\$ 1,078,571
2026	1,078,571
2027	1,078,571
2028	1,078,571
2029	150,000
Thereafter	<u>1,050,000</u>
Total	<u>\$ 5,514,284</u>

**THE LIVING DESERT**  
**Notes to the Financial Statements**  
**(Continued)**

**(7) Land, Buildings and Equipment**

Land, buildings and equipment as of June 30, 2024 is as follows:

	<u>Estimated Useful Life</u>	<u>Amount</u>
Land	n/a	\$ 91,373
Construction in progress	n/a	13,097,486
Buildings	30 years	36,578,803
Park improvements	20 years	15,617,767
Habitats	20 years	29,069,273
Equipment, furniture, and fixtures	5 to 10 years	5,704,855
Software	5 years	<u>292,116</u>
Total capital assets		100,451,673
Less accumulated depreciation		<u>(33,440,912)</u>
Net property and equipment		<u>\$ 67,010,761</u>

Depreciation expense was \$3,355,475 for the year ended June 30, 2024.

**(8) Operating Leases**

On January 1, 1971, the Organization entered into a 50-year operating lease with the Coachella Valley Water District to lease land. Lease payments are \$1 per year. On October 11, 2002, the lease was amended to extend the lease term for an additional 25 years through December 31, 2045.

On December 22, 2011, the Organization entered into a 5-year operating lease to allow a mobile telephone service provider space for storing, maintaining and operating cellular communication facilities at the Organization. On July 1, 2019, the lease was amended to extend the lease term through June 30, 2024 and has 7 automatic extensions of 5 years each. Monthly rent for this lease is \$2,550 with a 15% increase every 5 years.

The Organization entered into two sublease agreements with a private corporation in November 1992 to sublease portions of the land. These subleases expire in December 2045 and January 2082 and contain monthly rent of \$19,577 and \$9,789, respectively. The Organization received \$397,968 under the two sublease agreements for the year ended June 30, 2024. The monthly rent is adjusted annually based on the Consumer Price Index. As of June 30, 2024, minimum future rental income is as follows:

**THE LIVING DESERT**

**Notes to the Financial Statements**

**(Continued)**

**(8) Operating Leases (Continued)**

<u>Fiscal Year Ending June 30</u>	<u>Minimum Future Rental Income</u>
2025	387,216
2026	387,216
2027	387,216
2028	387,216
2029	387,216
Thereafter	<u>11,487,408</u>
Total	<u>\$ 13,423,488</u>

The Organization has one lease that meets the requirement of ASU No. 2016-02. On September 27, 2022, the Organization entered into an operating lease for the use of copy machines. The lease expires on December 31, 2027. The Organization includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The Organization elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable.

Minimum required future lease payments as of June 30, 2024 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Minimum Future Lease Payments</u>
2025	\$ 11,244
2026	11,244
2027	11,244
2028	<u>5,625</u>
Total lease payments	39,357
Less interest	<u>(799)</u>
Present value of lease liabilities	<u>\$ 38,558</u>

The right-of-use asset, net of \$16,398 of accumulated amortization, is \$38,266 as of June 30, 2024.



**THE LIVING DESERT**

**Notes to the Financial Statements**

**(Continued)**

**(9) Special Events**

The Organization hosts a variety of special events throughout the year. The revenue and expenses related to these special events were:

<u>Special Event</u>	<u>Revenue</u>	<u>Direct Expenses</u>	<u>Special Events, Net</u>
GLOW in the Park	\$ 1,412,103	(1,063,156)	348,947
Gala	1,593,037	(654,168)	938,869
Wildlights	1,264,529	(473,259)	791,270
Other events	<u>12,260</u>	<u>(74,775)</u>	<u>(62,515)</u>
Totals	<u>\$ 4,281,929</u>	<u>(2,265,358)</u>	<u>2,016,571</u>

**(10) Liquidity and Availability**

Financial assets available for general expenses, that is, without donor or other restrictions limiting their use, within one year of June 30, 2024 are as follows:

Financial assets:	
Cash and cash equivalents	\$ 16,166,898
Pledges receivable, net	5,314,286
Investments	63,047,539
Other receivables	831,370
Loans receivable	<u>3,401,022</u>
Total financial assets	88,761,115
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets	(10,074,038)
Donor-restricted endowment	(40,439,261)
Less financial assets not available within one year:	
Pledges receivable	(3,292,557)
Loans receivable	(3,401,022)
Less earnings on donor restricted endowments	(21,294,048)
Less Board-designated endowment	<u>(5,562,970)</u>
Financial assets available for general expenses within one year	<u>\$ 4,697,219</u>

**THE LIVING DESERT**

**Notes to the Financial Statements**

**(Continued)**

**(10) Liquidity and Availability (Continued)**

The above table reflects donor-restricted and Board-designated endowment funds as unavailable because it is the Organization’s intention to invest those resources for the long-term support of the Organization. However, in the case of need, the Board could appropriate resources from the earnings and corpus of the Board designated endowment fund and the earnings on donor restricted endowments. Note 12 provides more information about those funds and Note 2 provides information about the spending policies of all endowment funds.

**(11) Net Assets with Donor Restrictions**

Net assets with donor restrictions consisted of the following as of June 30, 2024:

Purpose restrictions, available for spending:	
Capital construction	\$ 10,073,315
Time restricted, available for spending:	
General donors	5,314,286
Endowment funds, which must be appropriated by the Board before use:	
Endowment donors	<u>40,439,261</u>
Total net assets with donor restrictions	<u>\$ 55,826,862</u>

**(12) Endowments**

Endowment net asset composition by type of fund as of June 30, 2024 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Donor-restricted	\$ -	40,439,261	40,439,261
Board-designated	5,562,970	-	5,562,970
Earnings on donor restricted endowment	<u>21,294,048</u>	<u>-</u>	<u>21,294,048</u>
Totals	<u>\$26,857,018</u>	<u>40,439,261</u>	<u>67,296,279</u>

**THE LIVING DESERT**  
**Notes to the Financial Statements**  
**(Continued)**

**(12) Endowments (Continued)**

Changes in endowment net assets for the year ended June 30, 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 20,784,024	40,072,015	60,856,039
Contributions	1,020,738	215,953	1,236,691
Endowment restriction released by Board	(3,045,614)	-	(3,045,614)
Investment income	9,410,568	-	9,410,568
Appropriation of endowment assets	<u>(1,312,698)</u>	<u>151,293</u>	<u>(1,161,405)</u>
Endowment net assets, end of year	<u>\$ 26,857,018</u>	<u>40,439,261</u>	<u>67,296,279</u>

**(13) Construction Commitments**

As of June 30, 2024, the Organization had construction commitments for its Crossroads Project in the amount of \$19,325,437.

**(14) Subsequent Events**

Management has evaluated subsequent events through October 11, 2024, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.