

THE LIVING DESERT
Financial Statements
Year ended June 30, 2020
(With Independent Auditor's Report Thereon)

THE LIVING DESERT
Financial Statements
Year ended June 30, 2020

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, 2020, 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, 2020 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 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 15, 2020
Irvine, California

THE LIVING DESERT

Statement of Financial Position

June 30, 2020
(with comparative totals for June 30, 2019)

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents (note 2c)	\$ 17,175,131	9,548,147
Investments (note 3)	45,016,013	47,180,633
Current pledges receivable, net (note 4)	3,239,739	1,412,730
Other receivables	112,627	214,137
Prepaid expenses	149,964	97,522
Beneficial interest in trusts and insurance assignments	-	<u>13,386</u>
Total current assets	<u>65,693,474</u>	<u>58,466,555</u>
Non-current assets:		
Non-current pledges receivable, net (note 4)	5,964,674	3,234,287
Land, buildings and equipment, net (note 6)	<u>25,487,244</u>	<u>23,254,406</u>
Total non-current assets	<u>31,451,918</u>	<u>26,488,693</u>
Total assets	<u>\$ 97,145,392</u>	<u>84,955,248</u>
Liabilities:		
Accounts payable	\$ 370,388	647,624
Accrued expenses	627,679	811,170
Unearned revenue and deposits (note 2k)	1,022,364	1,199,539
Loans payable (note 7)	<u>1,428,025</u>	<u>-</u>
Total liabilities	<u>3,448,456</u>	<u>2,658,333</u>
Net assets:		
Without donor restrictions	42,628,505	30,149,756
With donor restrictions (note 12)	<u>51,068,431</u>	<u>52,147,159</u>
Total net assets	<u>93,696,936</u>	<u>82,296,915</u>
Total liabilities and net assets	<u>\$ 97,145,392</u>	<u>84,955,248</u>

See accompanying notes to the financial statements

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THE LIVING DESERT

Statement of Activities

**Year ended June 30, 2020
(with comparative totals for the year ended June 30, 2019)**

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
Support and revenue:				
Program revenues:				
Park admissions	\$ 4,289,179	-	4,289,179	5,416,705
Memberships	1,647,664	-	1,647,664	1,493,033
Retail concessions (note 8)	313,945	-	313,945	510,118
Park services and rentals	1,122,182	-	1,122,182	1,949,369
Education programs	<u>113,499</u>	<u>-</u>	<u>113,499</u>	<u>112,553</u>
Total program revenues	<u>7,486,469</u>	<u>-</u>	<u>7,486,469</u>	<u>9,481,778</u>
Other support:				
Contributions	3,938,601	9,959,447	13,898,048	6,199,375
Special events, net of direct expenses (note 10)	318,673	-	318,673	823,383
In-kind revenue	135,194	-	135,194	143,791
Lease income (note 8)	353,370	-	353,370	351,932
Investment income, net (note 3)	3,316,847	-	3,316,847	2,975,871
Other revenue	53,080	-	53,080	6,050
Net assets released from restrictions	<u>1,266,272</u>	<u>(1,266,272)</u>	<u>-</u>	<u>-</u>
Total other support	<u>9,382,037</u>	<u>8,693,175</u>	<u>18,075,212</u>	<u>10,500,402</u>
Total support and revenues	<u>16,868,506</u>	<u>8,693,175</u>	<u>25,561,681</u>	<u>19,982,180</u>
Expenses:				
Program services:				
Zoological	4,136,189	-	4,136,189	4,090,946
Botanical	525,918	-	525,918	613,119
Education	1,444,356	-	1,444,356	1,734,543
Conservation	1,736,820	-	1,736,820	1,684,037
Memberships and park services	3,160,997	-	3,160,997	3,210,826
Marketing, advertising and public relations	<u>1,184,063</u>	<u>-</u>	<u>1,184,063</u>	<u>1,157,181</u>
Total program services expenses	<u>12,188,343</u>	<u>-</u>	<u>12,188,343</u>	<u>12,490,652</u>
Supporting services:				
Management and general	626,970	-	626,970	690,148
Fundraising	<u>1,346,347</u>	<u>-</u>	<u>1,346,347</u>	<u>1,279,614</u>
Total supporting services expenses	<u>1,973,317</u>	<u>-</u>	<u>1,973,317</u>	<u>1,969,762</u>
Total expenses	<u>14,161,660</u>	<u>-</u>	<u>14,161,660</u>	<u>14,460,414</u>
Change in net assets	2,706,846	8,693,175	11,400,021	5,521,766
Net assets at beginning of year	<u>39,921,659</u>	<u>42,375,256</u>	<u>82,296,915</u>	<u>76,775,149</u>
Net assets at end of year	<u>\$ 42,628,505</u>	<u>51,068,431</u>	<u>93,696,936</u>	<u>82,296,915</u>

See accompanying notes to the financial statements

THE LIVING DESERT

Statement of Functional Expenses

**Year ended June 30, 2020
(with comparative totals for year ended June 30, 2019)**

	Program Services				Membership/ Park Services
	Zoological	Botanical	Education	Conservation	
Salaries and wages	\$ 1,695,555	314,026	571,802	741,553	1,154,911
Employee benefits	235,563	35,658	50,226	69,360	92,623
Payroll taxes	<u>125,104</u>	<u>22,684</u>	<u>40,475</u>	<u>53,641</u>	<u>84,180</u>
Subtotal	2,056,223	372,369	662,503	864,554	1,331,715
Repairs and maintenance	160,378	33,377	80,228	76,499	143,181
Professional fees and contracts	197,646	15,470	117,427	143,248	376,652
Office supplies	688	36	627	1,112	5,680
Equipment	17,833	1,208	21,392	17,395	36,678
Training and travel	36,292	1,758	13,675	20,675	34,232
Administrative expenses	32,896	4,166	34,243	19,189	45,157
Printing and postage	49,211	1,491	17,492	27,074	142,296
Park supplies	313,511	9,419	28,769	54,631	45,429
Future park planning	-	-	-	-	-
Insurance	36,311	3,404	28,368	18,408	29,503
Advertising	-	-	3,661	4,763	39,205
Interest	-	-	-	-	-
In-kind expenses	11,699	671	6,045	4,137	8,061
Utilities	173,373	16,254	135,448	87,892	140,866
Depreciation	943,259	56,596	188,652	278,785	565,956
Miscellaneous costs	4,845	134	25,934	66,717	133,495
Bad debt expense	-	-	-	-	-
Loss on disposal	<u>102,022</u>	<u>9,564</u>	<u>79,891</u>	<u>51,741</u>	<u>82,893</u>
Total expenses	<u>\$ 4,136,189</u>	<u>525,918</u>	<u>1,444,356</u>	<u>1,736,820</u>	<u>3,160,997</u>

Program Services		Supporting Services			Totals	
Advertising/ Public Relations	Subtotal	Management and General	Fundraising	Subtotal	2020	2019
242,714	4,720,561	468,084	693,420	1,161,504	5,882,065	5,916,740
21,114	504,545	31,518	66,839	98,357	602,902	570,761
17,641	343,726	25,865	46,806	72,671	416,397	441,752
281,469	5,568,832	525,466	807,065	1,332,532	6,901,364	6,929,253
12,565	506,227	4,637	14,778	19,415	525,642	655,177
258,556	1,109,001	30,848	246,892	277,740	1,386,741	1,388,535
497	8,640	626	2,067	2,692	11,332	23,486
9,390	103,896	3,654	8,486	12,140	116,036	204,209
7,068	113,700	14,367	27,190	41,557	155,257	253,459
15,806	151,458	7,606	11,310	18,915	170,373	199,905
9,003	246,566	4,362	65,249	69,611	316,177	241,042
4,793	456,552	1,701	7,286	8,987	465,539	539,357
-	-	-	-	-	-	-
3,782	119,776	1,261	5,043	6,304	126,080	118,200
423,640	471,269	-	23,057	23,057	494,326	500,639
-	-	-	-	-	-	28,601
92,954	123,567	2,193	2,145	4,338	127,905	135,823
18,060	571,892	5,746	24,080	29,826	601,718	643,464
20,961	2,054,209	20,961	20,961	41,923	2,096,132	2,053,519
14,894	246,019	-	65,464	65,464	311,483	500,788
-	-	-	-	-	-	38
10,627	336,739	3,542	15,274	18,816	355,555	44,919
<u>1,184,063</u>	<u>12,188,343</u>	<u>626,970</u>	<u>1,346,347</u>	<u>1,973,317</u>	<u>14,161,660</u>	<u>14,460,414</u>

See accompanying notes to the financial statements

THE LIVING DESERT

Statement of Cash Flows

**Year ended June 30, 2020
(with comparative totals for the year ended June 30, 2019)**

	2020	2019
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 11,400,021	5,521,766
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	2,096,132	2,053,519
Unrealized and realized (gain) loss on investments	(2,741,348)	(2,364,330)
(Increase) decrease in pledges receivable	(4,557,396)	2,733,249
(Increase) decrease in other receivable	101,510	(21,224)
(Increase) decrease in prepaid expenses	(52,442)	34,555
(Increase) decrease in beneficial interest in trusts	13,386	182,850
Increase (decrease) in accounts payable	(277,236)	258,022
Increase (decrease) in accrued expenses	(183,491)	47,625
Increase (decrease) in unearned revenue	(177,175)	161,109
	5,621,961	8,607,141
Cash flows from investing activities:		
Purchase of fixed assets	(4,328,970)	(2,089,345)
Purchase of investments	(10,563,667)	(2,551,631)
Proceeds from sale of investments	15,469,635	2,379,884
	576,998	(2,261,092)
Cash flows from financing activities:		
Proceeds of loan	1,428,025	-
Payments on long term debt	-	(3,000,000)
	1,428,025	(3,000,000)
Net cash flows provided (used) by investing activities	576,998	(2,261,092)
Net increase (decrease) in cash and cash equivalents	7,626,984	3,346,049
Cash and cash equivalents at beginning of year	9,548,147	6,202,098
Cash and cash equivalents at end of year	\$ 17,175,131	9,548,147
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash paid during the year for:		
Interest	\$ -	28,601

There were no significant noncash investing and financing activities for the years ended June 30, 2020 and 2019.

See accompanying notes to the financial statements

THE LIVING DESERT

Notes to the Financial Statements

Year ended June 30, 2020

(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.

Most of the Organization's revenues are received in the forms of contributions and fundraising events, as well as membership and admission fees. In response to the COVID-19 pandemic and orders from the Governor of the State of California, the Organization closed on March 17, 2020. The Organization reopened to its members on June 12, 2020 and to the public on June 15, 2020.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (Accounting Standards Update No. 2016-14).

(b) 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.

(c) 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, 2020:

Petty cash	\$	300
Demand deposits		<u>17,174,831</u>
Total cash and cash equivalents	\$	<u>17,175,131</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, 2020, cash held in excess of FDIC limits was \$13,485,242.

(d) 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)

(e) 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)

(f) 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, 2020 was 3.09%.

(g) 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.

(h) 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, 2020 and 2019, volunteer hours were 47,695 and 62,677, 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.

THE LIVING DESERT
Notes to the Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (Continued)

(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, 2020, unearned revenue was \$1,022,364.

(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, 2020 had not yet been filed.

(l) 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.

(m) Advertising Costs

Advertising costs are expensed as incurred by the Organization. Total advertising costs for the year ended June 30, 2020 were \$494,326.

THE LIVING DESERT

Notes to the Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

(n) 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 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.

(o) 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.

THE LIVING DESERT

Notes to the Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

(p) 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.

(q) 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.

(r) 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, 2020 and indicates the fair value hierarchy of the valuation techniques used to measure fair value as described in note 2(e).

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Government and agency securities	\$ 2,185,282	-	2,185,282	-
Mutual funds	10,229,319	10,229,319	-	-
Corporate bonds	3,907,385	-	3,907,385	-
Equities	<u>28,694,027</u>	<u>28,694,027</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 45,016,013</u>	<u>38,923,346</u>	<u>6,092,667</u>	<u>-</u>

THE LIVING DESERT

Notes to the Financial Statements

(Continued)

(3) Investments (Continued)

Investment income for the year ended June 30, 2020, consisted of the following:

	<u>Without Donor Restrictions</u>
Interest and dividend income	\$ 735,116
Unrealized gains (losses)	1,639,415
Realized gains (losses)	1,101,933
Investment fees	<u>(159,617)</u>
Total investment income	<u>\$ 3,316,847</u>

(4) Pledges Receivable

Pledges receivable as of June 30, 2020 were as follows:

Pledges receivable	\$ 9,578,033
Less amortized discount	(311,200)
Allowance for doubtful pledges	<u>(62,420)</u>
Net pledges receivable	<u>\$ 9,204,413</u>

Pledges receivable are due as follows:

Less than one year	\$ 3,278,860
One to five years	5,984,173
More than five years	<u>315,000</u>
Pledges receivable	<u>\$ 9,578,033</u>

Changes in pledges receivable for the year ended June 30, 2020 was as follows:

Pledges receivable at beginning of year	\$ 4,647,017
New pledges	6,716,687
Payments received	(2,109,944)
Write-offs	(20,420)
Recoveries	23,731
Change in present value	<u>(52,658)</u>
Pledges receivable at end of year	<u>\$ 9,204,413</u>

THE LIVING DESERT

Notes to the Financial Statements

(Continued)

(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, 2020, the Organization has not recognized an asset or contribution for these intentions to give.

(6) Land, Buildings and Equipment

Land, buildings and equipment as of June 30, 2020 is as follows:

	Estimated Useful Life	Amount
Land	n/a	\$ 91,373
Construction in progress	n/a	1,445,795
Buildings	30 years	27,319,608
Park improvements	20 years	6,262,107
Habitats	20 years	10,739,076
Equipment, furniture, and fixtures	5 to 10 years	2,548,108
Software	5 years	<u>255,452</u>
Total capital assets		48,661,519
Less accumulated depreciation		<u>(23,174,275)</u>
Net property and equipment		<u>\$ 25,487,244</u>

Depreciation and amortization expense was \$2,096,132 for the year ended June 30, 2020.

(7) Loan Payable

On April 27, 2020, the Organization received loan proceeds in the amount of \$1,418,025 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (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 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.

THE LIVING DESERT

Notes to the Financial Statements

(Continued)

(7) Loan Payable (Continued)

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 Disaster Loan Assistance Program (EIDL). The loan bears interest at a rate of 2.75%. The loan is due on April 15, 2040. However, the loan is part of the PPP loan forgiveness reconciliation and will be paid at the time that the PPP loan is forgiven.

(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 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 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 \$18,317 and \$9,159, respectively. The monthly rent is adjusted annually based on the Consumer Price Index.

As of June 30, 2020, minimum future rental income is as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Minimum Future</u> <u>Rental Income</u>
2021	\$ 360,312
2022	360,312
2023	360,312
2024	360,312
2025	364,902
Thereafter	<u>12,066,542</u>
Total	<u>\$ 13,872,692</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. The lease expires on October 31, 2025.

THE LIVING DESERT

Notes to the Financial Statements

(Continued)

(9) Lease Commitments

The Organization leases certain office equipment and alarm service equipment under operating lease agreements expiring at various dates through 2022. Minimum required future lease payments as of June 30, 2020 are as follows:

Fiscal Year Ending June 30	Minimum Future Lease Payments
2021	\$ 11,432
2022	<u>11,432</u>
Total	<u>\$ 22,864</u>

Lease expenses for operating lease agreements were \$11,432 for the year ended June 30, 2020.

(10) Special Events

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

	Gala	Wildlights	Other Events	Total
Special event revenue	\$ 812,729	675,229	165,990	1,653,948
Less direct expenses	<u>(791,461)</u>	<u>(309,748)</u>	<u>(234,066)</u>	<u>(1,335,275)</u>
Total special events, net	<u>\$ 21,268</u>	<u>365,481</u>	<u>(68,076)</u>	<u>318,673</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, 2020 are as follows:

THE LIVING DESERT
Notes to the Financial Statements
(Continued)

(11) Liquidity and Availability (Continued)

Financial assets:	
Cash and cash equivalents	\$ 17,175,131
Pledges receivable, net	9,204,413
Investments	45,016,013
Other receivables	<u>112,627</u>
Total financial assets	<u>71,508,184</u>
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets	(6,724,552)
Donor-restricted endowment	(35,139,466)
Less financial assets not available within one year:	
Pledges receivable	(5,964,674)
Less earnings on donor restricted endowments	(11,381,554)
Less Board-designated endowment	<u>(2,392,919)</u>
Financial assets available for general expenses within one year	<u>\$ 9,905,019</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 on donor restricted endowments and the Board-designated endowment fund. Note 13 provides more information about those funds and Note 2 provides information about the spending policies of all endowment funds.

(12) Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30, 2020:

Purpose restrictions, available for spending:	
Capital construction	\$ 6,724,552
Time restricted, available for spending:	
General donors	9,204,413
Endowment funds, which must be appropriated by the Board before use:	
Endowment donors	<u>35,139,466</u>
Total net assets with donor restrictions	<u>\$ 51,068,431</u>

THE LIVING DESERT

Notes to the Financial Statements

(Continued)

(13) Endowments

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Donor-restricted	\$ -	35,139,466	35,139,466
Board-designated	2,392,919	-	2,392,919
Earnings on donor restricted endowment	<u>11,381,554</u>	<u>-</u>	<u>11,381,554</u>
Totals	<u>\$13,774,473</u>	<u>35,139,466</u>	<u>48,913,939</u>

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$12,914,618	34,902,466	47,817,084
Contributions	-	237,000	237,000
Endowment restriction released by Board	(2,293,864)	-	(2,293,864)
Investment income	3,456,755	-	3,456,755
Appropriation of endowment assets	<u>(303,036)</u>	<u>-</u>	<u>(303,036)</u>
Endowment net assets, end of year	<u>\$13,774,473</u>	<u>35,139,466</u>	<u>48,913,939</u>

(14) Subsequent Events

Management has evaluated subsequent events through October 15, 2020, the date the financial statements were available to be issued. On March 19, 2020, the State of California issued a stay at home order to combat the spread of COVID-19, restricting travel and various business operations. COVID-19 and the measures taken by the County, State, and the Federal Government to reduce the spread and transmission of the disease have resulted in economic uncertainties which negatively impacted The Living Desert. Management has not been able to determine the potential outcome or impairment to the Organization as of the date of the issuance of the financial statements. The Organization has not included any contingencies in the financial statements specific to the COVID-19 pandemic.

On August 28, 2020, the Board of Directors approved a construction contract for a not-to-exceed amount of \$16.5 million to complete Phase 2 of the Crossroads for Conservation (Rhino Savannah).