THE LIVING DESERT

Financial Statements

Year ended June 30, 2023

(With Independent Auditor's Report Thereon)

THE LIVING DESERT

Financial Statements

Year ended June 30, 2023

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Davis Farr LLP
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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, 2023, 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, 2023, 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.

Emphasis of Matter

During the year ended June 30, 2023, the Organization implemented Financial Accounting Standards Board (FASB) ASC 842, *Leases*. Our opinion is not modified with respect to this matter.

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.

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 12, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Davis Farr LLP

Irvine, California
October 12, 2023

THE LIVING DESERT

Statement of Financial Position

June 30, 2023
(with comparative totals for June 30, 2022)

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents (note 2b)	$ 10,734,920	9,729,322
Investments (note 3)	68,149,212	64,368,738
Current pledges receivable, net (note 4)	2,702,795	2,742,323
Other receivables	434,136	369,150
Prepaid expenses	492,673	1,339,795
Right-of-use assets - operating leases, net (note 8)	10,932	-
Total current assets	82,524,668	78,549,328
Non-current assets:		
Non-current pledges receivable, net (note 4)	4,590,195	2,635,289
Loans receivable (note 6)	2,222,633	1,088,846
Right-of-use assets - operating leases, net (note 8)	38,266	-
Land, buildings and equipment, net (note 7)	55,348,796	43,898,241
Total non-current assets	62,199,890	47,622,376
Total assets	$ 144,724,558	126,171,704
Liabilities:		
Accounts payable	$ 2,055,942	315,634
Accrued expenses	1,629,067	2,725,221
Unearned revenue and deposits (note 2j)	1,534,852	1,659,722
Lease liability (note 8)	49,291	-
Total liabilities	5,269,152	4,700,577
Net assets:		
Without donor restrictions	84,231,587	73,661,386
With donor restrictions (note 11)	55,223,819	47,809,741
Total net assets	139,455,406	121,471,127
Total liabilities and net assets	$ 144,724,558	126,171,704

See accompanying notes to the financial statements

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THE LIVING DESERT

Statement of Activities

Year ended June 30, 2023
(with comparative totals for the year ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	Totals 2023	Totals 2022
Support and revenue:				
Program revenues:				
Park admissions	$ 9,330,123	-	9,330,123	9,075,105
Memberships	2,762,881	-	2,762,881	2,490,813
Food and retail concessions (note 8)	852,859	-	852,859	760,609
Park services and rentals	1,772,866	-	1,772,866	1,476,614
Education programs	93,436	-	93,436	67,057
Total program revenues	14,812,165	-	14,812,165	13,870,198
Other support:				
Contributions	4,496,664	7,045,464	11,542,128	13,910,487
Special events, net of direct expenses (notes 2m and 9)	2,381,216	-	2,381,216	2,502,615
In-kind Contributions	32,598	-	32,598	43,902
Lease income (note 8)	384,567	-	384,567	366,214
Investment income (loss), net (note 3)	9,194,407	-	9,194,407	(13,150,479)
Other revenue	-	-	-	28,000
Forgiveness of debt	-	-	-	1,418,025
Endowment assets permanently restricted	(611,011)	611,011	-	-
Net assets released from restrictions	242,397	(242,397)	-	-
Total other support	16,120,838	7,414,078	23,534,916	5,118,764
Total support and revenues	30,933,003	7,414,078	38,347,081	18,988,962
Expenses:				
Program services:				
Zoological	6,489,632	-	6,489,632	5,504,132
Botanical	1,022,318	-	1,022,318	689,064
Education	1,802,213	-	1,802,213	1,547,999
Conservation	3,051,555	-	3,051,555	2,458,458
Memberships and park services	4,288,791	-	4,288,791	3,850,556
Marketing, advertising and public relations	1,337,859	-	1,337,859	1,232,331
Total program services expenses	17,992,368	-	17,992,368	15,282,540
Supporting services:				
Management and general	760,812	-	760,812	643,364
Fundraising	1,609,622	-	1,609,622	1,400,921
Total supporting services expenses	2,370,434	-	2,370,434	2,044,285
Total expenses	20,362,802	-	20,362,802	17,326,825
Change in net assets	10,570,201	7,414,078	17,984,279	1,662,137
Net assets at beginning of year	73,661,386	47,809,741	121,471,127	119,808,990
Net assets at end of year	$ 84,231,587	55,223,819	139,455,406	121,471,127

See accompanying notes to the financial statements

THE LIVING DESERT

Statement of Functional Expenses

Year ended June 30, 2023
(with comparative totals for year ended June 30, 2022)

	Program Services				
	Zoological	Botanical	Education	Conservation	Membership/ Park Services
Salaries and wages	$ 2,618,998	442,461	916,672	1,421,648	1,732,737
Employee benefits	291,912	50,539	70,106	132,533	134,318
Payroll taxes	187,267	31,608	64,038	94,458	122,961
Subtotal	3,098,177	524,608	1,050,816	1,648,639	1,990,016
Repairs and maintenance	272,154	105,475	168,725	140,267	203,328
Professional fees and contracts	421,456	28,444	87,368	169,472	343,880
Office supplies	3,454	202	20,155	3,625	3,092
Equipment	109,453	9,083	24,666	70,525	70,708
Training and travel	58,261	1,966	20,147	99,377	42,413
Administrative expenses	26,049	2,996	15,529	13,040	19,644
Printing and postage	37,156	3,313	10,350	37,125	208,641
Park supplies	539,986	2,581	37,435	102,247	39,932
Insurance	96,310	5,451	18,171	21,402	54,514
Advertising	369	59	283	3,022	25,530
In-kind expenses	7,191	1,116	8,194	4,675	7,702
Utilities	324,537	252,549	60,693	171,353	206,663
Depreciation	1,478,362	83,681	278,936	328,525	836,808
Amortization	1,466	237	497	845	1,632
Miscellaneous costs	15,251	557	-	237,416	234,288
Loss on disposal	-	-	248	-	-
Total expenses	$ 6,489,632	1,022,318	1,802,213	3,051,555	4,288,791

See accompanying notes to the financial statements

THE LIVING DESERT

Statement of Functional Expenses (Continued)

Year ended June 30, 2023
(with comparative totals for year ended June 30, 2022)

Program Services		Supporting Services			Totals	
Advertising/ Public Relations	Subtotal	Management and General	Fundraising	Subtotal	2023	2022
376,439	7,508,955	529,310	1,027,255	1,556,565	9,065,520	7,450,169
32,455	711,863	39,291	62,544	101,835	813,698	602,971
27,343	527,675	27,045	60,168	87,213	614,888	521,649
436,237	8,748,493	595,646	1,149,967	1,745,613	10,494,106	8,574,789
18,458	908,407	16,006	27,554	43,560	951,967	771,233
222,657	1,273,277	52,369	211,306	263,675	1,536,952	1,288,625
449	30,977	1,868	3,332	5,200	36,177	17,090
6,312	290,747	8,931	12,567	21,498	312,245	416,872
5,576	227,740	7,474	16,806	24,280	252,020	158,812
2,070	79,328	2,637	5,846	8,483	87,811	80,133
3,514	300,099	4,646	53,126	57,772	357,871	315,553
2,546	724,727	1,548	6,752	8,300	733,027	732,243
2,019	197,867	2,019	2,017	4,036	201,903	163,807
530,653	559,916	66	17,246	17,312	577,228	665,482
868	29,746	1,240	1,612	2,852	32,598	43,902
25,824	1,041,619	34,741	43,659	78,400	1,120,019	885,161
30,993	3,037,305	30,993	30,993	61,986	3,099,291	2,545,712
184	4,861	263	342	605	5,466	2,545,713
49,499	537,011	365	25,422	25,787	562,798	651,985
-	248	-	1,075	1,075	1,323	15,426
1,337,859	17,992,368	760,812	1,609,622	2,370,434	20,362,802	19,872,538

See accompanying notes to the financial statements

THE LIVING DESERT

Statement of Cash Flows

Year ended June 30, 2023
(with comparative totals for the year ended June 30, 2022)

	2023	2022
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 17,984,279	1,662,137
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	3,099,291	2,545,712
Loan forgiveness	-	(1,418,025)
Unrealized and realized (gain) loss on investments	(7,808,578)	13,605,975
Increase in the carrying amount of right-of-use assets - operating leases	(49,198)	-
(Increase) decrease in pledges receivable	(1,915,378)	1,586,353
(Increase) decrease in other receivable	(64,986)	846,947
(Increase) decrease in prepaid expenses	847,122	(1,089,078)
(Increase) decrease in loans receivable	(1,133,787)	(1,088,846)
Increase (decrease) in accounts payable	100,684	(1,741,456)
Increase (decrease) in accrued expenses	(1,096,154)	2,058,108
Increase (decrease) in unearned revenue	(124,870)	328,806
Increase (decrease) in lease liability	49,291	-
Net cash provided by operating activities	9,887,716	17,296,633
Cash flows from investing activities:		
Purchase of fixed assets	(12,910,222)	(12,360,358)
Purchase of investments	(23,682,105)	(33,476,195)
Proceeds from sale of investments	27,710,209	31,176,018
Net cash flows provided (used) by investing activities	(8,882,118)	(14,660,535)
Net increase (decrease) in cash and cash equivalents	1,005,598	2,636,098
Cash and cash equivalents at beginning of year	9,729,322	7,093,224
Cash and cash equivalents at end of year	$ 10,734,920	9,729,322
Significant non-cash financing activity		
Forgiveness of COVID Related Loans	$ -	1,428,025

See accompanying notes to the financial statements

(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 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.

(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, 2023:

Petty cash	$ 4,729
Demand deposits	10,730,191
Total cash and cash equivalents	$ 10,734,920

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, 2023, cash held in excess of FDIC limits was $10,415,129.

(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.

(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, 2023 was 5.19%.

(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.

(2) Summary of Significant Accounting Policies (Continued)

(g) Leases

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

Recently Adopted Accounting Standards

For the year ended June 30, 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to restate the comparative period (year ended June 30, 2022). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the organization recognized no right-of-use assets of and lease liabilities in its statement of financial position as of July 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended June 30, 2023.

(h) In-Kind Contributions

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

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

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 $14,080 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.

(2) Summary of Significant Accounting Policies (Continued)

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, 2023 and 2022, the number of volunteers were 511 and 447, respectively. The value of these volunteer hours is not recorded in the financials.

(i) Collections

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

(j) Membership Dues

Membership dues are reported as income when earned. Amounts received or billed in advance, but not earned, are reported as unearned revenue. As of June 30, 2023, unearned revenue was $1,534,852.

(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, 2023 had not yet been filed.

(l) Grant Revenue

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

(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:

(2) Summary of Significant Accounting Policies (Continued)

- 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, 2023 were $772,562, consisting of $577,228 included on the Statement of Functional Expenses and $195,334 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 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.

(2) Summary of Significant Accounting Policies (Continued)

(p) 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.

(q) Spending Policy

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

(r) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. However, management anticipates any variances to be immaterial.

(s) Prior Data

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

(3) Investments

The following table presents investments recorded at fair value as of June 30, 2023 and indicates the fair value hierarchy of the valuation techniques used to measure fair value as described in 2(d).

	Total	Level 1	Level 2	Level 3
Government bonds	$ 8,914,391	-	8,914,391	-
Corporate bonds	7,984,168	-	7,984,168	-
Equities	51,250,653	51,250,653	-	-
Total Investments	$ 68,149,212	51,250,653	16,898,559	-

Investment income for the year ended June 30, 2023, consisted of the following:

	Without Donor Restrictions
Interest and dividend income	$ 1,518,638
Unrealized gains	7,951,142
Realized gains (losses)	(76,878)
Investment fees	(198,495)
Total investment income	$ 9,194,407

(4) Pledges Receivable

Pledges receivable as of June 30, 2023 were as follows:

Pledges receivable	$ 8,051,901
Less amortized discount	(496,471)
Allowance for doubtful pledges	(262,440)
Net pledges receivable	$ 7,292,990

Pledges receivable are due as follows:

Less than one year	$ 2,702,795
One to five years	5,334,106
More than five years	15,000
Pledges receivable	$ 8,051,901

(4) Pledges Receivable (Continued)

Changes in pledges receivable for the year ended June 30, 2023 were as follows:

Pledges receivable at beginning of year	$ 5,377,612
New pledges	6,677,500
Payments received	(4,374,258)
Write-offs	(105)
Change in present value	(387,759)
Pledges receivable at end of year	$ 7,292,990

(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, 2023 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 7 to 15 years. Upon the death of the executive, the proceeds of the life insurance are first paid to the Organization as repayment of the loan, then any excess proceeds are paid to the executive's beneficiary(ies). Should the executive terminate prior to fully funding the policy and the cash surrender value is not sufficient to repay the loan, then the employee will be responsible for any shortfall in the repayment of the loan unless the Organization chooses to continue making payments. During the year ended June 30, 2023, one of the executives terminated and the Organization has chosen to continue making payments as it is beneficial to the Organization. As of June 30, 2023, the following are associated with the split dollar loan regime agreements:

(6) Loans Receivable (Continued)

Loans receivable	$ 2,157,142
Accrued interest	65,491
Total loans receivable	$ 2,222,633
Cash surrender value of policies	$ 999,277

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

Year Ended June 30,	Amount
2024	$ 1,078,571
2025	1,078,571
2026	1,078,571
2027	1,078,571
2028	1,078,571
Therafter	1,200,000
Total	$ 6,592,855

(7) Land, Buildings and Equipment

Land, buildings and equipment as of June 30, 2023 is as follows:

	Estimated Useful Life	Amount
Land	n/a	$ 91,373
Construction in progress	n/a	14,768,734
Buildings	30 years	29,472,564
Park improvements	20 years	28,950,942
Habitats	20 years	7,627,486
Equipment, furniture, and fixtures	5 to 10 years	4,712,814
Software	5 years	243,452
Total capital assets		85,867,365
Less accumulated depreciation		(30,518,569)
Net property and equipment		$ 55,348,796

Depreciation expense was $3,099,291 for the year ended June 30, 2023.

(8) Operating Leases

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

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

The Organization entered into two sublease agreements with a private corporation in November 1992 to sublease portions of the land. These subleases expire in December 2045 and January 2082 and contain monthly rent of $19,577 and $9,789, respectively. The Organization received $384,567 under the two sublease agreements for the year ended June 30, 2023. The monthly rent is adjusted annually based on the Consumer Price Index. As of June 30, 2023, minimum future rental income is as follows:

Fiscal Year Ending June 30	Minimum Future Rental Income
2024	$ 370,008
2025	370,008
2026	370,008
2027	370,008
2028	370,008
Thereafter	11,346,912
Total	$ 13,196,952

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 $852,859 from food and retail concessions for the year ended June 30, 2023. On June 29, 2023, the vendor provided a notice of intent to terminate the lease agreement, effective August 30, 2023 for retail gift services and January 8, 2024 for food and beverage services.

(8) Operating Leases (Continued)

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, 2023 are as follows:

Fiscal Year Ending June 30,	Minimum Future Lease Payments
2024	$ 11,244
2025	11,244
2026	11,244
2027	11,244
2028	5,625
Total lease payments	50,601
Less interest	(1,310)
Present value of lease liabilities	$ 49,291

The right-of-use asset, net of $5,466 of accumulated amortization, is $49,198 as of June 30, 2023.

(9) Special Events

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

Special Event	Revenue	Direct Expenses	Special Events, Net
GLOW in the Park	$ 1,877,383	(1,211,672)	665,711
Gala	1,510,836	(583,709)	927,127
Wildlights	1,232,818	(326,970)	905,848
Other events	100	(116,000)	(115,900)
Totals	$ 4,621,137	(2,238,351)	2,382,786

(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, 2023 are as follows:

Financial assets:	
Cash and cash equivalents	$ 10,734,920
Pledges receivable, net	7,292,990
Investments	68,149,212
Other receivables	434,136
Loans receivable	2,222,633
Total financial assets	88,833,891
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets	(7,858,814)
Donor-restricted endowment	(40,072,015)
Less financial assets not available within one year:	
Pledges receivable	(4,590,195)
Loans receivable	(2,222,633)
Less earnings on donor restricted endowments	(15,799,334)
Less Board-designated endowment	(4,984,690)
Financial assets available for general expenses within one year	$ 13,306,210

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.

(11) Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30, 2023:

Purpose restrictions, available for spending:	
Capital construction	$ 7,858,814
Time restricted, available for spending:	
General donors	7,292,990
Endowment funds, which must be appropriated by the Board before use:	
Endowment donors	40,072,015
Total net assets with donor restrictions	$55,223,819

(12) Endowments

Endowment net asset composition by type of fund as of June 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Donor-restricted	$ -	40,072,015	40,072,015
Board-designated	4,984,690	-	4,984,690
Earnings on donor restricted endowment	15,799,334	-	15,799,334
Totals	$20,784,024	40,072,015	60,856,039

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	$15,346,247	39,446,004	54,792,251
Contributions	1,943,080	15,000	1,958,080
Endowment restriction released by Board	(3,001,667)	-	(3,001,667)
Investment income	9,188,783	-	9,188,783
Endowment assets permanently restricted	(611,011)	611,011	-
Appropriation of endowment assets	(2,081,408)	-	(2,081,408)
Endowment net assets, end of year	$20,784,024	40,072,015	60,856,039

(13) Subsequent Events

Management has evaluated subsequent events through October 13, 2023, the date the financial statements were available to be issued. On September 1, 2023, the Organization entered into a new lease agreement with an outside vendor for the sale of souvenirs and other Organization-related gift items and merchandise. Additionally, the Organization suffered damage in the approximate amount of $500,000 as a result of the effects of Hurricane Hillary in September 2023. It is unknown how much, if any, of this damage will be covered by insurance.