

THE LIVING DESERT
Financial Statements
Year ended June 30, 2025
(With Independent Auditor's Report Thereon)

THE LIVING DESERT
Financial Statements
Year ended June 30, 2025

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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, 2025, 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, 2025, 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, 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 11, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

DavisFarr LLP

Irvine, California
October 10, 2025

THE LIVING DESERT

Statement of Financial Position

**June 30, 2025
(with comparative totals for June 30, 2024)**

	<u>2025</u>	<u>2024</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents (note 2b)	\$ 6,676,575	15,832,369
Investments (note 3)	68,828,927	63,382,068
Current contributions receivable, net (note 4)	2,243,453	2,021,729
Other receivables	772,925	831,370
Prepaid expenses	306,898	274,923
Inventory	94,009	83,671
Right-of-use assets - operating leases, net (note 8)	<u>10,932</u>	<u>10,932</u>
Total current assets	<u>78,933,719</u>	<u>82,437,062</u>
Non-current assets:		
Non-current contributions receivable, net (note 4)	2,480,443	3,292,557
Loans receivable (note 6)	4,632,576	3,401,022
Right-of-use assets - operating leases, net (note 8)	16,402	27,334
Land, buildings and equipment, net (note 7)	<u>84,523,645</u>	<u>67,010,761</u>
Total non-current assets	<u>91,653,066</u>	<u>73,731,674</u>
Total assets	<u>\$ 170,586,785</u>	<u>156,168,736</u>
Current liabilities:		
Accounts payable	\$ 3,970,007	672,144
Accrued expenses	1,502,204	1,350,991
Unearned revenue and deposits (note 2i)	1,775,725	1,536,501
Lease liability, current portion (note 8)	<u>10,982</u>	<u>10,982</u>
Total current liabilities	<u>7,258,918</u>	<u>3,570,618</u>
Non-current liabilities		
Lease liability, net of current portion (note 8)	<u>16,717</u>	<u>27,576</u>
Total non-current liabilities	<u>16,717</u>	<u>27,576</u>
Total liabilities	<u>7,275,635</u>	<u>3,598,194</u>
Net assets:		
Without donor restrictions	104,450,082	96,743,680
With donor restrictions (note 11)	<u>58,861,068</u>	<u>55,826,862</u>
Total net assets	<u>163,311,150</u>	<u>152,570,542</u>
Total liabilities and net assets	<u>\$ 170,586,785</u>	<u>156,168,736</u>

See accompanying notes to the financial statements

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THE LIVING DESERT

Statement of Activities

**Year ended June 30, 2025
(with comparative totals for year ended June 30, 2024)**

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2025	2024
Support and revenue:				
Program revenues:				
Park admissions	\$ 11,196,886	-	11,196,886	11,286,004
Memberships	2,857,782	-	2,857,782	2,561,589
Food and retail concessions	765,325	-	765,325	773,086
Park services and rentals	2,294,222	-	2,294,222	1,861,004
Education programs	88,797	-	88,797	118,404
Subtotal program revenues	<u>17,203,012</u>	<u>-</u>	<u>17,203,012</u>	<u>16,600,087</u>
Food and beverage sales	2,586,112	-	2,586,112	1,346,574
Less: cost of good sold	<u>(759,818)</u>	<u>-</u>	<u>(759,818)</u>	<u>(325,868)</u>
Subtotal food and beverage (note 1)	<u>1,826,294</u>	<u>-</u>	<u>1,826,294</u>	<u>1,020,706</u>
Total program revenues	<u>19,029,306</u>	<u>-</u>	<u>19,029,306</u>	<u>17,620,793</u>
Other support:				
Contributions	4,456,335	5,312,899	9,769,234	8,508,148
Special events, net of direct expenses (note 9)	2,000,891	-	2,000,891	2,016,571
In-kind contributions	111,913	-	111,913	28,593
Lease income (note 8)	417,816	-	417,816	397,968
Investment income (loss), net (note 3)	8,098,898	-	8,098,898	9,893,037
Endowment assets	(4,000)	4,000	-	-
Net assets released from restrictions	<u>2,282,693</u>	<u>(2,282,693)</u>	<u>-</u>	<u>-</u>
Total other support	<u>17,364,546</u>	<u>3,034,206</u>	<u>20,398,752</u>	<u>20,844,317</u>
Total support and revenues	<u>36,393,852</u>	<u>3,034,206</u>	<u>39,428,058</u>	<u>38,465,110</u>
Expenses:				
Program services:				
Zoological	8,005,500	-	8,005,500	8,155,670
Botanical	1,395,095	-	1,395,095	1,285,594
Education	2,159,602	-	2,159,602	2,379,203
Conservation	2,453,382	-	2,453,382	2,240,964
Memberships and park services	9,234,533	-	9,234,533	6,461,810
Marketing, advertising and public relations	<u>2,137,679</u>	<u>-</u>	<u>2,137,679</u>	<u>1,870,723</u>
Total program services expenses	<u>25,385,791</u>	<u>-</u>	<u>25,385,791</u>	<u>22,393,964</u>
Supporting services:				
Management and general	1,017,904	-	1,017,904	892,269
Fundraising	<u>2,283,755</u>	<u>-</u>	<u>2,283,755</u>	<u>2,063,741</u>
Total supporting services expenses	<u>3,301,659</u>	<u>-</u>	<u>3,301,659</u>	<u>2,956,010</u>
Total expenses	<u>28,687,450</u>	<u>-</u>	<u>28,687,450</u>	<u>25,349,974</u>
Change in net assets	7,706,402	3,034,206	10,740,608	13,115,136
Net assets at beginning of year	<u>96,743,680</u>	<u>55,826,862</u>	<u>152,570,542</u>	<u>139,455,406</u>
Net assets at end of year	<u>\$ 104,450,082</u>	<u>58,861,068</u>	<u>163,311,150</u>	<u>152,570,542</u>

See accompanying notes to the financial statements

THE LIVING DESERT

Statement of Functional Expenses

**Year ended June 30, 2025
(with comparative totals for year ended June 30, 2024)**

	Program Services				Membership/ Park Services
	Zoological	Botanical	Education	Conservation	
Salaries and wages	\$ 3,730,971	652,135	1,258,282	1,159,101	3,887,777
Employee benefits	397,515	79,374	100,571	94,667	278,429
Payroll taxes	277,248	49,337	93,265	79,256	294,076
Subtotal	4,405,734	780,846	1,452,118	1,333,024	4,460,282
Repairs and maintenance	324,379	98,345	138,770	54,673	236,948
Professional fees and contracts	495,807	49,676	130,149	203,117	712,709
Office supplies	2,684	230	1,358	335	8,609
Equipment	73,087	9,862	17,724	40,745	324,014
Training and travel	68,638	9,802	20,015	80,107	35,444
Administrative expenses	31,286	4,462	13,437	5,976	48,719
Printing and postage	21,044	1,137	6,944	7,130	122,107
Park supplies	693,087	64,032	38,070	62,069	157,557
Insurance	86,289	4,253	11,479	5,752	131,235
Advertising	671	73	158	2,112	23,116
In-kind expenses	56,507	2,915	4,975	6,221	31,092
Utilities	373,458	298,103	55,936	79,748	413,157
Depreciation	1,348,884	66,477	179,448	89,920	2,051,487
Amortization	2,648	454	719	681	4,841
Miscellaneous costs	21,297	4,428	88,302	481,266	473,216
Loss on disposal	-	-	-	506	-
Total expenses	<u>\$ 8,005,500</u>	<u>1,395,095</u>	<u>2,159,602</u>	<u>2,453,382</u>	<u>9,234,533</u>

See accompanying notes to the financial statements

Program Services		Supporting Services			Totals	
Advertising/ Public Relations	Subtotal	Management and General	Fundraising	Subtotal	2025	2024
634,186	11,322,452	714,018	1,490,699	2,204,717	13,527,169	11,318,900
50,532	1,001,088	54,841	104,258	159,099	1,160,187	921,639
44,671	837,853	42,533	99,130	141,663	979,516	857,987
729,389	13,161,393	811,392	1,694,087	2,505,479	15,666,872	13,098,526
13,558	866,673	8,505	33,278	41,783	908,456	920,375
301,537	1,892,995	82,649	117,071	199,720	2,092,715	1,919,445
362	13,578	2,124	3,050	5,174	18,752	25,525
32,032	497,464	7,222	5,858	13,080	510,544	692,611
3,793	217,799	9,670	16,610	26,280	244,079	259,234
2,405	106,285	2,801	3,478	6,279	112,564	134,174
20,555	178,917	1,133	74,316	75,449	254,366	327,103
4,497	1,019,312	1,951	10,590	12,541	1,031,853	920,155
2,734	241,742	2,524	3,629	6,153	247,895	220,864
915,356	941,486	69	6,981	7,050	948,536	656,400
3,158	104,868	2,915	4,130	7,045	111,913	28,593
39,953	1,260,355	37,289	50,608	87,897	1,348,252	1,131,760
42,740	3,778,956	39,452	56,731	96,183	3,875,139	3,355,475
492	9,835	454	643	1,097	10,932	10,932
25,118	1,093,627	7,754	196,031	203,785	1,297,412	1,588,340
-	506	-	6,664	6,664	7,170	60,462
2,137,679	25,385,791	1,017,904	2,283,755	3,301,659	28,687,450	25,349,974

See accompanying notes to the financial statements

THE LIVING DESERT

Statement of Cash Flows

Year ended June 30, 2025
(with comparative totals for the year ended June 30, 2024)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 10,740,608	13,115,136
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	3,875,139	3,355,475
Amortization	10,932	10,932
Unrealized and realized (gain) loss on investments	6,469,247	1,055,143
Loss on sale of fixed assets	-	60,959
(Increase) decrease in contributions receivable	590,390	1,978,704
(Increase) decrease in other receivable	58,445	(397,234)
(Increase) decrease in prepaid expenses	(31,975)	217,750
(Increase) decrease in inventory	(10,338)	(83,671)
(Increase) decrease in loans receivable	(1,231,554)	(1,178,389)
Increase (decrease) in accounts payable	3,297,863	(1,383,798)
Increase (decrease) in accrued expenses	151,213	(278,076)
Increase (decrease) in unearned revenue	239,224	1,649
Increase (decrease) in lease liability	<u>(10,859)</u>	<u>(10,733)</u>
Net cash provided by operating activities	<u>24,148,335</u>	<u>16,463,847</u>
Cash flows from investing activities:		
Purchase of fixed assets	(21,388,023)	(15,078,399)
Purchase of investments	(25,912,363)	(34,629,200)
Proceeds from sale of investments	<u>13,996,257</u>	<u>38,341,201</u>
Net cash flows provided (used) by investing activities	<u>(33,304,129)</u>	<u>(11,366,398)</u>
Net increase (decrease) in cash and cash equivalents	(9,155,794)	5,097,449
Cash and cash equivalents at beginning of year	<u>15,832,369</u>	<u>10,734,920</u>
Cash and cash equivalents at end of year	<u>\$ 6,676,575</u>	<u>15,832,369</u>

There were no significant non-cash capital and financing activities for the year ended June 30, 2025.

See accompanying notes to the financial statements

THE LIVING DESERT

Notes to the Financial Statements

Year ended June 30, 2025

(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, 2025:

Petty cash	\$ 15,107
Demand deposits	<u>6,661,468</u>
Total cash and cash equivalents	<u>\$ 6,676,575</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, 2025, cash held in excess of FDIC limits was \$6,146,866.

(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) Contributions Receivable

Contributions are recorded as receivables and recognized as revenue in the year the contribution is made. Contributions 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, 2025 was 5.24%.

(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 lease 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) Revenues and Revenue Recognition

The Organization recognizes revenue from park admissions, food and beverage sales, and park services and rental rentals at the point in time when the related goods or services are provided. Membership dues are recognized over the membership period, in accordance with the policies described under Membership Dues.

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

THE LIVING DESERT
Notes to the Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Grant revenue is recognized when qualifying costs are incurred under cost reimbursement arrangements or when units of service are delivered under performance-based agreements.

Lease income is recognized on a straight-line basis over the lease term. Special event revenue is recognized in the period the event occurs, and Investment income, and other revenues are recognized when earned.

(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, 2025, unearned revenue was \$1,775,725.

(j) In-Kind Contributions

Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. Contributed goods are recorded at fair value at the date of donation.

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 \$15,240 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. In addition, the Organization received other in-kind contributions totaling \$94,824, consisting of products used for animal care, which are also included in in-kind contributions in the Statement of Activities.

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, 2025, the number of volunteers was 643. The value of these volunteer hours is not recorded in the financials.

(k) Collections

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

THE LIVING DESERT
Notes to the Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (Continued)

(l) 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, 2025 had not yet been filed.

(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, 2025 were \$1,070,527, consisting of \$948,536 included on the Statement of Functional Expenses and \$121,991 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

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Notes to the Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

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.

(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 five 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.

THE LIVING DESERT
Notes to the Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (Continued)

(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.

(s) Prior Data

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2025, from which the summarized information was derived.

(3) Investments

The following table presents investments recorded at fair value as of June 30, 2025 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	\$ 1,760,315	-	1,697,329	62,986
Equities	<u>67,068,612</u>	<u>67,068,612</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$68,828,927</u>	<u>67,068,612</u>	<u>1,697,329</u>	<u>62,986</u>

Investment income for the year ended June 30, 2025, consisted of the following:

	<u>Without Donor Restrictions</u>
Interest and dividend income	\$ 1,804,729
Unrealized gains (losses)	(8,399,422)
Realized gains (losses)	14,868,669
Investment fees	<u>(175,078)</u>
Total investment income	<u>\$ 8,098,898</u>

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Notes to the Financial Statements
(Continued)

(4) Contributions Receivable

Contributions receivable as of June 30, 2025 were as follows:

Contributions receivable	\$ 4,929,351
Less amortized discount	(194,515)
Allowance for uncollectable contribution	<u>(10,940)</u>
Net Contributions receivable	<u>\$ 4,723,896</u>

Contributions receivable are due as follows:

Less than one year	\$ 2,243,453
One to five years	2,677,898
More than five years	<u>8,000</u>
Contributions receivable	<u>\$ 4,929,351</u>

Changes in Contributions receivable for the year ended June 30, 2025 were as follows:

Contributions receivable at beginning of year	\$ 5,314,286
New Contributions	2,778,948
Payments received	(3,476,943)
Change in present value	<u>107,605</u>
Contributions receivable at end of year	<u>\$ 4,723,896</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, 2025 the Organization has not recognized an asset or contribution for these intentions to give.

(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

THE LIVING DESERT
Notes to the Financial Statements
(Continued)

(6) Loans Receivable (Continued)

7 to 10 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, 2025, the following are associated with the split dollar loan regime agreements:

Loans receivable	\$ 4,479,593
Accrued interest	<u>152,983</u>
Total loans receivable	<u>\$ 4,632,576</u>
Cash surrender value of policies	<u>\$ 2,891,319</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>
2026	\$ 1,078,571
2027	1,078,571
2028	1,078,571
2029	150,000
2030	150,000
Thereafter	<u>900,000</u>
Total	<u>\$ 4,435,713</u>

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Notes to the Financial Statements
(Continued)

(7) Land, Buildings and Equipment

Land, buildings and equipment as of June 30, 2025 is as follows:

	Estimated Useful Life	Amount
Land	n/a	\$ 91,373
Construction in progress	n/a	6,616,992
Buildings	30 years	54,065,910
Park improvements	20 years	29,583,959
Habitats	20 years	17,918,648
Equipment, furniture, and fixtures	5 to 10 years	13,085,901
Software	5 years	476,916
Total Land, Buildings and Equipment		121,839,699
Less accumulated depreciation		<u>(37,316,054)</u>
Net property and equipment		<u>\$ 84,523,645</u>

Depreciation expense was \$3,875,139 for the year ended June 30, 2025.

(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. As of June 30, 2025, the lease is in its first automatic renewal term through June 30, 2029. Monthly rent is \$2,550, with a 15% increase every five years. Annual income was \$30,600.

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 \$20,556 and \$10,278, respectively. The Organization received \$417,816 under the two sublease agreements for the year ended June 30, 2025. The monthly rent is adjusted annually based on the Consumer Price Index. As of June 30, 2025, minimum future rental income is as follows:

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Notes to the Financial Statements
(Continued)

(8) Operating Leases (Continued)

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Minimum Future</u> <u>Rental Income</u>
2026	\$ 393,948
2027	393,948
2028	393,948
2029	393,948
2030	393,948
Thereafter	<u>11,608,584</u>
Total	<u>\$ 13,578,324</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, 2025 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Minimum Future</u> <u>Lease Payments</u>
2026	\$ 11,244
2027	11,244
2028	<u>5,625</u>
Total lease payments	28,113
Less interest	<u>(414)</u>
Present value of lease liabilities	<u>\$ 27,699</u>

The right-of-use asset, net of \$27,330 of accumulated amortization, is \$27,334 as of June 30, 2025.

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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	\$ 1,440,948	(977,500)	463,448
Gala	1,355,731	(646,284)	709,447
Wildlights	1,537,701	(576,590)	961,111
Other events	<u>105,175</u>	<u>(238,290)</u>	<u>(133,115)</u>
Totals	<u>\$ 4,439,555</u>	<u>(2,438,664)</u>	<u>2,000,891</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, 2025 are as follows:

Financial assets:	
Cash and cash equivalents	\$ 6,676,575
Contributions receivable, net	4,723,896
Investments	68,828,927
Other receivables	772,925
Loans receivable	<u>4,632,576</u>
Total financial assets	85,634,899
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets	(13,670,110)
Time-restricted	(4,723,897)
Donor-restricted endowment	(40,467,061)
Less financial assets not available within one year:	
Contributions receivable	(2,480,443)
Loans receivable	(4,632,576)
Less earnings on donor restricted endowments	(26,232,611)
Less Board-designated endowment	<u>(6,147,855)</u>
Financial assets available for general expenses within one year	<u>\$ (12,719,654)</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, 2025:

Purpose restrictions, available for spending:	
Capital construction	\$ 13,670,110
Time restricted, available for spending:	
General donors	4,723,897
Endowment funds, which must be appropriated by the Board before use:	
Endowment donors	<u>40,467,061</u>
Total net assets with donor restrictions	<u>\$ 58,861,068</u>

(12) Endowments

Endowment net asset composition by type of fund as of June 30, 2025 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Donor-restricted	\$ -	40,467,061	40,467,061
Board-designated	6,147,855	-	6,147,855
Earnings on donor restricted endowment	<u>26,232,611</u>	<u>-</u>	<u>26,232,611</u>
Totals	<u>\$ 32,380,466</u>	<u>40,467,061</u>	<u>72,847,527</u>

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Notes to the Financial Statements
(Continued)

(12) Endowments (Continued)

Changes in endowment net assets for the year ended June 30, 2025 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 26,857,018	40,439,261	67,296,279
Contributions	423,158	23,800	446,958
Endowment restriction released by Board	(2,302,475)	-	(2,302,475)
Investment income	7,995,826	-	7,995,826
Appropriation of endowment assets	<u>(593,061)</u>	<u>4,000</u>	<u>(589,061)</u>
Endowment net assets, end of year	<u>\$ 32,380,466</u>	<u>40,467,061</u>	<u>72,847,527</u>

(13) Construction Commitments

As of June 30, 2025, the Organization had construction commitments for its Crossroads Project in the amount of \$3,445,593.

(14) Subsequent Events

Management has evaluated subsequent events through October 10, 2025, the date the financial statements were available to be issued. During this period, the Organization drew \$1,500,000 from one of its lines of credit.