

THE LIVING DESERT
Financial Statements
Year ended June 30, 2021
(With Independent Auditor's Report Thereon)

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THE LIVING DESERT
Financial Statements
Year ended June 30, 2021

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 Trustees
The Living Desert
Palm Desert, California

We have audited the accompanying financial statements of The Living Desert (the "Organization"), which comprise the statement of financial position as of June 30, 2021, and the related statement of activities, functional expenses and cash flows for the year then ended, and 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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2021 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dawn Furr LLP

October 14, 2021
Irvine, California

THE LIVING DESERT

Statement of Financial Position

June 30, 2021

(with comparative totals for June 30, 2020)

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents (note 2b)	\$ 7,093,224	17,175,131
Investments (note 3)	75,674,536	45,016,013
Current pledges receivable, net (note 4)	1,809,611	3,239,739
Other receivables (note 6)	1,216,097	112,627
Prepaid expenses	<u>250,717</u>	<u>149,964</u>
Total current assets	<u>86,044,185</u>	<u>65,693,474</u>
Non-current assets:		
Non-current pledges receivable, net (note 4)	5,154,354	5,964,674
Land, buildings and equipment, net (note 7)	<u>34,051,604</u>	<u>25,487,244</u>
Total non-current assets	<u>39,205,958</u>	<u>31,451,918</u>
Total assets	<u>\$ 125,250,143</u>	<u>97,145,392</u>
Liabilities:		
Accounts payable	\$ 2,025,099	370,388
Accrued expenses	667,113	627,679
Unearned revenue and deposits (note 2i)	1,330,916	1,022,364
Loan payable (note 8)	<u>1,418,025</u>	<u>1,428,025</u>
Total liabilities	<u>5,441,153</u>	<u>3,448,456</u>
Net assets:		
Without donor restrictions	73,907,587	42,628,505
With donor restrictions (note 12)	<u>45,901,403</u>	<u>51,068,431</u>
Total net assets	<u>119,808,990</u>	<u>93,696,936</u>
Total liabilities and net assets	<u>\$ 125,250,143</u>	<u>97,145,392</u>

See accompanying notes to the financial statements

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THE LIVING DESERT

Statement of Activities

Year ended June 30, 2021

(with comparative totals for the year ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
Support and revenue:				
Program revenues:				
Park admissions	\$ 7,254,458	-	7,254,458	4,289,179
Memberships	1,674,780	-	1,674,780	1,647,664
Food and retail concessions (note 9)	519,671	-	519,671	313,945
Park services and rentals	898,071	-	898,071	1,122,182
Education programs	14,717	-	14,717	113,499
	<u>10,361,697</u>	<u>-</u>	<u>10,361,697</u>	<u>7,486,469</u>
Total program revenues				
Other support:				
Contributions	1,919,342	6,768,948	8,688,290	13,898,048
Special events, net of direct expenses (note 10)	647,396	-	647,396	318,673
In-kind revenue	51,332	-	51,332	135,194
Lease income (note 9)	366,815	-	366,815	353,370
Investment income, net (note 3)	15,381,042	-	15,381,042	3,316,847
Other revenue (note 6)	1,385,021	-	1,385,021	53,080
Forgiveness of debt (note 8)	1,428,025	-	1,428,025	-
Net assets released from restrictions	11,935,976	(11,935,976)	-	-
	<u>33,114,949</u>	<u>(5,167,028)</u>	<u>27,947,921</u>	<u>18,075,212</u>
Total other support				
Total support and revenues	<u>43,476,646</u>	<u>(5,167,028)</u>	<u>38,309,618</u>	<u>25,561,681</u>
Expenses:				
Program services:				
Zoological	3,715,046	-	3,715,046	4,136,189
Botanical	412,466	-	412,466	525,918
Education	1,141,307	-	1,141,307	1,444,356
Conservation	1,654,199	-	1,654,199	1,736,820
Memberships and park services	2,635,824	-	2,635,824	3,160,997
Marketing, advertising and public relations	960,234	-	960,234	1,184,063
	<u>10,519,076</u>	<u>-</u>	<u>10,519,076</u>	<u>12,188,343</u>
Total program services expenses				
Supporting services:				
Management and general	535,008	-	535,008	626,970
Fundraising	1,143,480	-	1,143,480	1,346,347
	<u>1,678,488</u>	<u>-</u>	<u>1,678,488</u>	<u>1,973,317</u>
Total supporting services expenses				
Total expenses	<u>12,197,564</u>	<u>-</u>	<u>12,197,564</u>	<u>14,161,660</u>
Change in net assets	31,279,082	(5,167,028)	26,112,054	11,400,021
Net assets at beginning of year	<u>42,628,505</u>	<u>51,068,431</u>	<u>93,696,936</u>	<u>82,296,915</u>
Net assets at end of year	<u>\$ 73,907,587</u>	<u>45,901,403</u>	<u>119,808,990</u>	<u>93,696,936</u>

See accompanying notes to the financial statements

THE LIVING DESERT

Statement of Functional Expenses

**Year ended June 30, 2021
(with comparative totals for year ended June 30, 2020)**

	Program Services				Membership/ Park Services
	Zoological	Botanical	Education	Conservation	
Salaries and wages	\$ 1,390,574	226,875	416,906	812,414	918,741
Employee benefits	164,948	28,053	24,774	61,083	60,766
Payroll taxes	<u>103,180</u>	<u>17,369</u>	<u>30,172</u>	<u>56,232</u>	<u>67,735</u>
Subtotal	1,658,702	272,297	471,852	929,729	1,047,242
Repairs and maintenance	107,788	31,118	82,930	57,099	89,976
Professional fees and contracts	174,319	19,382	95,279	111,806	216,394
Office supplies	942	76	711	552	1,759
Equipment	58,524	4,119	56,187	51,514	45,594
Training and travel	8,068	1,096	1,529	9,219	2,406
Administrative expenses	39,305	4,083	34,049	20,601	48,725
Printing and postage	8,600	168	1,640	25,517	187,905
Park supplies	364,052	4,780	29,276	66,465	41,567
Insurance	23,814	2,706	24,355	14,072	32,474
Advertising	447	46	411	2,024	2,659
In-kind expenses	5,462	585	6,823	3,250	7,018
Utilities	143,377	16,293	146,636	84,723	195,514
Depreciation	975,943	55,242	184,140	216,876	552,420
Miscellaneous costs	5,085	475	5,489	60,752	164,171
Loss on disposal	<u>140,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>\$ 3,715,046</u>	<u>412,466</u>	<u>1,141,307</u>	<u>1,654,199</u>	<u>2,635,824</u>

See accompanying notes to the financial statements

Program Services		Supporting Services			Totals	
Advertising/ Public Relations	Subtotal	Management and General	Fundraising	Subtotal	2021	2020
215,684	3,981,194	403,500	721,550	1,125,050	5,106,244	5,882,065
20,635	360,259	26,418	45,637	72,055	432,314	602,902
15,898	290,586	18,211	45,758	63,969	354,555	416,397
252,217	4,632,039	448,129	812,945	1,261,074	5,893,113	6,901,364
11,193	380,104	3,715	14,834	18,549	398,653	525,642
110,636	727,816	28,283	76,189	104,472	832,288	1,386,741
384	4,424	638	1,463	2,101	6,525	11,332
17,471	233,409	4,897	11,229	16,126	249,535	116,036
545	22,863	840	2,571	3,411	26,274	155,257
15,988	162,751	3,857	11,297	15,154	177,905	170,373
10,859	234,689	396	80,936	81,332	316,021	316,177
6,651	512,791	1,594	17,671	19,265	532,056	465,539
12,027	109,448	3,007	7,818	10,825	120,273	126,080
388,296	393,883	30	11,784	11,814	405,697	494,326
25,455	48,593	650	2,090	2,740	51,333	127,905
72,413	658,956	18,103	47,068	65,171	724,127	601,718
20,460	2,005,081	20,460	20,460	40,920	2,046,001	2,096,132
15,639	251,611	409	24,745	25,154	276,765	311,483
-	140,618	-	380	380	140,998	355,555
960,234	10,519,076	535,008	1,143,480	1,678,488	12,197,564	14,161,660

See accompanying notes to the financial statements

THE LIVING DESERT

Statement of Cash Flows

Year ended June 30, 2021

(with comparative totals for the year ended June 30, 2020)

	2021	2020
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 26,112,054	11,400,021
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	2,046,001	2,096,132
Loan forgiveness	(1,428,025)	-
Unrealized and realized (gain) loss on investments	(14,721,840)	(2,741,348)
(Increase) decrease in pledges receivable	2,240,448	(4,557,396)
(Increase) decrease in other receivable	(1,103,470)	101,510
(Increase) decrease in prepaid expenses	(100,753)	(52,442)
(Increase) decrease in beneficial interest in trusts	-	13,386
Increase (decrease) in accounts payable	(9,107)	(277,236)
Increase (decrease) in accrued expenses	39,434	(183,491)
Increase (decrease) in unearned revenue	308,552	(177,175)
Net cash provided by operating activities	13,383,294	5,621,961
Cash flows from investing activities:		
Purchase of fixed assets	(8,946,543)	(4,328,970)
Purchase of investments	(47,723,699)	(10,563,667)
Proceeds from sale of investments	31,787,016	15,469,635
Net cash flows provided (used) by investing activities	(24,883,226)	576,998
Cash flows from financing activities:		
Proceeds of loan	1,418,025	1,428,025
Net cash flows provided (used) by financing activities	1,418,025	1,428,025
Net increase (decrease) in cash and cash equivalents	(10,081,907)	7,626,984
Cash and cash equivalents at beginning of year	17,175,131	9,548,147
Cash and cash equivalents at end of year	\$ 7,093,224	17,175,131
Significant non-cash financing activity		
Forgiveness of COVID Related Loans	\$ 1,428,025	-

See accompanying notes to the financial statements

THE LIVING DESERT

Notes to the Financial Statements

Year ended June 30, 2021

(1) Nature of Organization

The Living Desert (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 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 Living Desert as a California non-profit public corporation.

(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.

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 LIVING DESERT

Notes to the Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

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, 2021:

Petty cash	\$	300
Demand deposits		<u>7,092,924</u>
Total cash and cash equivalents	\$	<u>7,093,224</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, 2021, cash held in excess of FDIC limits was \$5,572,790.

(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.

(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 LIVING DESERT

Notes to the Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

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.

(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, 2021 was 3.23%.

(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 \$25,000 and greater.

THE LIVING DESERT

Notes to the Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

(g) Contributed Goods and Services

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.

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 \$13,600 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 years ended June 30, 2021 and 2020, the amount of volunteers were 375 and 482, respectively. Due to COVID-19, hours for this past year were significantly reduced. The value of these volunteer hours is not recorded in the financials.

(h) Collections

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

(i) 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, 2021, unearned revenue was \$1,330,916.

(j) 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 LIVING DESERT

Notes to the Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

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, 2021 had not yet been filed.

(k) Expense Recognition and Allocation

The cost of providing the Organization's programs are 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.

(l) Advertising Costs

Advertising costs are expensed as incurred by the Organization. Total advertising costs for the year ended June 30, 2021 were \$405,697.

(m) 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 Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees 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 LIVING DESERT

Notes to the Financial Statements

(Continued)

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

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

(n) **Investment Return Objectives, Risk Parameters and Strategies**

The Organization has adopted investment and spending policies, approved by the Board of Trustees, 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.

(o) **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.

(p) **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)

(q) 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, 2021 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>
Government and agency securities	\$ 9,757,648		9,757,648	-
Corporate bonds	8,963,763	-	8,963,763	-
Equities	<u>56,953,125</u>	<u>56,953,125</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 75,674,536</u>	<u>56,953,125</u>	<u>18,721,411</u>	<u>-</u>

Investment income for the year ended June 30, 2021, consisted of the following:

	<u>Without Donor Restrictions</u>
Interest and dividend income	\$ 939,453
Unrealized gains (losses)	5,899,221
Realized gains (losses)	8,822,618
Investment fees	<u>(280,250)</u>
Total investment income	<u>\$ 15,381,042</u>

THE LIVING DESERT
Notes to the Financial Statements
(Continued)

(4) Pledges Receivable

Pledges receivable as of June 30, 2021 were as follows:

Pledges receivable	\$ 7,247,991
Less amortized discount	(254,086)
Allowance for doubtful pledges	<u>(29,940)</u>
Net pledges receivable	<u>\$ 6,963,965</u>

Pledges receivable are due as follows:

Less than one year	\$ 2,839,551
One to five years	4,396,440
More than five years	<u>12,000</u>
Pledges receivable	<u>\$ 7,247,991</u>

Changes in pledges receivable for the year ended June 30, 2021 was as follows:

Pledges receivable at beginning of year	\$ 9,204,413
New pledges	3,933,252
Payments received	(6,220,602)
Write-offs	(32,692)
Recoveries	22,480
Change in present value	<u>57,114</u>
Pledges receivable at end of year	<u>\$ 6,963,965</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, 2021 the Organization has not recognized an asset or contribution for these intentions to give.

THE LIVING DESERT

Notes to the Financial Statements

(Continued)

(6) Other Receivables

Other receivables as of June 30, 2021 are as follows:

Employee Retention Credit	\$ 1,008,639
Other	<u>207,458</u>
Total other receivables	<u>\$ 1,216,097</u>

The Employee Retention Credit (ERC) was created under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Qualification for the ERC was subsequently modified under the Taxpayer Certainty and Disaster Tax Relief Act of 2020. Based upon these modifications, the Organization became eligible for the ERC and calculated a total ERC of \$1,385,021 as of June 30, 2021. The Organization received a credit of \$376,382 during the year ended June 30, 2021. Laws and regulations concerning government programs, including the ERC, are complex and subject to varying interpretations. Claims made under the ERC may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Organization.

(7) Land, Buildings and Equipment

Land, buildings and equipment as of June 30, 2021 is as follows:

	Estimated Useful Life	Amount
Land	n/a	\$ 91,373
Construction in progress	n/a	11,852,941
Buildings	30 years	27,319,627
Park improvements	20 years	6,074,819
Habitats	20 years	10,911,900
Equipment, furniture, and fixtures	5 to 10 years	2,499,194
Software	5 years	<u>243,453</u>
Total capital assets		58,993,307
Less accumulated depreciation		<u>(24,941,703)</u>
Net property and equipment		<u>\$ 34,051,604</u>

Depreciation and amortization expense was \$2,046,001 for the year ended June 30, 2021.

THE LIVING DESERT

Notes to the Financial Statements

(Continued)

(8) Loan Payable

On April 15, 2020, the Organization received a loan in the amount of \$10,000 from the U.S. Small Business Administration pursuant to the Economic Injury Disaster Loan (EIDL) Program. The loan bears interest at the rate of 2.75%. The loan is due on April 15, 2040. However, the loan is part of the Paycheck Protection Program (PPP) forgiveness reconciliation and will be considered paid at the time at the PPP loan is forgiven.

On April 27, 2020, the Organization received loan proceeds in the amount of \$1,418,025 under the PPP. The PPP, established as part of the CARES Act, provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable after 24 weeks if the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 24-week period.

The Organization submitted a forgiveness application on May 13, 2021, and on May 27, 2021, the PPP loan and EIDL were forgiven by the SBA. The total amount of forgiveness was \$1,428,025.

On March 23, 2021, the Organization received loan proceeds in the amount of \$1,418,025 under the second round of the PPP. The Organization has until September 6, 2021 to incur eligible payroll, benefits, rent and utilities expenses, and maintain payroll levels that will allow this PPP loan to be forgiven. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 24-week period. The Organization has until July 6, 2022 to apply for forgiveness.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP. Management currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

(9) Operating Leases

On January 1, 1971, the Organization entered into a 50-year operating lease with the Coachella Valley Water District to lease land for The Living Desert. 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 LIVING DESERT

Notes to the Financial Statements

(Continued)

(9) Operating Leases (Continued)

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 \$18,679 and \$9,340, respectively. The monthly rent is adjusted annually based on the Consumer Price Index. As of June 30, 2021, minimum future rental income is as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Minimum Future</u> <u>Rental Income</u>
2022	\$ 366,840
2023	366,840
2024	366,840
2025	371,430
2026	371,430
Thereafter	<u>11,901,832</u>
Total	<u>\$ 13,745,212</u>

On November 1, 2017, the Organization entered into a lease agreement with an outside vendor to provide food and beverage, catering, and retail gift services. Per the terms of the lease agreement, the Organization receives 9% of annual food, beverage and vending sales, which increases to 14% then 18% when annual sales exceed \$800,000 and \$1,400,000, respectively. The Organization also receives 14% of annual catering and alcohol sales and 30% of retail gift sales. On June 17, 2021, the lease was amended, whereby the outside vendor provides sales at special events and pays commission to the Organization of up to 85% of annual gross receipts of the events. The lease expires on October 31, 2025. The Organization received \$519,671 from food and retail concessions for the year ended June 30, 2021.

The Organization leases certain office equipment under operating lease agreements expiring at various dates through 2022. Minimum required future lease payments as of June 30, 2021 are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Minimum Future</u> <u>Lease Payments</u>
2022	\$ <u>5,716</u>
Total	<u>\$ 5,716</u>

Lease expenses for operating lease agreements were \$11,432 for the year ended June 30, 2021.

THE LIVING DESERT

Notes to the Financial Statements

(Continued)

(10) Special Events

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

	<u>Gala</u>	<u>Wildlights</u>	<u>Other Events</u>	<u>Total</u>
Special event revenue	\$ 425,902	487,480	2,260	915,642
Less direct expenses	<u>(26,086)</u>	<u>(235,425)</u>	<u>(6,735)</u>	<u>(268,246)</u>
Total special events, net	<u>\$ 399,816</u>	<u>252,055</u>	<u>(4,475)</u>	<u>647,396</u>

(11) 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, 2021 are as follows:

Financial assets:	
Cash and cash equivalents	\$ 7,093,224
Pledges receivable, net	6,963,965
Investments	75,674,536
Other receivables	<u>1,216,097</u>
Total financial assets	90,947,822
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets	(2,576,012)
Donor-restricted endowment	(36,361,426)
Less financial assets not available within one year:	
Pledges receivable	(5,154,354)
Less earnings on donor restricted endowments	(24,723,527)
Less Board-designated endowment	<u>(4,539,240)</u>
Financial assets available for general expenses within one year	<u>\$ 17,593,263</u>

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 13 provides more information about those funds and Note 2 provides information about the spending policies of all endowment funds.

THE LIVING DESERT

Notes to the Financial Statements

(Continued)

(12) Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30, 2021:

Purpose restrictions, available for spending:	
Capital construction	\$ 2,576,012
Time restricted, available for spending:	
General donors	6,963,965
Endowment funds, which must be appropriated by the Board before use:	
Endowment donors	<u>36,361,426</u>
Total net assets with donor restrictions	<u>\$ 45,901,403</u>

(13) Endowments

Endowment net asset composition by type of fund as of June 30, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Donor-restricted	\$ -	36,361,426	36,361,426
Board-designated	4,539,240	-	4,539,240
Earnings on donor restricted endowment	<u>24,723,527</u>	<u>-</u>	<u>24,723,527</u>
Totals	<u>\$29,262,767</u>	<u>36,361,426</u>	<u>65,624,193</u>

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 13,774,473	35,139,466	48,913,939
Contributions	2,555,074	1,221,960	3,777,034
Endowment restriction released by Board	(2,336,904)	-	(2,336,904)
Investment income	15,502,587	-	15,502,587
Appropriation of endowment assets	<u>(232,463)</u>	<u>-</u>	<u>(232,463)</u>
Endowment net assets, end of year	<u>\$ 29,262,767</u>	<u>36,361,426</u>	<u>65,624,193</u>

THE LIVING DESERT
Notes to the Financial Statements
(Continued)

(14) Subsequent Events

Management has evaluated subsequent events through October 14, 2021, the date the financial statements were available to be issued. On October 5, 2021, the Organization entered into an architectural contract for not-to-exceed amount of \$790,000 to design Phase 2.5 of the park expansion project.