

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

Consolidated Financial Statements  
and Independent Auditors' Report

September 30, 2017 and 2016

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

Consolidated Financial Statements  
September 30, 2017 and 2016

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## **INDEPENDENT AUDITORS' REPORT**

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

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 statement of financial position as of September 30, 2017, the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

***Auditor's Responsibility (continued)***

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

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, 2017, 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.

***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on page 28-30 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, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 21, 2017. In our opinion, the summarized comparative information presented herein, as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Vienna, Virginia  
February 22, 2018

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

Consolidated Statements of Financial Position  
September 30, 2017 and 2016

	2017	2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,498,863	\$ 1,294,459
Short-term investments	4,458,776	4,428,923
Investments – annuity reserve fund	3,740,303	3,630,768
Bequests and trusts receivable	1,997,420	2,767,670
Grants and pledges receivable	317,573	754,654
Accounts receivable	290,758	272,738
Prepaid expenses	811,734	1,044,967
Inventory	821,646	852,096
Total current assets	18,937,073	15,046,275
Long-term investments	9,088,958	8,245,206
Grants and pledges receivable, long-term, net	39,421	-
Charitable remainder and other trusts	2,608,172	2,458,393
Property and equipment, net	9,801,470	9,716,626
Deferred compensation	55,668	37,520
Other assets	32,873	44,476
Total assets	\$ 40,563,635	\$ 35,548,496
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,649,174	\$ 1,381,029
Annuity and other split-interest obligations	334,461	324,243
Loan payable	256,410	248,009
Capital lease obligation, net	17,256	35,387
Deferred revenue	618	10,600
Total current liabilities	2,257,919	1,999,268
Loan payable, net of current portion	5,088,071	5,344,481
Annuity and other split-interest obligations, long-term	2,025,281	1,974,411
Deferred compensation	55,668	37,520
Capital lease obligation, net of current portion	97,293	29,028
Total liabilities	9,524,232	9,384,708
<b>Net Assets</b>		
Unrestricted	22,588,136	18,596,559
Temporarily restricted	6,934,480	6,119,337
Permanently restricted	1,516,787	1,447,892
Total net assets	31,039,403	26,163,788
Total liabilities and net assets	\$ 40,563,635	\$ 35,548,496

See accompanying notes.

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

Consolidated Statement of Activities  
 For the Year Ended September 30, 2017  
 (With Comparative Totals for the Year Ended September 30, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Totals
<b>Revenue and Support</b>					
Grants and contributions	\$ 20,179,887	\$ 4,970,384	\$ -	\$ 25,150,271	\$ 22,703,328
Contributed goods and services	3,068,993	-	-	3,068,993	3,027,125
Bequests	6,951,233	43,449	-	6,994,682	4,853,632
Royalties	693,635	-	-	693,635	665,835
Investment income	950,192	3,632	851	954,675	582,770
Split-interest contributions	-	110,120	-	110,120	85,276
Change in value of split interests	48,784	20,061	68,044	136,889	231,428
Mailing list royalties	206,558	-	-	206,558	181,647
Rental income	7,344	-	-	7,344	2,156
Other income	485,773	-	-	485,773	472,847
Released from restrictions	4,332,503	(4,332,503)	-	-	-
<b>Total revenue and support</b>	<b>36,924,902</b>	<b>815,143</b>	<b>68,895</b>	<b>37,808,940</b>	<b>32,806,044</b>
<b>Expenses</b>					
Program services:					
ESA	8,555,140	-	-	8,555,140	8,298,302
Key Species	10,655,547	-	-	10,655,547	11,032,229
Habitat	8,195,070	-	-	8,195,070	7,511,344
<b>Total program services</b>	<b>27,405,757</b>	<b>-</b>	<b>-</b>	<b>27,405,757</b>	<b>26,841,875</b>
Supporting services:					
Management and general	4,452,161	-	-	4,452,161	4,307,319
Fundraising	1,075,407	-	-	1,075,407	1,145,630
<b>Total supporting services</b>	<b>5,527,568</b>	<b>-</b>	<b>-</b>	<b>5,527,568</b>	<b>5,452,949</b>
<b>Total expenses</b>	<b>32,933,325</b>	<b>-</b>	<b>-</b>	<b>32,933,325</b>	<b>32,294,824</b>
<b>Change in Net Assets</b>	<b>3,991,577</b>	<b>815,143</b>	<b>68,895</b>	<b>4,875,615</b>	<b>511,220</b>
<b>Net Assets, beginning of year</b>	<b>18,596,559</b>	<b>6,119,337</b>	<b>1,447,892</b>	<b>26,163,788</b>	<b>25,652,568</b>
<b>Net Assets, end of year</b>	<b>\$ 22,588,136</b>	<b>\$ 6,934,480</b>	<b>\$ 1,516,787</b>	<b>\$ 31,039,403</b>	<b>\$ 26,163,788</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, 2017 and 2016

	2017	2016
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 4,875,615	\$ 511,220
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	610,142	632,907
Equipment acquired under capital lease	115,878	-
Change in discount on grants and pledges receivable	579	-
Amortization of cost of issuing debt	11,603	11,602
Net realized and unrealized gain on investments	(681,077)	(376,137)
Donated securities	(818,930)	(259,116)
Change in annuity reserve fund	(109,535)	(83,082)
Net gain on disposal of equipment under capital lease	(5,581)	-
Change in value of charitable remainder and other trusts	(149,779)	315,233
Change in operating assets and liabilities:		
(Increase) decrease in:		
Bequests and trusts receivable	770,250	(1,397,958)
Grants and pledges receivable	397,081	(109,558)
Accounts receivable	(18,020)	(46,725)
Prepaid expenses	233,233	(309,936)
Accrued interest and dividends	-	1,642
Inventory	30,450	(40,171)
Deferred compensation	(18,148)	(14,714)
Increase (decrease) in:		
Accounts payable and accrued expenses	268,145	(207,582)
Annuity and other split-interest obligations	61,088	(40,540)
Deferred revenue	(9,982)	(74,430)
Deferred compensation	18,148	14,714
	5,581,160	(1,472,631)
Net cash provided by (used in) operating activities		
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	3,395,139	9,734,991
Proceeds from maturity of certificates of deposit	-	552,445
Purchase of investments	(2,768,737)	(13,419,507)
Purchase of property and equipment	(724,964)	(321,477)
	(98,562)	(3,453,548)
Net cash used in investing activities		
<b>Cash Flows from Financing Activities</b>		
Payments on loan principal	(248,009)	(239,369)
Principal payments under capital lease	(30,185)	(27,540)
	(278,194)	(266,909)
Net cash used in financing activities		
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	5,204,404	(5,193,088)
<b>Cash and Cash Equivalents, beginning of year</b>	1,294,459	6,487,547
<b>Cash and Cash Equivalents, end of year</b>	\$ 6,498,863	\$ 1,294,459

See accompanying notes.

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

Notes to Consolidated Financial Statements  
September 30, 2017 and 2016

### 1. Nature of Operations

Defenders of Wildlife (DOW) is a District of Columbia nonprofit corporation founded in 1947. Its mission is to conserve the natural abundance and diversity of native wild animals and plants, and the habitats on which they depend. As one of the country's leaders in science-based, results-oriented wildlife conservation, Defenders works to educate and mobilize the public to protect and restore America's native wildlife. 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 habitat, 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.

#### 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:

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of Defenders' operations.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of Defenders or the passage of time.
- *Permanently restricted net assets* represent funds in which the principal must be held in perpetuity, while the earnings may be available for general operations or a restricted purpose imposed by the donors.



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

Notes to Consolidated Financial Statements  
September 30, 2017 and 2016

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

#### 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 on 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.

#### Grants and Pledges Receivable

All grants and pledges receivable are reflected at either net realizable value or at present value based on projected cash flows. Amounts receivable in more than one year initially recorded in the year ended September 30, 2017 were discounted at an average annual rate of 1.47%, using a rate that considers market and credit risk. At September 30, 2016, all grants and pledges receivable were due within one year. Defenders' policy is to write off uncollectible grants and pledges receivable when management determines the receivable will not be collected. All grants and contributions receivable were deemed fully collectible at September 30, 2017 and 2016.

#### Accounts Receivable

Accounts receivable consist of royalty and other receivables, and 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, 2017 and 2016, 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.

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

Notes to Consolidated Financial Statements  
September 30, 2017 and 2016

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

#### 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 5 to 25 years, with no salvage value. All depreciation is computed using the straight-line method. Donated items are recorded at fair market value.

#### Revenue Recognition

All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Defenders reports grants and contributions as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Permanently restricted contributions are invested in perpetuity by or on Defenders' behalf. The principal of the gift is never expended, while the investment income is spent on current temporarily restricted or unrestricted programs as specified by the donor.

Defenders will receive communications indicating that it has been named as a beneficiary in an individual's will. These promises to give are recognized 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.

Deferred revenue consists of payments received in advance for rent and events held in subsequent fiscal periods. Deferred revenue is recognized as earned in the period corresponding to the services performed or activity conducted. All other revenues are recognized when earned.

#### 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 termed split-interest agreements, which include perpetual trusts, charitable remainder trusts, charitable gift annuities, and a pooled income fund.

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

Notes to Consolidated Financial Statements  
September 30, 2017 and 2016

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

#### Split-Interest Agreements (continued)

##### *Beneficial Interests in Perpetual Trusts*

Defenders was named a beneficiary of several perpetual trusts held by a third party trustee. 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 permanently restricted gains and losses in the accompanying consolidated statements of activities.

##### *Charitable Remainder Trusts*

Defenders is a remainderman to certain charitable remainder trusts. Upon termination of the trusts, the assets remaining in the trusts will revert to Defenders to be used according to the donors' wishes. Assets held in trust by and for Defenders are valued at either fair value or at the discounted present value of the estimated future receipts from the trusts. Where applicable, estimated future payments are discounted at a risk-free rate of return based on the expected term of the split-interest agreements at the time the agreements are created, ranging from 3% to 6%.

##### *Charitable Gift Annuities*

Defenders has entered into irrevocable agreements with donors whereby in exchange for the gift from the donor, Defenders is obligated to provide an annuity to the donor or other designated beneficiary over the life of the annuitant. A liability is recognized for the estimated present value of the annuity obligation, and the assets are recorded at their fair value. The discount rate and actuarial assumptions used in calculating the annuity are those provided in the Internal Revenue Service guidelines and actuarial tables.

In accordance with 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, 2017 and 2016, 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. Upon the donor's death, the value of these assigned units reverts to Defenders.

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

Notes to Consolidated Financial Statements  
September 30, 2017 and 2016

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

#### Contributed Services

Donated services meeting the criteria for recognition under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Revenue Recognition – Contributions Received*, are recognized at fair value at the time of receipt. These services benefit the general programs and consist primarily of advertising, and legal and professional services. The value of these donated services is included in the consolidated financial statements as both revenue and expense in the amounts of \$3,068,993 and \$3,027,125 for the years ended September 30, 2017 and 2016, respectively.

#### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### 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.

#### Prior Year 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, 2016, from which the summarized information was derived.

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

Notes to Consolidated Financial Statements  
September 30, 2017 and 2016

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

#### Reclassifications

Certain information in the fiscal year 2016 financial statements, as previously reported, has been reclassified to conform to the fiscal year 2017 presentation of consolidated financial statements. The effect of these reclassifications had no effect in total change in net assets as previously reported in the fiscal year 2016 financial statements.

#### Recently Issued Accounting Pronouncements

In February 2016, the 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 2021.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update changes the manner by which nonprofit organizations classify net assets as well as improves information presented in consolidated financial statements and notes about nonprofit organization liquidity, financial performance, and cash flows. The guidance is effective beginning in Defenders' fiscal year 2019.

#### Subsequent Events

In preparing these consolidated financial statements, Defenders has evaluated events and transactions for potential recognition or disclosure through February 22, 2018, the date the consolidated financial statements were available to be issued.

As described in Note 8, subsequent to year-end, Defenders paid off the outstanding principal of the loan on January 31, 2018 in the amount of \$5,239,128, plus the prepayment penalty of \$115,694.

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

Notes to Consolidated Financial Statements  
September 30, 2017 and 2016

### 3. Concentration of Credit Risk (continued)

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.

### 4. Investments and Fair Value Measurements

#### Investment Income

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

	2017	2016
Unrealized gains	\$ 710,859	\$ 300,956
Realized (losses) gains	(29,782)	75,181
Interest and dividends	273,598	206,633
Total investment income	<u>\$ 954,675</u>	<u>\$ 582,770</u>

Defenders follows FASB ASC 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 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, 2017 and 2016

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

The following table presents Defenders' fair value hierarchy for those assets measured on a recurring basis as of September 30, 2017:

	Level 1	Level 2	Level 3	Total fair value
<b>Investments:</b>				
Money market funds	\$ 1,020,255	\$ -	\$ -	\$ 1,020,255
Short-term bonds	99,562	-	-	99,562
<b>Mutual funds:</b>				
Equity	5,851,490	-	-	5,851,490
Fixed income	5,514,372	-	-	5,514,372
Hedge funds	-	958,712	-	958,712
Tangible assets	103,343	-	-	103,343
<b>Total investments</b>	<b>12,589,022</b>	<b>958,712</b>	<b>-</b>	<b>13,547,734</b>
<b>Split interest agreements:</b>				
<b>Annuity reserve fund:</b>				
Money market funds	176,676	-	-	176,676
<b>Mutual funds:</b>				
Fixed income	2,216,214	-	-	2,216,214
Equity	1,347,413	-	-	1,347,413
<b>Total annuity reserve fund</b>	<b>3,740,303</b>	<b>-</b>	<b>-</b>	<b>3,740,303</b>
Charitable remainder trusts	272,013	-	925,053	1,197,066
Pooled income fund	-	82,877	-	82,877
Interest in perpetual trusts	-	-	1,328,229	1,328,229
<b>Total split interest agreements</b>	<b>272,013</b>	<b>82,877</b>	<b>2,253,282</b>	<b>2,608,172</b>
<b>Deferred compensation:</b>				
Mutual funds	55,668	-	-	55,668
<b>Total assets at fair value</b>	<b>\$ 16,657,006</b>	<b>\$ 1,041,589</b>	<b>\$ 2,253,282</b>	<b>\$ 19,951,877</b>

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

Notes to Consolidated Financial Statements  
September 30, 2017 and 2016

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

The following table presents Defenders' fair value hierarchy for those assets measured on a recurring basis as of September 30, 2016:

	Level 1	Level 2	Level 3	Total fair value
Investments:				
Money market funds	\$ 415,199	\$ -	\$ -	\$ 415,199
Short-term bonds	99,266	-	-	99,266
Mutual funds:				
Equity	4,738,839	-	-	4,738,839
Fixed income	6,200,724	-	-	6,200,724
Hedge funds	-	795,392	-	795,392
Real estate funds	-	330,479	-	330,479
Tangible assets	94,230	-	-	94,230
<b>Total investments</b>	<b>11,548,258</b>	<b>1,125,871</b>	<b>-</b>	<b>12,674,129</b>
Split interest agreements:				
Annuity reserve fund:				
Money market funds	100,840	-	-	100,840
Mutual funds:				
Fixed income	2,183,405	-	-	2,183,405
Equity	1,346,523	-	-	1,346,523
<b>Total annuity reserve fund</b>	<b>3,630,768</b>	<b>-</b>	<b>-</b>	<b>3,630,768</b>
Charitable remainder trusts	250,994	-	867,084	1,118,078
Pooled income fund	-	80,130	-	80,130
Interest in perpetual trusts	-	-	1,260,185	1,260,185
<b>Total split interest agreements</b>	<b>250,994</b>	<b>80,130</b>	<b>2,127,269</b>	<b>2,458,393</b>
Deferred compensation:				
Mutual funds	37,520	-	-	37,520
<b>Total assets at fair value</b>	<b>\$ 15,467,540</b>	<b>\$ 1,206,001</b>	<b>\$ 2,127,269</b>	<b>\$ 18,800,810</b>



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

Notes to Consolidated Financial Statements  
September 30, 2017 and 2016

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

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

#### Investments

##### *Level 1 Assets*

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 Assets*

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 and real estate funds held as investments. The hedge funds are comprised of tracker funds, debt funds, global credit securities, and research funds. The real estate funds are comprised of securities of real estate and real estate-related funds. The hedge funds and real estate 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 and real estate funds are categorized as Level 2 in the valuation hierarchy.

#### Split Interest Agreements

##### *Level 1 Assets*

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 process of the underlying investments, and therefore classified as 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.

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

Notes to Consolidated Financial Statements  
September 30, 2017 and 2016

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

#### Split Interest Agreements (continued)

##### *Level 2 Assets*

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

##### *Level 3 Assets*

Charitable trust assets also include the fair value of Defenders' interest in charitable remainder trusts receivable where Defenders is not a trustee. The fair value is measured upon the estimated net present value of amounts to be received. Distributions are to be made to the donor's designee (remainder trusts) during the terms of the agreements. At the end of the remainder trust terms, a portion of the remaining trust assets, as defined in the trust agreements, is to be distributed to Defenders. The expected future cash inflows from the trusts are based on the fair value of the investments, future expected investment returns, and life expectancy of the donor or donor's designee, and have been recorded at present value.

Expected future cash flows for a beneficial interest in a perpetual trust are estimated by fair valuing the underlying assets contributed to the trust, in accordance with Level 3 classification.

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, 2015	\$ 1,259,827	\$ 1,200,130	\$ 2,459,957
Change in value	<u>(392,743)</u>	<u>60,055</u>	<u>(332,688)</u>
Value at September 30, 2016	867,084	1,260,185	2,127,269
Change in value	<u>57,969</u>	<u>68,044</u>	<u>126,013</u>
Value at September 30, 2017	<u>\$ 925,053</u>	<u>\$ 1,328,229</u>	<u>\$ 2,253,282</u>

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

Notes to Consolidated Financial Statements  
September 30, 2017 and 2016

### 5. Grants and Pledges Receivable

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

	2017	2016
Due in less than one year	\$ 317,573	\$ 754,654
Due in one to five years	40,000	-
Total grants and pledges receivable	357,573	754,654
Less: discount	(579)	-
Total grants and pledges receivable, net	\$ 356,994	\$ 754,654

### 6. 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:

	2017	2016
Investments – annuity reserve fund	\$ 3,740,303	\$ 3,630,768
Beneficial interest in trusts:		
Charitable remainder trusts	272,013	250,994
Receivables from charitable remainder and charitable lead trusts	925,053	867,084
Beneficial interest in perpetual trusts	1,328,229	1,260,185
Pooled income fund	82,877	80,130
Total beneficial interests in trusts	2,608,172	2,458,393
Total split-interest agreements	\$ 6,348,475	\$ 6,089,161

Liabilities under split-interest agreements included in the accompanying consolidated statements of financial position were \$2,359,742 and \$2,298,654 at September 30, 2017 and 2016, respectively. Net contributions under split-interest agreements were approximately \$110,120 and \$85,276 for the years ended September 30, 2017 and 2016, respectively.

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

Notes to Consolidated Financial Statements  
September 30, 2017 and 2016

### 7. Property and Equipment

Defenders held the following property and equipment at September 30:

	<u>2017</u>	<u>2016</u>
Land	\$ 4,585,586	\$ 4,585,586
Buildings and improvements	8,923,996	8,829,953
Computer equipment	2,622,839	2,158,622
Furniture and equipment	1,040,034	1,044,553
Website	<u>908,229</u>	<u>863,229</u>
Total property and equipment	18,080,684	17,481,943
Less: accumulated depreciation	<u>(8,279,214)</u>	<u>(7,765,317)</u>
Property and equipment, net	<u><u>\$ 9,801,470</u></u>	<u><u>\$ 9,716,626</u></u>

### 8. Loan Payable

Defenders refinanced the mortgage on the building, executing a loan agreement in the amount of \$6,306,672, which included redemption of the outstanding bond balance of \$5,505,000 at the date of refinance of August 1, 2013. The new loan expires on August 1, 2020, and requires monthly payments of \$35,898 with an interest rate of 3.29%. The outstanding principal balance on the loan at September 30, 2017 and 2016 was \$5,344,481 and \$5,592,490, respectively.

Principal payments on the loan obligation are as follows for the years ending September 30:

2018	\$ 256,410
2019	265,095
2020	<u>4,822,976</u>
Total principal payments	<u><u>\$ 5,344,481</u></u>

There are a number of financial and operating covenants associated with the loan and with the Bank's participation in the project, including a requirement for maintaining \$2,500,000 in unsecured liquid assets. Defenders was in compliance with all terms and conditions of the debt instruments at September 30, 2017 and 2016. Interest expense on the loan for the years ended September 30, 2017 and 2016 was \$182,081 and \$190,746, respectively. Subsequent to year-end, Defenders paid off the outstanding principal of the loan on January 31, 2018 in the amount of \$5,239,128, plus the prepayment penalty of \$115,694.

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

Notes to Consolidated Financial Statements  
September 30, 2017 and 2016

### 9. Net Assets

The unrestricted, temporarily restricted, and permanently restricted net assets are dedicated to the following purposes at September 30:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>2017:</u>				
Undesignated	\$ 18,131,148	\$ -	\$ -	\$ 18,131,148
Land and building	3,387,965	-	-	3,387,965
Property and equipment	1,069,023	-	-	1,069,023
Program grants	-	4,111,463	-	4,111,463
Charitable remainder and other trusts	-	1,021,322	-	1,021,322
Charitable gift annuities	-	1,556,306	-	1,556,306
Beneficial interest in perpetual trusts	-	-	1,328,229	1,328,229
Pooled income fund	-	82,877	-	82,877
Lloyd Symington Memorial Fund for Wildlife Education	-	162,512	38,088	200,600
Harding Educational and Charitable Foundation	-	-	150,470	150,470
	<u>\$ 22,588,136</u>	<u>\$ 6,934,480</u>	<u>\$ 1,516,787</u>	<u>\$ 31,039,403</u>
<u>2016:</u>				
Undesignated	\$ 14,472,423	\$ -	\$ -	\$ 14,472,423
Land and building	3,401,019	-	-	3,401,019
Property and equipment	723,117	-	-	723,117
Program grants	-	3,426,502	-	3,426,502
Charitable remainder and other trusts	-	1,001,126	-	1,001,126
Charitable gift annuities	-	1,449,067	-	1,449,067
Beneficial interest in perpetual trusts	-	-	1,260,185	1,260,185
Pooled income fund	-	80,130	-	80,130
Lloyd Symington Memorial Fund for Wildlife Education	-	162,512	37,916	200,428
Harding Educational and Charitable Foundation	-	-	149,791	149,791
	<u>\$ 18,596,559</u>	<u>\$ 6,119,337</u>	<u>\$ 1,447,892</u>	<u>\$ 26,163,788</u>

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

Notes to Consolidated Financial Statements  
September 30, 2017 and 2016

### **9. Net Assets (continued)**

#### Program Grants

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 temporarily restricted net assets until appropriate expenses are incurred in accordance with the program restrictions.

#### Split-Interest Agreements

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

#### Unrestricted Funds

Unrestricted funds represent amounts that have not been specifically set aside by the Board for an internally-designated purpose. These amounts are available for general operations. Certain amounts included in undesignated funds are tracked separately for purposes of future property and equipment needs.

### **10. Endowment**

Defenders' endowment (permanently restricted net assets) has been funded by 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.

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

Notes to Consolidated Financial Statements  
September 30, 2017 and 2016

### 10. Endowment (continued)

#### 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 permanently restricted net assets (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.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Defenders in a manner consistent with the standard of prudence prescribed by UPMIFA.

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, 2017 and 2016

### 10. 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 the organization 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 unrestricted net assets. There were no fund deficiencies for the years ended September 30, 2017 and 2016.

#### Composition of Endowment Net Assets

Endowment net asset composition was as follows at September 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 1,516,787	\$ 1,516,787
Total endowment funds	\$ -	\$ -	\$ 1,516,787	\$ 1,516,787

Endowment net asset composition was as follows at September 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 1,447,892	\$ 1,447,892
Total endowment funds	\$ -	\$ -	\$ 1,447,892	\$ 1,447,892



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

Notes to Consolidated Financial Statements  
September 30, 2017 and 2016

### 10. Endowment (continued)

#### Changes in Endowment Net Assets

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>2017:</u>				
Endowment net assets, beginning	\$ -	\$ -	\$ 1,447,892	\$ 1,447,892
Investment return:				
Net appreciation	-	-	851	851
Change in value in split interest agreements	-	-	68,044	68,044
Total investment return	-	-	68,895	68,895
Endowment net assets, ending	\$ -	\$ -	\$ 1,516,787	\$ 1,516,787
<u>2016:</u>				
Endowment net assets, beginning	\$ -	\$ -	\$ 1,385,711	\$ 1,385,711
Investment return:				
Net appreciation	-	-	2,126	2,126
Change in value in split interest agreements	-	-	60,055	60,055
Total investment return	-	-	62,181	62,181
Endowment net assets, ending	\$ -	\$ -	\$ 1,447,892	\$ 1,447,892

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

Notes to Consolidated Financial Statements  
September 30, 2017 and 2016

### **11. Related Parties**

During the years ended September 30, 2017 and 2016, Defenders retained a public-service law firm affiliated with a member of Defenders' Board of Directors who term-limited off the Board in May 2017. The firm specializes in endangered species litigation and provides legal services at significantly discounted rates. The value of the work performed for Defenders in fiscal years 2017 and 2016 amounted to \$233,069 and \$105,046, respectively, of which \$189,877 and \$92,600 are represented as contributed services for the years then ended.

### **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 both the money purchase pension plan and the 457(b) plan. 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, 2017 and 2016, the deferred compensation assets and a corresponding liability were \$55,668 and \$37,520, 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 \$490,650 and \$507,755 for the years ended September 30, 2017 and 2016, respectively.

### **14. Commitments**

#### Operating Leases

Defenders is obligated under the terms of noncancellable operating leases for the rental of office and storage space for several of its field locations. Rental expense for all leases for the years ended September 30, 2017 and 2016, using the straight-line method, amounted to \$344,755 and \$313,473, respectively.

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

Notes to Consolidated Financial Statements  
September 30, 2017 and 2016

### 14. Commitments (continued)

#### Operating Leases (continued)

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

2018	\$	283,772
2019		226,398
2020		104,227
2021		77,841
2022		25,788
		<hr/>
Total future minimum lease payments	\$	<u>718,026</u>

#### Capital Leases

Defenders leases office equipment under capital leases, which extend 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 and \$126,222 at September 30, 2017 and 2016, respectively, net of accumulated depreciation of \$1,931 and \$73,104 as of September 30, 2017 and 2016, respectively.

The interest expense associated with these leases for the years ended September 30, 2017 and 2016 was \$12,355 and \$20,244, respectively. Payments under the capital leases are due as follows for the years ending September 30:

2018	\$	32,652
2019		32,652
2020		32,652
2021		32,652
2022		29,931
		<hr/>
Total		160,539
Less: amounts representing interest		<u>(45,990)</u>
Total capital lease obligations	\$	<u>114,549</u>

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

Notes to Consolidated Financial Statements  
September 30, 2017 and 2016

### 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. In the years ended September 30, 2017 and 2016, Defenders incurred joint costs for its direct response programs of \$4,951,633 and \$5,072,587, respectively, including information materials and fundraising appeals. These joint costs were allocated as follows for the years ended September 30:

	2017	2016
ESA	\$ 277,824	\$ 254,739
Key Species	2,689,978	2,864,738
Habitat	266,003	176,430
Management and general	898,090	868,606
Fundraising	819,738	908,074
Total allocated joint costs	\$ 4,951,633	\$ 5,072,587

### 16. Supplementary Disclosure of Cash Flow Information

Total cash payments for interest were \$195,116 and \$211,646 for the years ended September 30, 2017 and 2016, respectively.

Noncash investing and financing transactions were as follows for the years ended September 30:

	2017	2016
Lease of equipment:		
Equipment acquired	\$ 115,878	\$ -
Capital lease obligation	\$ 114,549	\$ 64,415

### 17. 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 2017 and 2016. DOW has elected to be subject to the lobbying limitations under IRC §501(h).

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

Notes to Consolidated Financial Statements  
September 30, 2017 and 2016

### **17. Income Taxes (continued)**

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 period ended September 30, 2017, 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, 2017 and 2016.

**SUPPLEMENTARY INFORMATION**

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

Consolidating Schedule of Financial Position  
September 30, 2017

	<u>DOW</u>	<u>Action Fund</u>	<u>Elimination</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 6,457,845	\$ 41,018	\$ -	\$ 6,498,863
Short-term investments	4,458,776	-	-	4,458,776
Investments – annuity reserve fund	3,740,303	-	-	3,740,303
Bequests and trusts receivable	1,997,420	-	-	1,997,420
Grants and pledges receivable	317,573	35,000	(35,000)	317,573
Accounts receivable	290,751	7	-	290,758
Prepaid expenses	811,734	-	-	811,734
Inventory	821,646	-	-	821,646
Total current assets	<u>18,896,048</u>	<u>76,025</u>	<u>(35,000)</u>	<u>18,937,073</u>
Long-term investments	9,088,958	-	-	9,088,958
Grants and pledges receivable, long-term, net	39,421	-	-	39,421
Charitable remainder and other trusts	2,608,172	-	-	2,608,172
Property and equipment, net	9,801,470	-	-	9,801,470
Deferred compensation	55,668	-	-	55,668
Other assets	32,873	-	-	32,873
Total assets	<u>\$ 40,522,610</u>	<u>\$ 76,025</u>	<u>\$ (35,000)</u>	<u>\$ 40,563,635</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 1,682,028	\$ 2,146	\$ (35,000)	\$ 1,649,174
Annuity and other split-interest obligations	334,461	-	-	334,461
Loan payable	256,410	-	-	256,410
Capital lease obligation, net	17,256	-	-	17,256
Deferred revenue	618	-	-	618
Total current liabilities	<u>2,290,773</u>	<u>2,146</u>	<u>(35,000)</u>	<u>2,257,919</u>
Loan payable, net of current portion	5,088,071	-	-	5,088,071
Annuity and other split-interest obligations, long-term	2,025,281	-	-	2,025,281
Deferred compensation	55,668	-	-	55,668
Capital lease obligation, net of current portion	97,293	-	-	97,293
Total liabilities	<u>9,557,086</u>	<u>2,146</u>	<u>(35,000)</u>	<u>9,524,232</u>
<b>Net Assets</b>				
Unrestricted	22,514,257	73,879	-	22,588,136
Temporarily restricted	6,934,480	-	-	6,934,480
Permanently restricted	1,516,787	-	-	1,516,787
Total net assets	<u>30,965,524</u>	<u>73,879</u>	<u>-</u>	<u>31,039,403</u>
Total liabilities and net assets	<u>\$ 40,522,610</u>	<u>\$ 76,025</u>	<u>\$ (35,000)</u>	<u>\$ 40,563,635</u>

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

Consolidating Schedule of Activities  
For the Year Ended September 30, 2017

	DOW			Action Fund	Elimination	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted		
<b>Revenue and Support</b>						
Grants and contributions	\$ 20,136,387	\$ 4,970,384	\$ -	\$ 78,500	\$ (35,000)	\$ 25,150,271
Contributed goods and services	3,068,993	-	-	-	-	3,068,993
Bequests	6,951,233	43,449	-	-	-	6,994,682
Royalties	693,635	-	-	-	-	693,635
Investment income	950,181	3,632	851	11	-	954,675
Split-interest contributions	-	110,120	-	-	-	110,120
Change in value of split interests	48,784	20,061	68,044	-	-	136,889
Mailing list royalties	206,558	-	-	-	-	206,558
Rental income	7,344	-	-	-	-	7,344
Other income	485,773	-	-	-	-	485,773
Released from restrictions	4,332,503	(4,332,503)	-	-	-	-
<b>Total revenue and support</b>	<b>36,881,391</b>	<b>815,143</b>	<b>68,895</b>	<b>78,511</b>	<b>(35,000)</b>	<b>37,808,940</b>
<b>Expenses</b>						
Program services:						
ESA	8,569,140	-	-	-	(14,000)	8,555,140
Key Species	10,664,297	-	-	-	(8,750)	10,655,547
Habitat	8,207,320	-	-	-	(12,250)	8,195,070
<b>Total program services</b>	<b>27,440,757</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(35,000)</b>	<b>27,405,757</b>
Supporting services:						
Management and general	4,447,529	-	-	4,632	-	4,452,161
Fundraising	1,075,407	-	-	-	-	1,075,407
<b>Total supporting services</b>	<b>5,522,936</b>	<b>-</b>	<b>-</b>	<b>4,632</b>	<b>-</b>	<b>5,527,568</b>
<b>Total expenses</b>	<b>32,963,693</b>	<b>-</b>	<b>-</b>	<b>4,632</b>	<b>(35,000)</b>	<b>32,933,325</b>
<b>Change in Net Assets</b>	<b>3,917,698</b>	<b>815,143</b>	<b>68,895</b>	<b>73,879</b>	<b>-</b>	<b>4,875,615</b>
<b>Net Assets, beginning of year</b>	<b>18,596,559</b>	<b>6,119,337</b>	<b>1,447,892</b>	<b>-</b>	<b>-</b>	<b>26,163,788</b>
<b>Net Assets, end of year</b>	<b>\$ 22,514,257</b>	<b>\$ 6,934,480</b>	<b>\$ 1,516,787</b>	<b>\$ 73,879</b>	<b>\$ -</b>	<b>\$ 31,039,403</b>



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

Consolidated Schedule of Functional Expenses  
For the Year Ended September 30, 2017  
(With Comparative Totals for the Year Ended September 30, 2016)

	Program Services				Supporting Services			2017 Total	2016 Total
	ESA	Key Species	Habitat	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and wages	\$ 2,973,173	\$ 2,269,391	\$ 2,650,866	\$ 7,893,430	\$ 1,397,032	\$ 209,096	\$ 1,606,128	\$ 9,499,558	\$ 9,972,891
Payroll taxes and benefits	820,129	625,578	731,159	2,176,866	383,585	57,443	441,028	2,617,894	2,728,639
Professional fundraising fees	169,210	545,276	204,439	918,925	140,893	71,267	212,160	1,131,085	896,563
Other professional fees	401,727	358,184	380,675	1,140,586	174,068	20,327	194,395	1,334,981	1,557,976
Grants and contributions	382,912	251,795	335,508	970,215	6,269	645	6,914	977,129	357,462
Computer services	286,388	306,017	287,723	880,128	235,608	24,412	260,020	1,140,148	1,197,121
Conference fees	12,721	9,752	11,415	33,888	3,420	725	4,145	38,033	31,288
Advertising	69,706	207,698	82,032	359,436	59,410	25,460	84,870	444,306	551,301
Membership incentives and fulfillment	122,750	444,363	154,622	721,735	112,561	57,229	169,790	891,525	685,734
Supplies	58,115	38,345	50,978	147,438	9,727	436	10,163	157,601	60,366
Telephone	53,448	39,379	47,603	140,430	61,007	2,384	63,391	203,821	213,708
Postage and shipping	583,877	2,028,133	724,448	3,336,458	532,037	267,587	799,624	4,136,082	4,102,582
Occupancy and other	259,075	184,160	229,532	672,767	184,880	7,922	192,802	865,569	790,630
Equipment rental and maintenance	11,414	8,702	10,213	30,329	6,423	628	7,051	37,380	33,681
Printing and publications	414,886	1,371,202	505,704	2,291,792	361,677	181,216	542,893	2,834,685	2,603,284
Travel	153,806	101,332	134,878	390,016	35,249	5,891	41,140	431,156	366,234
Conferences, conventions, and meetings	67,672	43,888	59,232	170,792	58,824	15,113	73,937	244,729	245,458
Training	1,972	1,500	1,757	5,229	907	36	943	6,172	3,703
Interest	59,371	45,266	53,126	157,763	33,409	3,265	36,674	194,437	210,990
Depreciation	186,306	142,046	166,708	495,060	104,836	10,246	115,082	610,142	632,907
Amortization of cost of issuing debt	3,543	2,701	3,170	9,414	1,994	195	2,189	11,603	11,602
Honoraria	147	95	128	370	-	-	-	370	-
Miscellaneous	1,704	1,371	1,538	4,613	7,525	108	7,633	12,246	80,879
List rentals	96,705	355,265	122,485	574,455	90,144	45,839	135,983	710,438	648,340
Insurance	26,204	19,979	23,447	69,630	14,745	1,441	16,186	85,816	91,931
Royalties	2,173	5,219	2,395	9,787	1,178	599	1,777	11,564	28,750
Taxes, fees, and licenses	117,818	89,838	105,426	313,082	80,704	6,520	87,224	400,306	366,036
Investment management fees	-	-	-	-	65,230	-	65,230	65,230	48,316
Dues and subscriptions	31,971	23,123	28,293	83,387	22,689	1,541	24,230	107,617	110,150
Proactive projects	7,817	5,050	6,838	19,705	-	-	-	19,705	31,830
Compensation payments	2,239	1,446	1,959	5,644	-	-	-	5,644	7,642
DR transaction fees/bank fees	78,783	289,655	99,815	468,253	131,748	37,358	169,106	637,359	599,705
Contributed services	1,097,378	839,798	976,958	2,914,134	134,382	20,478	154,860	3,068,994	3,027,125
<b>Total Expenses</b>	<b>\$ 8,555,140</b>	<b>\$ 10,655,547</b>	<b>\$ 8,195,070</b>	<b>\$ 27,405,757</b>	<b>\$ 4,452,161</b>	<b>\$ 1,075,407</b>	<b>\$ 5,527,568</b>	<b>\$ 32,933,325</b>	<b>\$ 32,294,824</b>