

**Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund**

Consolidated Financial Statements  
and Independent Auditor's Report

September 30, 2022 and 2021

# Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Consolidated Financial Statements  
September 30, 2022 and 2021

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## **INDEPENDENT AUDITOR’S REPORT**

To the Board of Directors of  
Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

### ***Opinion***

We have audited the accompanying consolidated financial statements of Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund (collectively, “Defenders”), which comprise the consolidated statements of financial position as of September 30, 2022 and 2021; the related consolidated statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Defenders as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Defenders and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements***

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

***Responsibilities of Management for the Consolidated Financial Statements (continued)***

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Defenders' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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, including omissions, 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)***

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.

***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on pages 33-36 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

***Report on Summarized Comparative Information***

We have previously audited Defenders' September 30, 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 17, 2022. In our opinion, the summarized comparative information presented herein, as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia  
February 24, 2023

**Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund**

Consolidated Statements of Financial Position  
September 30, 2022 and 2021

	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,503,375	\$ 1,951,445
Short-term investments	23,120	139
Investments – annuity reserve fund	3,108,401	3,969,877
Bequests and trusts receivable	1,352,859	867,716
Grants and contributions receivable, current portion	856,540	1,206,968
Accounts receivable	193,212	314,461
Prepaid expenses	775,056	1,125,278
Inventory	675,667	777,206
Total current assets	12,488,230	10,213,090
Long-term investments	26,477,260	29,494,368
Grants and contributions receivable, long-term, net	13,810	19,888
Beneficial interests in trusts	1,834,891	2,292,572
Property and equipment, net	7,937,048	8,493,532
Deferred compensation	157,606	167,548
Total assets	\$ 48,908,845	\$ 50,680,998
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,939,354	\$ 2,789,328
Annuity and other split-interest obligations, current portion	303,030	327,699
Capital lease obligation, current portion	-	27,880
Total current liabilities	3,242,384	3,144,907
Annuity and other split-interest obligations, long-term	1,793,315	1,942,485
Deferred compensation	157,606	167,548
Total liabilities	5,193,305	5,254,940
<b>Net Assets</b>		
Without donor restrictions	34,450,024	32,725,170
With donor restrictions	9,265,516	12,700,888
Total net assets	43,715,540	45,426,058
Total liabilities and net assets	\$ 48,908,845	\$ 50,680,998

See accompanying notes.

**Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund**

Consolidated Statement of Activities  
For the Year Ended September 30, 2022  
(With Comparative Totals for the Year Ended September 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
<b>Revenue and Support</b>				
Grants and contributions	\$ 24,469,373	\$ 4,481,498	\$ 28,950,871	\$ 29,061,865
Contributed goods and services	5,046,528	-	5,046,528	6,139,697
Bequests	13,876,255	3,000	13,879,255	7,580,010
Royalties	511,236	-	511,236	737,891
Investment return	(6,448,364)	(6,537)	(6,454,901)	2,894,749
Split-interest contributions	-	48,823	48,823	111,922
Change in value of split interests	154,708	(1,194,143)	(1,039,435)	460,221
Mailing list royalties	200,213	-	200,213	205,442
Rental income	-	-	-	5,240
Other income	32,562	-	32,562	2,627,428
Released from restrictions – program	6,768,013	(6,768,013)	-	-
<b>Total revenue and support</b>	<b>44,610,524</b>	<b>(3,435,372)</b>	<b>41,175,152</b>	<b>49,824,465</b>
<b>Expenses</b>				
Program services:				
Biodiversity conservation	18,969,725	-	18,969,725	22,419,645
Constituency mobilization	16,528,176	-	16,528,176	16,323,556
<b>Total program services</b>	<b>35,497,901</b>	<b>-</b>	<b>35,497,901</b>	<b>38,743,201</b>
Supporting services:				
Management and general	6,358,316	-	6,358,316	5,869,262
Fundraising	1,029,453	-	1,029,453	1,211,234
<b>Total supporting services</b>	<b>7,387,769</b>	<b>-</b>	<b>7,387,769</b>	<b>7,080,496</b>
<b>Total expenses</b>	<b>42,885,670</b>	<b>-</b>	<b>42,885,670</b>	<b>45,823,697</b>
<b>Change in Net Assets</b>	<b>1,724,854</b>	<b>(3,435,372)</b>	<b>(1,710,518)</b>	<b>4,000,768</b>
<b>Net Assets, beginning of year</b>	<b>32,725,170</b>	<b>12,700,888</b>	<b>45,426,058</b>	<b>41,425,290</b>
<b>Net Assets, end of year</b>	<b>\$ 34,450,024</b>	<b>\$ 9,265,516</b>	<b>\$ 43,715,540</b>	<b>\$ 45,426,058</b>

See accompanying notes.

**Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund**

Consolidated Statement of Functional Expenses  
For the Year Ended September 30, 2022  
(With Comparative Totals for the Year Ended September 30, 2021)

	Program Services			Supporting Services			2022 Total	2021 Total
	Biodiversity Conservation	Constituency Mobilization	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and wages	\$ 7,372,933	\$ 3,483,812	\$ 10,856,745	\$ 2,441,721	\$ 287,959	\$ 2,729,680	\$ 13,586,425	\$ 13,661,472
Payroll taxes and benefits	1,958,291	922,694	2,880,985	647,491	77,597	725,088	3,606,073	3,795,048
Professional fundraising fees	-	1,104,183	1,104,183	227,405	99,591	326,996	1,431,179	1,169,730
Other professional fees	2,198,395	1,053,103	3,251,498	331,930	65,681	397,611	3,649,109	4,834,752
Grants and contributions	605,018	68,987	674,005	12,250	3,750	16,000	690,005	1,768,301
Computer services	47,209	642,633	689,842	407,595	42,831	450,426	1,140,268	1,172,299
Conference fees	9,714	3,163	12,877	847	226	1,073	13,950	10,462
Advertising	118,308	865,421	983,729	220,646	85,808	306,454	1,290,183	1,146,283
Membership incentives and fulfillment	11	1,370,649	1,370,660	647	150	797	1,371,457	1,232,940
Supplies	137,526	22,076	159,602	5,179	708	5,887	165,489	202,807
Telephone	9,175	2,504	11,679	172,680	262	172,942	184,621	178,642
Postage and shipping	103,847	3,018,837	3,122,684	404,551	159,561	564,112	3,686,796	3,953,634
Occupancy and other	596,001	169,536	765,537	118,366	7,928	126,294	891,831	880,482
Equipment rental and maintenance	32,462	16,105	48,567	11,037	924	11,961	60,528	50,294
Printing and publications	70,697	3,113,632	3,184,329	376,958	150,229	527,187	3,711,516	3,367,273
Travel	141,810	15,020	156,830	9,777	1,134	10,911	167,741	26,619
Meetings	17,578	14,557	32,135	10,572	2,856	13,428	45,563	44,769
Training	4,089	4,235	8,324	27,409	-	27,409	35,733	19,797
Interest	1,099	546	1,645	375	31	406	2,051	26,101
Depreciation	392,626	195,234	587,860	133,886	11,214	145,100	732,960	739,208
Honoraria	1,250	300	1,550	200	-	200	1,750	1,511
Staffing and temporary help	6,262	2,814	9,076	74,406	134	74,540	83,616	14,279
List rentals	-	147,708	147,708	14,722	12,860	27,582	175,290	154,297
Insurance	61,135	30,399	91,534	20,847	1,746	22,593	114,127	104,290
Royalties	9,330	33,452	42,782	-	-	-	42,782	26,974
Taxes, fees, and licenses	143,080	71,184	214,264	60,155	4,091	64,246	278,510	297,257
Dues and subscriptions	67,268	69,778	137,046	8,766	2,669	11,435	148,481	133,321
Proactive projects	-	-	-	-	-	-	-	6,843
DR transaction fees/bank fees	-	-	-	531,108	-	531,108	531,108	664,315
Contributed services	4,864,611	85,614	4,950,225	86,790	9,513	96,303	5,046,528	6,139,697
<b>Total Expenses</b>	<b>\$ 18,969,725</b>	<b>\$ 16,528,176</b>	<b>\$ 35,497,901</b>	<b>\$ 6,358,316</b>	<b>\$ 1,029,453</b>	<b>\$ 7,387,769</b>	<b>\$ 42,885,670</b>	<b>\$ 45,823,697</b>

See accompanying notes.



**Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund**

Consolidated Statements of Cash Flows  
For the Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (1,710,518)	\$ 4,000,768
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	732,960	739,208
Net realized and unrealized losses (gains) on investments	6,953,879	(2,436,392)
Donated securities	(470,844)	(567,686)
Change in value of charitable remainder and other trusts	457,681	(277,425)
Change in value of annuity reserve fund	861,476	(140,922)
Change in discount on grants and contributions receivable	1,078	(414)
Forgiveness of loan payable – Paycheck Protection Program	-	(2,397,455)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Bequests and trusts receivable	(485,143)	(370,203)
Grants and contributions receivable	355,428	(643,194)
Accounts receivable	121,249	(48,394)
Prepaid expenses	350,222	43,547
Inventory	101,539	(77,806)
Deferred compensation	9,942	(45,367)
Increase (decrease) in:		
Accounts payable and accrued expenses	150,026	475,221
Annuity and other split-interest obligations	(173,839)	(33,189)
Deferred revenue	-	(1,310)
Deferred compensation	(9,942)	45,367
Net cash provided by (used in) operating activities	<u>7,245,194</u>	<u>(1,735,646)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	444,235	20,897,486
Purchase of investments	(3,933,143)	(27,171,441)
Purchase of property and equipment	<u>(176,476)</u>	<u>(92,352)</u>
Net cash used in investing activities	<u>(3,665,384)</u>	<u>(6,366,307)</u>
<b>Cash Flows from Financing Activity</b>		
Principal payments under capital lease	<u>(27,880)</u>	<u>(26,519)</u>
Net cash used in financing activity	<u>(27,880)</u>	<u>(26,519)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	3,551,930	(8,128,472)
<b>Cash and Cash Equivalents, beginning of year</b>	<u>1,951,445</u>	<u>10,079,917</u>
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 5,503,375</u>	<u>\$ 1,951,445</u>

See accompanying notes.

# Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

## 1. Nature of Operations

Defenders of Wildlife (DOW) is a District of Columbia nonprofit corporation founded in 1947. DOW is a national, nonprofit membership organization dedicated to the protection of all native animals and plants in their natural communities. Programs are primarily funded through grants and contributions.

Defenders of Wildlife Action Fund (“the Action Fund”) was incorporated on June 22, 2017 in the District of Columbia. The Action Fund is a national nonprofit social welfare organization, whose only member is DOW. The Action Fund was organized for the purpose of protecting wildlife, natural habitats, and the environment by educating people about wildlife, and advocating for laws, regulations, and policies that will positively affect wildlife, habitats, and the environment.

## 2. Summary of Significant Accounting Policies

### Principles of Consolidation

Consolidated financial statements are presented due to varying degrees of control and financial interests between DOW and the Action Fund. DOW and the Action Fund share certain personnel and overhead costs, with the shared costs allocated between the two entities based on a resource-sharing and expense reimbursement agreement. All significant intercompany balances and transactions are eliminated in consolidation. Except when referred to separately, both entities are collectively referred to as “Defenders” throughout the accompanying consolidated financial statements and related notes.

### Comparative Information

The consolidated statement of activities includes 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. Accordingly, such information should be read in conjunction with Defenders’ consolidated financial statements for the year ended September 30, 2021, from which the summarized information was derived.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

### 2. Summary of Significant Accounting Policies (continued)

#### Basis of Accounting and Presentation

Defenders' consolidated financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions in the following classes:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### Cash Equivalents

Cash equivalents consist of interest-earning checking accounts, as well as highly liquid investments with original maturities of three months or less. Temporary cash investments are placed with creditworthy, high-quality financial institutions. These banking arrangements preclude any significant concentration of uninsured cash. The carrying amounts in the consolidated statements of financial position approximate fair value because of the short-term maturities of the instruments.

#### Investments

Investments are recorded at fair value based on quoted market prices. Certain investments are recorded as long-term, as Defenders has the intent and ability to hold them for more than one year. Short-term investments are included with current assets, since the intent is for them to be available for working capital purposes, if needed.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

### 2. Summary of Significant Accounting Policies (continued)

#### Grants and Contributions Receivable

All grants and contributions receivable are reflected at either net realizable value or at net present value based on projected cash flows. Amounts receivable in more than one year initially recorded in the years ended September 30, 2022 and 2021 were discounted at an average annual rate of 4.22% and 0.28%, respectively, using a rate that considers market and credit risk. Defenders' policy is to write off uncollectible grants and contributions receivable when management determines the receivable will not be collected. All grants and contributions receivable were deemed fully collectible at September 30, 2022 and 2021.

#### Accounts Receivable

Accounts receivable consist of royalties, list rentals, pension forfeitures, and other receivables. All accounts receivable are recorded at net realizable value. Defenders' policy is to charge off uncollectible accounts receivable when management determines the receivable will not be collected. No allowance for uncollectible accounts has been established at September 30, 2022 and 2021, as all amounts are deemed fully collectible.

#### Inventory

Inventory includes membership items, such as bags and jackets, which are branded with Defenders' logo, as well as items related to Defenders' adoption program. Inventory is recorded at cost (using specific identification), and is expensed when used.

#### Property and Equipment

Property and equipment purchased at a cost of \$1,000 or more are capitalized and recorded at acquisition cost. The building is depreciated over an estimated useful life of 25 years. Furniture, equipment, and improvements are depreciated over estimated useful lives of five to 25 years, with no salvage value. All depreciation is computed using the straight-line method. Donated items are recorded at fair market value.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended September 30, 2022 and 2021.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

### 2. Summary of Significant Accounting Policies (continued)

#### Assets Held and Liabilities Under Split-Interest Agreements

Defenders receives certain planned gift donations that benefit not only Defenders, but also another beneficiary designated by the donor. These contributions are term split-interest agreements, which include charitable remainder trusts, charitable gift annuities, a pooled income fund, and perpetual trusts.

##### *Charitable Remainder Trusts*

Defenders acts as trustee for various irrevocable charitable remainder trusts. These trusts are governed by the respective trust agreements, which generally provide for either an income stream or a future distribution of cash, in whole or in part, for a specified period or upon the occurrence of a specific event, respectively. The trust assets are recorded at fair value, and a related liability for future payments to be made to specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect assumptions market participants would use in pricing the liability. The excess of contributed assets over the trust liability is recorded as a contribution with donor restrictions until such amount is received via trust distribution or is expended in satisfaction of the donor-restricted purpose stipulated by the trust agreement, or both, if any. In subsequent years, the liability for future trust payments to the donor is reduced by payments made to the donor and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the fiscal year. Upon termination of the trust, the remaining liability is removed and recognized as income.

##### *Charitable Gift Annuities*

Under charitable gift annuity contracts, Defenders receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability.

The excess of contributed assets over the annuity liability is recorded as a contribution with donor restrictions. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the fiscal year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

### 2. Summary of Significant Accounting Policies (continued)

#### Assets Held and Liabilities Under Split-Interest Agreements (continued)

##### *Charitable Gift Annuities (continued)*

According to certain state laws, the charitable gift annuity reserve fund is invested primarily in money market funds, bonds, mutual funds, and fixed income investments. As of September 30, 2022 and 2021, Defenders had sufficient funds in its reserve fund to meet the California Insurance Code (“the Code”) requirements, and those funds were invested in accordance with the Code.

##### *Pooled Income Fund*

In 1980, Defenders established a pooled income fund. The fund is divided into units, and contributions of many donors’ life-income gifts are pooled and invested as a group. Each donor is assigned a specific number of units based on the proportion of the fair value of their contributions to the total fair value of the pooled income fund on the date of the donor’s entry to the pooled fund. Until a donor’s death, the donor (or a designated beneficiary) is paid the actual income earned on the donor’s assigned units. Upon the donor’s death, the value of these assigned units reverts to Defenders.

#### Beneficial Interests in Trusts Held by Others

##### *Charitable Remainder Trusts Held by Others*

Defenders has been named as an irrevocable beneficiary of several charitable trusts held and administered by independent trustees. These trusts were created independently by donors and are administered by outside agents designated by the donors.

Therefore, Defenders has neither possession nor control over the assets of the trusts. At the date Defenders receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the consolidated statement of activities, and a beneficial interest in charitable trusts held by others is recorded in the consolidated statements of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trusts are reported at fair value in the consolidated statements of financial position, with changes in fair value recognized in the consolidated statement of activities.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

### 2. Summary of Significant Accounting Policies (continued)

#### Beneficial Interests in Trusts Held by Others (continued)

##### *Charitable Remainder Trusts Held by Others (continued)*

Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions.

##### *Perpetual Trusts Held by Others*

Defenders was named as an irrevocable beneficiary of several perpetual trusts held and administered by a third-party trustee. Under the terms of the trust, Defenders has the irrevocable right to receive the income earned on the trust assets in perpetuity, but never receives the assets held in trust. The beneficial interests are recorded at fair value, which is measured using the fair value of the assets contributed to the trust. Distributions of the trusts' annual earnings are recorded as unrestricted income and any changes in the market value of the original gifts are reported as restricted gains and losses in the accompanying consolidated statement of activities.

#### Revenue Recognition

##### *Revenue Accounted for in Accordance with Contribution Accounting*

*Grants and contributions* that are nonreciprocal are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Defenders reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of Defenders' programs or to a future year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Contributions with donor restrictions to the endowment corpus are invested in perpetuity by or on Defenders' behalf. The principal of the gift is never expended, while the investment return is spent on current restricted or unrestricted programs as specified by the donor.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

### 2. Summary of Significant Accounting Policies (continued)

#### Revenue Recognition (continued)

##### *Revenue Accounted for in Accordance with Contribution Accounting (continued)*

Defenders receives certain promises to give, collected over multiple accounting periods, and classifies the portion receivable in future accounting periods as restricted revenue. Defenders discounts the promises to give using an appropriate discount rate over the contribution period.

*Bequests* are recognized as revenue at the time the probate court declares the will valid and the proceeds are reasonably measurable. It is Defenders' practice to reduce these amounts by approximately 10% before recording the receivable, for estimated administration costs associated with the estates.

*Donated services* that meet the criteria for recognition are recognized at fair value at the time of donation. Donated services consist of pro-bono legal services and advertising, and are reported as in-kind contributions in the accompanying consolidated statement of activities. The value of these donated services is included in the consolidated financial statements as both revenue and expense in the amounts of \$5,046,528 and \$6,139,697 for the years ended September 30, 2022 and 2021, respectively.

##### *Revenue Accounted for as Contracts*

Revenue is recognized when Defenders satisfies a performance obligation by transferring a promised good or performing a service. The amount of revenue recognized reflects the consideration Defenders expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, Defenders combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the consolidated statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Defenders recognizes rental revenue in the accounting period for which the performance obligation is satisfied. Any rental revenue payments received in advance are deferred until earned.



## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

### 2. Summary of Significant Accounting Policies (continued)

#### Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### Advertising Costs

Defenders expenses advertising costs as incurred. Advertising expenses were \$1,290,183 and \$1,146,283 for the years ended September 30, 2022 and 2021, respectively.

#### Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the split-interest agreements; carrying value of land, buildings, and equipment; and bequests and trusts receivable.

#### Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its consolidated statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in Defenders' fiscal year 2023, and management is currently in the process of evaluating the impact of the new accounting guidance on its consolidated financial statements.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

### 2. Summary of Significant Accounting Policies (continued)

#### Recently Issued Accounting Pronouncements (continued)

In July 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to increase transparency of contributed nonfinancial assets for nonprofit entities through enhancements in presentation and disclosure requirements. Nonprofit entities will be required to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, apart from contributions of cash and other financial contributions. Nonprofit entities will also be required to disclose various information related to contributed nonfinancial assets. ASU 2020-07 is effective beginning in Defenders' fiscal year 2023, and management is currently in the process of evaluating the impact of the new accounting guidance on its consolidated financial statements.

#### Subsequent Events

In preparing these consolidated financial statements, Defenders has evaluated events and transactions for potential recognition or disclosure through February 24, 2023, the date the consolidated financial statements were available to be issued.

### 3. Liquidity and Availability

Financial assets that are available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following at September 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 5,503,375	\$ 1,951,445
Short-term investments	23,120	139
Bequests and trusts receivable	1,352,859	867,716
Grants and contributions receivable – due within one year	856,540	1,206,968
Accounts receivable	<u>193,212</u>	<u>314,461</u>
Total available for general expenditures	<u>\$ 7,929,106</u>	<u>\$ 4,340,729</u>

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

### 3. Liquidity and Availability (continued)

Defenders considers net assets with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. Defenders' endowment funds consist of beneficial interests in perpetual trusts and other donor-restricted endowments to be held in perpetuity. Donor-restricted endowment funds are not available for general expenditures.

### 4. Concentration of Credit Risk

Financial instruments that potentially subject Defenders to significant concentrations of credit risk consist of cash and cash equivalents, and investments. Defenders maintains cash deposits and investments with various financial institutions that may, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). Defenders has not experienced any losses on its cash and cash equivalents, and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

### 5. Investments and Fair Value Measurements

#### Investment Return

Investment return consists of the following for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 619,563	\$ 556,720
Unrealized (losses) gains	(6,558,237)	489,300
Realized (losses) gains	(395,642)	1,947,092
Investment management fees	<u>(120,585)</u>	<u>(98,363)</u>
Total investment return	<u>\$ (6,454,901)</u>	<u>\$ 2,894,749</u>

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

### 5. Investments and Fair Value Measurements (continued)

#### Fair Value Measurements

Defenders follows FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period. In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability.

The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to Defenders' assessment of the quality, risk, or liquidity profile of the asset or liability. In general, and where applicable, Defenders uses quoted prices in active markets for identical assets and quoted market prices for similar assets in markets that are not active to determine fair value. This pricing methodology applies to Level 1 and Level 2 investments.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

### 5. Investments and Fair Value Measurements (continued)

#### Fair Value Measurements (continued)

The following table presents Defenders' fair value hierarchy for those assets measured on a recurring basis as of September 30, 2022:

	Level 1	Level 2	Level 3	Total fair value
Investments:				
Money market funds	\$ 1,048,008	\$ -	\$ -	\$ 1,048,008
Short-term bonds	101,922	-	-	101,922
Mutual funds:				
Equity	16,336,323	-	-	16,336,323
Fixed income	9,014,127	-	-	9,014,127
<b>Total investments</b>	<b>26,500,380</b>	<b>-</b>	<b>-</b>	<b>26,500,380</b>
Annuity reserve fund:				
Money market funds	66,337	-	-	66,337
Fixed income	1,835,932	-	-	1,835,932
Equity	1,206,132	-	-	1,206,132
<b>Total annuity reserve fund</b>	<b>3,108,401</b>	<b>-</b>	<b>-</b>	<b>3,108,401</b>
Beneficial interests in trusts:				
Charitable remainder trusts	260,155	-	237,358	497,513
Pooled income fund	-	84,724	-	84,724
Perpetual trusts	-	-	1,252,654	1,252,654
<b>Total beneficial interests in trusts</b>	<b>260,155</b>	<b>84,724</b>	<b>1,490,012</b>	<b>1,834,891</b>
Deferred compensation:				
Mutual funds	157,606	-	-	157,606
<b>Total assets at fair value</b>	<b>\$ 30,026,542</b>	<b>\$ 84,724</b>	<b>\$ 1,490,012</b>	<b>\$ 31,601,278</b>

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

### 5. Investments and Fair Value Measurements (continued)

#### Fair Value Measurements (continued)

The following table presents Defenders' fair value hierarchy for those assets measured on a recurring basis as of September 30, 2021:

	Level 1	Level 2	Level 3	Total fair value
Investments:				
Money market funds	\$ 660,405	\$ -	\$ -	\$ 660,405
Short-term bonds	109,900	-	-	109,900
Mutual funds:				
Equity	17,238,312	-	-	17,238,312
Fixed income	9,847,118	-	-	9,847,118
Hedge funds	-	1,638,772	-	1,638,772
<b>Total investments</b>	<b>27,855,735</b>	<b>1,638,772</b>	<b>-</b>	<b>29,494,507</b>
Annuity reserve fund:				
Money market funds	218,882	-	-	218,882
Fixed income	2,211,705	-	-	2,211,705
Equity	1,539,290	-	-	1,539,290
<b>Total annuity reserve fund</b>	<b>3,969,877</b>	<b>-</b>	<b>-</b>	<b>3,969,877</b>
Beneficial interests in trusts:				
Charitable remainder trusts	335,189	-	314,909	650,098
Pooled income fund	-	98,286	-	98,286
Perpetual trusts	-	-	1,544,188	1,544,188
<b>Total beneficial interests in trusts</b>	<b>335,189</b>	<b>98,286</b>	<b>1,859,097</b>	<b>2,292,572</b>
Deferred compensation:				
Mutual funds	167,548	-	-	167,548
<b>Total assets at fair value</b>	<b>\$ 32,328,349</b>	<b>\$ 1,737,058</b>	<b>\$ 1,859,097</b>	<b>\$ 35,924,504</b>

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

### 5. Investments and Fair Value Measurements (continued)

#### Fair Value Measurements (continued)

Defenders used the following methods and significant assumptions to estimate fair value of assets recorded at fair value:

#### Investments

##### *Level 1*

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 includes money market funds, mutual funds, corporate bonds, stocks, and fixed income securities held as investments.

##### *Level 2*

When quoted market prices for similar assets are available in markets that are not active, securities are classified within Level 2 of the valuation hierarchy. Level 2 includes hedge funds. The hedge funds are comprised of tracker funds, debt funds, global credit securities, and research funds. These hedge funds are measured in quantifiable units at quoted market prices on a monthly basis by the broker, and the broker's pricing methodology is assessed when determining the fair value hierarchy. Due to the frequency of the availability of market quotations, the hedge funds held by Defenders at September 30, 2021 are categorized as Level 2 in the valuation hierarchy.

#### Annuity Reserve Fund

##### *Level 1*

Annuity reserve fund is primarily invested in money market funds, bonds, mutual funds, and fixed income investments, which are valued at fair value based on quoted market prices of the underlying investments, and therefore classified as Level 1.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

### 5. Investments and Fair Value Measurements (continued)

#### Fair Value Measurements (continued)

##### Beneficial Interests in Trusts

###### *Level 1*

Charitable remainder trust assets for which Defenders is a trustee are invested in a diversified portfolio of mutual funds and marketable securities, which are valued at fair value based on quoted market prices of the underlying investments, and are therefore classified within Level 1.

###### *Level 2*

Pooled income fund consists primarily of fixed income equity mutual funds that are valued at price per unit of shares held by Defenders at year end and are based on quoted market prices in active markets.

###### *Level 3*

The fair values of beneficial interests in charitable and perpetual trusts are determined by using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees. These are considered to be Level 3 measurements. The following table is a rollforward of the fair value measurements using unobservable inputs (Level 3):

	<u>Charitable Remainder Trusts</u>	<u>Interest in Perpetual Trusts</u>	<u>Total Assets</u>
Value at September 30, 2020	\$ 283,944	\$ 1,343,670	\$ 1,627,614
Change in value	<u>30,965</u>	<u>200,518</u>	<u>231,483</u>
Value at September 30, 2021	314,909	1,544,188	1,859,097
Change in value	<u>(77,551)</u>	<u>(291,534)</u>	<u>(369,085)</u>
Value at September 30, 2022	<u>\$ 237,358</u>	<u>\$ 1,252,654</u>	<u>\$ 1,490,012</u>



## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

### 6. Grants and Contributions Receivable

Grants and contributions receivable are promised as follows at September 30:

	2022	2021
Due in less than one year	\$ 856,540	\$ 1,206,968
Due in one to five years	15,000	20,000
Total grants and contributions receivable	871,540	1,226,968
Less: discount	(1,190)	(112)
Grants and contributions receivable, net	\$ 870,350	\$ 1,226,856

### 7. Split-Interest Agreements

Assets held under split-interest agreements in the accompanying consolidated statements of financial position were comprised of the following at September 30:

	2022	2021
Investments – annuity reserve fund	\$ 3,108,401	\$ 3,969,877
Beneficial interests in trusts:		
Assets held by Defenders:		
Charitable remainder trusts	260,155	335,189
Pooled income fund	84,724	98,286
Assets held by a third party:		
Charitable remainder trusts	237,358	314,909
Perpetual trusts	1,252,654	1,544,188
Total beneficial interests in trusts	1,834,891	2,292,572
Total split-interest agreements	\$ 4,943,292	\$ 6,262,449

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

### 7. Split-Interest Agreements (continued)

Liabilities under split-interest agreements included in the accompanying consolidated statements of financial position were \$2,096,345 and \$2,270,184 at September 30, 2022 and 2021, respectively. Net contributions under split-interest agreements were approximately \$48,823 and \$111,922 for the years ended September 30, 2022 and 2021, respectively.

### 8. Property and Equipment

Defenders held the following property and equipment at September 30:

	2022	2021
Land	\$ 4,585,586	\$ 4,585,586
Buildings and improvements	9,636,197	9,514,331
Computer equipment	2,787,010	2,746,127
Furniture and equipment	1,149,253	1,135,526
Website	346,931	346,931
Total property and equipment	18,504,977	18,328,501
Less: accumulated depreciation	(10,567,929)	(9,834,969)
Property and equipment, net	<u>\$ 7,937,048</u>	<u>\$ 8,493,532</u>

### 9. Loan Payable – Paycheck Protection Program

Defenders applied for a loan under the Paycheck Protection Program (PPP) pursuant to Division A, Title 1 of the CARES Act, which was enacted on March 27, 2020. The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll through the COVID-19 coronavirus, for which Defenders qualified. After the loans are granted, the Small Business Administration (SBA) will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses (which primarily consist of payroll costs, costs used to continue group healthcare benefits, rent, and utilities).

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

### 9. Loan Payable – Paycheck Protection Program (continued)

The loan was granted to Defenders on May 5, 2020 in the amount of \$2,397,455, with terms including a 1.00% fixed interest rate and maturity date of May 5, 2022. During the year ended September 30, 2021, the SBA approved full forgiveness of the loan, and remitted the forgiveness amount to the financial institution, including applicable interest accruals. Defenders recorded the amount of forgiven loan and accrued interest as other income in the accompanying consolidated statement of activities.

### 10. Net Assets

#### Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of the following at September 30:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 26,512,976	\$ 24,231,638
Land and building	7,585,055	7,845,835
Property and equipment	<u>351,993</u>	<u>647,697</u>
Total net assets without donor restrictions	<u>\$ 34,450,024</u>	<u>\$ 32,725,170</u>

Net assets without donor restrictions include undesignated funds that have not been specifically set aside by the Board for an internally-designated purpose and are available for general operations, as well as funds designated for purposes of future property and equipment needs.

#### Net Assets With Donor Restrictions

##### *Subject to Expenditure for Specific Purpose*

Defenders receives a number of program-specific grants that are often expended over more than one fiscal year. The unused grant funds that are not expended at the end of the fiscal year are carried over to the next fiscal year, and are classified as net assets with donor restrictions until appropriate expenses are incurred in accordance with the program restrictions.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

### 10. Net Assets (continued)

#### Net Assets With Donor Restrictions (continued)

##### *Subject to the Passage of Time*

As discussed in Note 2, Defenders is party to various split-interest agreements with donors, including irrevocable charitable remainder trusts, charitable gift annuities, pooled income funds, perpetual trusts, and similar arrangements. Certain revenues from these arrangements are restricted for the purposes or time periods specified in the arrangements.

Net assets with donor restrictions are restricted for the following purposes or periods at September 30:

	2022	2021
Subject to expenditure for specific purpose:		
Program grants	\$ 6,060,316	\$ 8,343,018
Subject to the passage of time:		
Charitable remainder and other trusts	346,884	451,194
Charitable gift annuities	1,162,683	1,898,596
Pooled income fund	84,724	98,286
Lloyd Symington Memorial Fund for Wildlife Education	162,512	162,512
Total subject to the passage of time	1,756,803	2,610,588
Endowments:		
Beneficial interest in perpetual trusts	1,252,654	1,544,189
Harding Educational and Charitable Foundation	156,203	162,069
Lloyd Symington Memorial Fund for Wildlife Education	39,540	41,024
Total endowments	1,448,397	1,747,282
Total net assets with donor restrictions	\$ 9,265,516	\$ 12,700,888

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

### 11. Endowment

Defenders' endowment includes beneficial interests in perpetual trusts and other donor-restricted contributions to be held in perpetuity, the earnings of which can be used to fund either specific programs or general operations. Under accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The Board of Directors of Defenders has interpreted the District of Columbia's 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, Defenders classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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, Defenders considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) duration and preservation of the fund; (2) purposes of Defenders and the donor-restricted endowment fund; (3) general economic conditions; (4) possible effect of inflation and deflation; (5) expected total return from income and the appreciation or depreciation of investments; (6) other resources of Defenders; and (7) investment policies of Defenders.

#### Return Objectives, Risk Parameters, and Strategies

Defenders follows a conservative investment policy for endowment assets that attempts to preserve fully the original corpus and optimize returns. Should significant, new donations be made to the endowment assets, Defenders' investment policy would permit a strategy of long-term growth of the endowment assets. Under such a policy, the endowment assets would be invested in a manner that is intended to produce results exceeding major investment benchmarks while assuming a moderate level of risk.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

### 11. Endowment (continued)

#### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Defenders to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature would be reported by Defenders in net assets with donor restrictions. During the year ended September 30, 2022, the donor-restricted endowment funds experienced a net investment loss. The funds held in the Harding Educational and Charitable Foundation and the Lloyd Symington Memorial Fund for Wildlife Education both experienced losses; however, the ending balances remained above the corpus balances in both funds, as earnings from prior fiscal periods covered the losses. The beneficial interest in perpetual trusts also experienced a loss that depleted its fund balance to \$1,252,654, resulting in an underwater deficit of \$87,049 below the corpus balance of \$1,339,703. There were no fund deficiencies for the year ended September 30, 2021.

#### Composition of Endowment Net Assets

Endowment net asset composition was as follows at September 30:

	<u>2022</u>	<u>2021</u>
Donor-restricted endowment funds	<u>\$ 1,448,397</u>	<u>\$ 1,747,282</u>

#### Changes in Endowment Net Assets

Changes in endowment net assets were as follows for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	\$ 1,747,282	\$ 1,546,777
Investment return	<u>(298,885)</u>	<u>200,505</u>
Endowment net assets, end of year	<u>\$ 1,448,397</u>	<u>\$ 1,747,282</u>

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

### 12. Deferred Compensation Plan

Defenders maintains a non-qualified deferred compensation 457(b) plan for the President as a means of providing a supplemental benefit. Defenders contributes 7% in the aggregate of the President's compensation to the money purchase pension plan and the 457(b) plan. The Board also authorized additional contributions to the 457(b) plan as additional deferred compensation to the President up to the statutory limit of allowable contributions.

The applicable statutory maximum is contributed initially to the money purchase pension plan, and the remaining amount is contributed to the 457(b) plan. Deferred compensation and investments designated for the deferrals are only available and taxable upon termination of employment, retirement, death, or an unforeseeable emergency. Until paid or made available to the participant or beneficiary, all deferred amounts, and investment earnings related thereto, are solely the property and rights of Defenders. At September 30, 2022 and 2021, the deferred compensation assets and a corresponding liability were \$157,606 and \$167,548, respectively.

### 13. Retirement Plan

A money purchase pension plan was established by Defenders under Section 401(a) of the Internal Revenue Code (IRC), covering substantially all employees. Employees are eligible for participation after one year of service and are vested ratably over five years of service. Defenders' required contribution to the plan is 7% of each participant's aggregate compensation. Employee contributions are not permissible under the plan. Current pension costs are funded as they accrue. Total pension expense was \$713,913 and \$712,492 for the years ended September 30, 2022 and 2021, respectively.

### 14. Commitments and Contingencies

#### Operating Leases

Defenders is obligated under the terms of noncancellable operating leases for the rental of office space for several of its field locations. Rental expense for all leases for the years ended September 30, 2022 and 2021, using the straight-line method, amounted to \$405,175 and \$405,814, respectively.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

### 14. Commitments and Contingencies (continued)

#### Operating Leases (continued)

Future minimum lease payments are as follows for the years ending September 30:

2023	\$	250,625
2024		197,719
2025		<u>122,312</u>
Total future minimum lease payments	\$	<u><u>570,656</u></u>

#### Capital Leases

Defenders leases office equipment under capital leases, which extended through 2022. The assets and liabilities under capital leases were recorded at the lower of their present value of the minimum lease payments or the fair value of the asset. The assets are being depreciated over the related lease terms. This leased equipment is included in property and equipment in the accompanying consolidated statements of financial position at a capitalized cost of \$115,878 at both September 30, 2022 and 2021, net of accumulated depreciation of \$115,878 and \$94,633 as of September 30, 2022 and 2021, respectively.

In September 2022, Defenders entered into a new capital lease agreement for additional office equipment. This asset was placed into service in the subsequent fiscal year, and is not included in capital lease obligations as of September 30, 2022.

The interest expense associated with these leases for the years ended September 30, 2022 and 2021 was \$2,051 and \$6,133, respectively.

#### Employment Agreement

Defenders has a signed employment agreement with the President and Chief Executive Officer, which contains terms that require severance payments upon the occurrence of certain contractual events.

### 15. Allocation of Joint Costs

Defenders achieves some of its programmatic, management, and general goals through direct response and similar campaigns that include requests for contributions. During the years ended September 30, 2022 and 2021, the costs of direct response programs included joint costs not directly attributable to any single function.



## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

### 15. Allocation of Joint Costs (continued)

The costs were allocated among the following functional expense categories as follows for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Constituency mobilization	\$ 5,022,403	\$ 4,884,980
Management and general	1,158,501	1,066,371
Fundraising	<u>745,011</u>	<u>808,517</u>
Total allocated joint costs	<u>\$ 6,925,915</u>	<u>\$ 6,759,868</u>

### 16. Functionalized Expenses

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Defenders allocates the majority of its expenses utilizing an indirect cost allocation methodology. Expenses that are allocated include salaries and wages, employee benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort. Additionally, the remaining expenses are allocated using a methodology that is calculated based on the estimates of personnel time spent on each function per type of natural expense category, and also a consideration of square footage of space and resources dedicated to a particular function.

### 17. Supplementary Disclosure of Cash Flow Information

Total interest expenses were \$2,051 and \$26,101 for the years ended September 30, 2022 and 2021, respectively.

Noncash investing transactions for the years ended September 30, 2022 and 2021 included donated securities in the amounts of \$470,844 and \$567,686, respectively.

Noncash financing transactions for the year ended September 30, 2021 included forgiveness of the PPP loan described in Note 9 in the amount of \$2,397,455. There were no noncash financing transactions for the year ended September 30, 2022.

## **Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund**

Notes to Consolidated Financial Statements  
September 30, 2022 and 2021

### **18. Income Taxes**

Under IRC §501(c)(3), DOW is exempt from the payment of taxes on income other than net unrelated business income. DOW was granted nonprivate foundation status under IRC §509(a)(1) and IRC §170(b)(1)(A)(vi). No provision for taxes has been made as there were no significant taxes resulting from unrelated business activities during fiscal years 2022 and 2021. DOW has elected to be subject to the lobbying limitations under IRC §501(h).

Under IRC §501(c)(4), the Action Fund is exempt from the payment of taxes on income other than net unrelated business income. For the years ended September 30, 2022 and 2021, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded.

Management has evaluated Defenders' tax positions and concluded that Defenders had no significant uncertain tax positions at September 30, 2022 and 2021.

**SUPPLEMENTARY INFORMATION**

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**Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund**

Consolidating Schedule of Financial Position  
September 30, 2022

	<u>DOW</u>	<u>Action Fund</u>	<u>Elimination</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 5,225,076	\$ 278,299	\$ -	\$ 5,503,375
Short-term investments	23,120	-	-	23,120
Investments – annuity reserve fund	3,108,401	-	-	3,108,401
Bequests and trusts receivable	1,352,859	-	-	1,352,859
Grants and contributions receivable, current portion	856,540	-	-	856,540
Accounts receivable	193,157	4,615	(4,560)	193,212
Prepaid expenses	775,056	-	-	775,056
Inventory	675,667	-	-	675,667
Total current assets	<u>12,209,876</u>	<u>282,914</u>	<u>(4,560)</u>	<u>12,488,230</u>
Long-term investments	26,477,260	-	-	26,477,260
Grants and contributions receivable, long-term, net	13,810	-	-	13,810
Beneficial interests in trusts	1,834,891	-	-	1,834,891
Property and equipment, net	7,937,048	-	-	7,937,048
Deferred compensation	157,606	-	-	157,606
Total assets	<u>\$ 48,630,491</u>	<u>\$ 282,914</u>	<u>\$ (4,560)</u>	<u>\$ 48,908,845</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 2,943,728	\$ 186	\$ (4,560)	\$ 2,939,354
Annuity and other split-interest obligations, current portion	<u>303,030</u>	<u>-</u>	<u>-</u>	<u>303,030</u>
Total current liabilities	3,246,758	186	(4,560)	3,242,384
Annuity and other split-interest obligations, long-term	1,793,315	-	-	1,793,315
Deferred compensation	157,606	-	-	157,606
Total liabilities	<u>5,197,679</u>	<u>186</u>	<u>(4,560)</u>	<u>5,193,305</u>
<b>Net Assets</b>				
Without donor restrictions	34,167,296	282,728	-	34,450,024
With donor restrictions	<u>9,265,516</u>	<u>-</u>	<u>-</u>	<u>9,265,516</u>
Total net assets	<u>43,432,812</u>	<u>282,728</u>	<u>-</u>	<u>43,715,540</u>
Total liabilities and net assets	<u>\$ 48,630,491</u>	<u>\$ 282,914</u>	<u>\$ (4,560)</u>	<u>\$ 48,908,845</u>

**Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund**

Consolidating Schedule of Financial Position  
September 30, 2021

	<u>DOW</u>	<u>Action Fund</u>	<u>Elimination</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,669,623	\$ 281,822	\$ -	\$ 1,951,445
Short-term investments	139	-	-	139
Investments – annuity reserve fund	3,969,877	-	-	3,969,877
Bequests and trusts receivable	867,716	-	-	867,716
Grants and contributions receivable, current portion	1,206,968	-	-	1,206,968
Accounts receivable	314,417	44	-	314,461
Prepaid expenses	1,125,278	-	-	1,125,278
Inventory	777,206	-	-	777,206
Total current assets	<u>9,931,224</u>	<u>281,866</u>	<u>-</u>	<u>10,213,090</u>
Long-term investments	29,494,368	-	-	29,494,368
Grants and contributions receivable, long-term, net	19,888	-	-	19,888
Beneficial interests in trusts	2,292,572	-	-	2,292,572
Property and equipment, net	8,493,532	-	-	8,493,532
Deferred compensation	167,548	-	-	167,548
Total assets	<u>\$ 50,399,132</u>	<u>\$ 281,866</u>	<u>\$ -</u>	<u>\$ 50,680,998</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 2,789,074	\$ 254	\$ -	\$ 2,789,328
Annuity and other split-interest obligations, current portion	327,699	-	-	327,699
Capital lease obligation, current portion	27,880	-	-	27,880
Total current liabilities	<u>3,144,653</u>	<u>254</u>	<u>-</u>	<u>3,144,907</u>
Annuity and other split-interest obligations, long-term	1,942,485	-	-	1,942,485
Deferred compensation	167,548	-	-	167,548
Total liabilities	<u>5,254,686</u>	<u>254</u>	<u>-</u>	<u>5,254,940</u>
<b>Net Assets</b>				
Without donor restrictions	32,443,558	281,612	-	32,725,170
With donor restrictions	12,700,888	-	-	12,700,888
Total net assets	<u>45,144,446</u>	<u>281,612</u>	<u>-</u>	<u>45,426,058</u>
Total liabilities and net assets	<u>\$ 50,399,132</u>	<u>\$ 281,866</u>	<u>\$ -</u>	<u>\$ 50,680,998</u>

**Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund**

Consolidating Schedule of Activities  
For the Year Ended September 30, 2022

	DOW		Action Fund	Elimination	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions		
<b>Revenue and Support</b>					
Grants and contributions	\$ 24,464,373	\$ 4,481,498	\$ 5,000	\$ -	\$ 28,950,871
Contributed goods and services	5,046,528	-	-	-	5,046,528
Bequests	13,876,255	3,000	-	-	13,879,255
Royalties	511,236	-	-	-	511,236
Investment return	(6,448,919)	(6,537)	555	-	(6,454,901)
Split-interest contributions	-	48,823	-	-	48,823
Change in value of split interests	154,708	(1,194,143)	-	-	(1,039,435)
Mailing list royalties	200,213	-	-	-	200,213
Other income	32,734	-	-	(172)	32,562
Released from restrictions – programs	6,768,013	(6,768,013)	-	-	-
<b>Total revenue and support</b>	<b>44,605,141</b>	<b>(3,435,372)</b>	<b>5,555</b>	<b>(172)</b>	<b>41,175,152</b>
<b>Expenses</b>					
Program services:					
Biodiversity conservation	18,969,725	-	-	-	18,969,725
Constituency mobilization	16,528,176	-	-	-	16,528,176
<b>Total program services</b>	<b>35,497,901</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,497,901</b>
Supporting services:					
Management and general	6,354,049	-	4,439	(172)	6,358,316
Fundraising	1,029,453	-	-	-	1,029,453
<b>Total supporting services</b>	<b>7,383,502</b>	<b>-</b>	<b>4,439</b>	<b>(172)</b>	<b>7,387,769</b>
<b>Total expenses</b>	<b>42,881,403</b>	<b>-</b>	<b>4,439</b>	<b>(172)</b>	<b>42,885,670</b>
<b>Change in Net Assets</b>	<b>1,723,738</b>	<b>(3,435,372)</b>	<b>1,116</b>	<b>-</b>	<b>(1,710,518)</b>
<b>Net Assets, beginning of year</b>	<b>32,443,558</b>	<b>12,700,888</b>	<b>281,612</b>	<b>-</b>	<b>45,426,058</b>
<b>Net Assets, end of year</b>	<b>\$ 34,167,296</b>	<b>\$ 9,265,516</b>	<b>\$ 282,728</b>	<b>\$ -</b>	<b>\$ 43,715,540</b>

**Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund**

Consolidating Schedule of Activities  
For the Year Ended September 30, 2021

	DOW		Action Fund		Elimination	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions			
<b>Revenue and Support</b>						
Grants and contributions	\$ 22,402,688	\$ 6,654,177	\$ 5,000		\$ -	\$ 29,061,865
Contributed goods and services	6,139,697	-	-		-	6,139,697
Bequests	7,470,114	109,896	-		-	7,580,010
Royalties	737,891	-	-		-	737,891
Investment return	2,893,387	832	530		-	2,894,749
Split-interest contributions	-	111,922	-		-	111,922
Change in value of split interests	120,606	339,615	-		-	460,221
Mailing list royalties	205,442	-	-		-	205,442
Rental income	5,240	-	-		-	5,240
Other income	2,627,428	-	-		-	2,627,428
Released from restrictions – programs	7,254,417	(7,254,417)	-		-	-
<b>Total revenue and support</b>	<b>49,856,910</b>	<b>(37,975)</b>	<b>5,530</b>		<b>-</b>	<b>49,824,465</b>
<b>Expenses</b>						
Program services:						
Biodiversity conservation	22,419,645	-	-		-	22,419,645
Constituency mobilization	16,323,556	-	-		-	16,323,556
<b>Total program services</b>	<b>38,743,201</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>38,743,201</b>
Supporting services:						
Management and general	5,865,043	-	4,219		-	5,869,262
Fundraising	1,211,234	-	-		-	1,211,234
<b>Total supporting services</b>	<b>7,076,277</b>	<b>-</b>	<b>4,219</b>		<b>-</b>	<b>7,080,496</b>
<b>Total expenses</b>	<b>45,819,478</b>	<b>-</b>	<b>4,219</b>		<b>-</b>	<b>45,823,697</b>
<b>Change in Net Assets</b>	<b>4,037,432</b>	<b>(37,975)</b>	<b>1,311</b>		<b>-</b>	<b>4,000,768</b>
<b>Net Assets, beginning of year</b>	<b>28,406,126</b>	<b>12,738,863</b>	<b>280,301</b>		<b>-</b>	<b>41,425,290</b>
<b>Net Assets, end of year</b>	<b>\$ 32,443,558</b>	<b>\$ 12,700,888</b>	<b>\$ 281,612</b>		<b>\$ -</b>	<b>\$ 45,426,058</b>