

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Consolidated Financial Statements
and Independent Auditor's Report

September 30, 2025 and 2024

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Consolidated Financial Statements
September 30, 2025 and 2024

Contents

Independent Auditor's Report..... 1-3

Consolidated Financial Statements

Consolidated Statements of Financial Position..... 4

Consolidated Statement of Activities..... 5

Consolidated Statement of Functional Expenses 6

Consolidated Statements of Cash Flows 7

Notes to Consolidated Financial Statements..... 8-35

Supplementary Information

Consolidating Statements of Financial Position 36-37

Consolidating Statements of Activities..... 38-39

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, 2025 and 2024; 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, 2025 and 2024, 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 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 36-39 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, 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 12, 2025. In our opinion, the summarized comparative information presented herein, as of and for the year ended September 30, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Vienna, Virginia
February 9, 2026

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Consolidated Statements of Financial Position
September 30, 2025 and 2024

	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,489,629	\$ 1,903,535
Short-term investments	11,158	2,612,741
Investments – annuity reserve fund	3,317,513	3,361,683
Bequests and trusts receivable	1,628,226	1,847,629
Grants and contributions receivable, current portion	638,046	528,734
Accounts receivable	322,886	245,853
Prepaid expenses	1,868,237	1,049,280
Inventory	1,044,649	754,564
Total current assets	11,320,344	12,304,019
Long-term investments	20,356,005	36,431,619
Investments – operating and emergency reserve fund	24,533,412	-
Grants and contributions receivable, long-term, net	467,013	111,347
Beneficial interests in trusts	2,129,350	2,240,787
Lease right-of-use assets	281,480	398,397
Property and equipment, net	6,619,085	7,043,630
Deferred compensation	12,948	231,860
Total assets	\$ 65,719,637	\$ 58,761,659
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,499,621	\$ 1,873,263
Refundable advances	49,031	38,487
Annuity and other split-interest obligations, current portion	246,255	291,925
Total current liabilities	2,794,907	2,203,675
Annuity and other split-interest obligations, long-term	1,710,425	1,800,646
Lease liabilities	299,175	397,709
Deferred compensation	12,948	231,860
Total liabilities	4,817,455	4,633,890
Net Assets		
Without donor restrictions	53,332,624	45,856,802
With donor restrictions	7,569,558	8,270,967
Total net assets	60,902,182	54,127,769
Total liabilities and net assets	\$ 65,719,637	\$ 58,761,659

See accompanying notes.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Consolidated Statement of Activities
For the Year Ended September 30, 2025
(With Comparative Totals for the Year Ended September 30, 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
Revenue and Support				
Grants and contributions	\$ 24,117,381	\$ 4,911,408	\$ 29,028,789	\$ 27,015,246
Contributed services	3,713,229	-	3,713,229	3,057,799
Bequests	12,290,366	-	12,290,366	7,476,796
Royalties	199,967	-	199,967	210,180
Investment return, net	3,243,047	55,185	3,298,232	7,522,315
Split-interest contributions	-	22,163	22,163	56,266
Change in value of split interests	135,298	(87,945)	47,353	566,772
Mailing list royalties	153,387	-	153,387	190,495
Other income	60,497	-	60,497	48,497
Released from restrictions – programs	5,602,220	(5,602,220)	-	-
Total revenue and support	49,515,392	(701,409)	48,813,983	46,144,366
Expenses				
Program services:				
Biodiversity conservation	16,958,939	-	16,958,939	15,624,747
Constituency mobilization	13,901,002	-	13,901,002	15,349,508
Total program services	30,859,941	-	30,859,941	30,974,255
Supporting services:				
Management and general	6,383,889	-	6,383,889	5,947,270
Fundraising	4,795,740	-	4,795,740	1,172,531
Total supporting services	11,179,629	-	11,179,629	7,119,801
Total expenses	42,039,570	-	42,039,570	38,094,056
Change in Net Assets	7,475,822	(701,409)	6,774,413	8,050,310
Net Assets, beginning of year	45,856,802	8,270,967	54,127,769	46,077,459
Net Assets, end of year	\$ 53,332,624	\$ 7,569,558	\$ 60,902,182	\$ 54,127,769

See accompanying notes.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Consolidated Statement of Functional Expenses
For the Year Ended September 30, 2025
(With Comparative Totals for the Year Ended September 30, 2024)

	Program Services			Supporting Services			2025 Total	2024 Total
	Biodiversity Conservation	Constituency Mobilization	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and wages	\$ 8,919,027	\$ 3,157,434	\$ 12,076,461	\$ 2,766,052	\$ 1,282,082	\$ 4,048,134	\$ 16,124,595	\$ 14,028,353
Payroll taxes and benefits	2,434,611	862,531	3,297,142	782,691	349,592	1,132,283	4,429,425	3,621,950
Professional fundraising fees	-	-	-	-	2,252,264	2,252,264	2,252,264	2,425,642
Other professional fees	738,746	1,078,486	1,817,232	567,375	94,648	662,023	2,479,255	2,000,288
Grants and contributions	548,266	61,168	609,434	-	-	-	609,434	450,742
Computer services	69,109	747,553	816,662	482,281	207,227	689,508	1,506,170	1,305,331
Conference fees	24,543	2,688	27,231	5,448	1,728	7,176	34,407	18,008
Advertising	120,952	1,055,096	1,176,048	155,826	51,714	207,540	1,383,588	729,644
Membership incentives and fulfillment	176	427,132	427,308	524	1,384	1,908	429,216	1,177,224
Supplies	290,310	36,768	327,078	7,556	10,833	18,389	345,467	389,982
Telephone	1,275	310	1,585	64,464	46	64,510	66,095	144,856
Postage and shipping	19,867	2,601,935	2,621,802	297,785	218,711	516,496	3,138,298	2,966,270
Occupancy	492,586	97,220	589,806	107,909	26,121	134,030	723,836	605,008
Equipment rental and maintenance	25,269	8,683	33,952	7,159	3,784	10,943	44,895	42,024
Printing and publications	22,897	1,975,760	1,998,657	193,386	149,470	342,856	2,341,513	2,739,890
Travel	305,766	92,271	398,037	29,820	14,871	44,691	442,728	402,226
Meetings	41,358	32,933	74,291	22,276	30,395	52,671	126,962	72,070
Training	10,855	2,357	13,212	13,725	238	13,963	27,175	7,083
Interest	2,168	745	2,913	614	325	939	3,852	5,811
Depreciation and amortization	320,370	110,082	430,452	90,762	47,972	138,734	569,186	658,849
Honoraria	909	18	927	-	-	-	927	2,750
Staffing, temporary help, and other	9,400	13,925	23,325	10,435	705	11,140	34,465	20,365
List rentals	-	37	37	18	18	36	73	102,187
Insurance	71,579	24,595	96,174	22,092	10,718	32,810	128,984	120,236
Royalties	11	14,253	14,264	1,964	3,230	5,194	19,458	13,061
Taxes, fees, and licenses	118,342	40,702	159,044	46,837	17,838	64,675	223,719	303,645
Dues and subscriptions	87,917	93,533	181,450	9,737	11,291	21,028	202,478	164,641
DR transaction fees/bank fees	-	-	-	470,002	-	470,002	470,002	518,121
Bad debt expense	-	-	-	167,874	-	167,874	167,874	-
Contributed services	2,282,630	1,362,787	3,645,417	59,277	8,535	67,812	3,713,229	3,057,799
Total Expenses	\$ 16,958,939	\$ 13,901,002	\$ 30,859,941	\$ 6,383,889	\$ 4,795,740	\$ 11,179,629	\$ 42,039,570	\$ 38,094,056

See accompanying notes.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Consolidated Statements of Cash Flows
For the Years Ended September 30, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Change in net assets	\$ 6,774,413	\$ 8,050,310
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	452,269	498,776
Net realized and unrealized gains on investments	(2,315,882)	(6,692,641)
Donated securities	(4,631,163)	(2,964,872)
Change in value of charitable remainder and other trusts	111,437	(325,825)
Change in value of annuity reserve fund	44,170	(310,690)
Change in discount on grants and contributions receivable	34,334	(4,273)
Amortization of ROU operating lease assets	116,917	160,073
Change in operating assets and liabilities:		
Decrease (increase) in:		
Bequests and trusts receivable	219,403	164,582
Grants and contributions receivable	(499,312)	163,492
Accounts receivable	(77,033)	(45,976)
Prepaid expenses	(818,957)	(82,556)
Inventory	(290,085)	414,899
Deferred compensation	218,912	(39,433)
Increase (decrease) in:		
Accounts payable and accrued expenses	626,358	22,281
Refundable advances	10,544	38,487
Annuity and other split-interest obligations	(135,891)	75,349
Deferred compensation	(218,912)	39,433
Operating lease liabilities	(62,041)	(138,248)
Net cash used in operating activities	(440,519)	(976,832)
Cash Flows from Investing Activities		
Proceeds from sale of investments	40,814,618	470,719
Purchase of investments	(39,723,788)	(1,164,852)
Purchase of property and equipment	(27,724)	(72,170)
Net cash provided by (used in) investing activities	1,063,106	(766,303)
Cash Flows from Financing Activity		
Principal payments under capital lease	(36,493)	(35,205)
Net cash used in financing activity	(36,493)	(35,205)
Net Increase (Decrease) in Cash and Cash Equivalents	586,094	(1,778,340)
Cash and Cash Equivalents, beginning of year	1,903,535	3,681,875
Cash and Cash Equivalents, end of year	\$ 2,489,629	\$ 1,903,535

See accompanying notes.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

1. Nature of Operations

Defenders of Wildlife (DOW) is a District of Columbia nonprofit corporation founded in 1947. DOW is a national, nonprofit 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 and consolidated statement of functional expenses include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with Defenders’ consolidated financial statements for the year ended September 30, 2024, from which the summarized comparative information was derived.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting and Presentation

Defenders' consolidated financial statements are prepared based on U.S. generally accepted accounting principles. 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. The governing Board has designated, from net assets without donor restrictions, net assets for an operating reserve fund and an emergency reserve fund, that were established in 2025.
- *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. All realized and unrealized gains and losses, net of investment management fees, are reported as a component of net investment return in the accompanying consolidated statement of activities. 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, 2025 and 2024

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 are discounted to present value 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 both September 30, 2025 and 2024.

Accounts Receivable

Accounts receivable consists of royalties, list rentals, pension forfeitures, and other receivables. Accounts receivable are recorded at net realizable value and are all due in less than one year. Accounts receivable are presented net of an allowance for credit losses resulting from the inability of customers to make required payments. The allowance for credit losses is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance for credit losses being recognized in the period in which the changes occur. However, Defenders has historically had insignificant write-offs due to credit losses. There was no allowance for credit losses established at September 30, 2025 and 2024.

Inventory

Inventory includes membership items, such as bags and jackets, which are branded with Defenders' logo. Inventory is recorded at cost (using specific identification), and is expensed when used. No allowance was recorded for inventory obsolescence at September 30, 2025 and 2024.

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.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Valuation of Long-Lived Assets

The carrying values of long-lived assets 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, 2025 and 2024.

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.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

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

Charitable Gift Annuities

Under charitable gift annuity contracts, Defenders receives immediate and unrestricted titles 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.

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, 2025 and 2024, 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.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

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.

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.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Leases

Defenders determines if an arrangement is a lease at inception for all lease transactions with an initial term greater than one year. Both operating and finance leases are included in right-of-use (ROU) lease assets, which represent Defenders' right to use an underlying asset for the lease terms. Lease liabilities represent Defenders' obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Finance lease assets and liabilities are recognized at the lower of their present value of the minimum lease payments or the fair value of the assets.

As Defenders' leases do not provide an implicit rate, accordingly, Defenders elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate to calculate the present value of lease payments. The ROU assets also include any lease payments made and exclude lease incentives. Defenders' lease terms may include options to extend or terminate the lease when it is reasonably certain that Defenders will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Defenders elected a short-term leases exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis. Defenders has elected to separately account for lease and non-lease components and did not elect the practical expedient to combine them.

Revenue Recognition

Revenue Accounted for as Contracts with Customers

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. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Specifically, mailing list royalties income is recognized when the performance obligation to which the royalty relates has been satisfied.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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.

Grants that are nonreciprocal are recognized as contributions. For contributions, revenue is recognized when a contribution becomes unconditional. Typically, grant agreements contain a right of return or right of release from obligation if conditions are not met. As such, Defenders recognizes revenue for these conditional contributions when the related conditions are substantially met. Amounts received in advance are reported as refundable advances upon receipt, in the accompanying consolidated statements of financial position, and recognized as revenue as conditions are met and qualified expenses are incurred.

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 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.

Advertising Costs

Defenders expenses advertising costs as incurred.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Contributed Services

Contributed 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 contributed goods and services 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 for the years ended September 30, 2025 and 2024, respectively.

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.

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.

Reclassifications

Certain amounts in the 2024 consolidated financial statements have been reclassified to conform to the 2025 presentation. These reclassifications have no effect on the change in net assets previously reported.

Subsequent Events

In preparing these consolidated financial statements, Defenders has evaluated events and transactions for potential recognition or disclosure through February 9, 2026, the date the consolidated financial statements were available to be issued.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

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:

	2025	2024
Cash and cash equivalents	\$ 2,489,629	\$ 1,903,535
Short-term investments	11,158	2,612,741
Bequests and trusts receivable	1,628,226	1,847,629
Grants and contributions receivable – due within one year	638,046	528,734
Accounts receivable	322,886	245,853
Total available for general expenditures	<u>\$ 5,089,945</u>	<u>\$ 7,138,492</u>

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. Board-designated operating funds and emergency funds are not available for general expenditures.

4. Concentrations 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.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

5. Investments and Fair Value Measurements

Fair Value Measurements

Defenders follows Financial Accounting Standards Board 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, 2025 and 2024

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, 2025:

	Level 1	Level 2	Level 3	Total fair value
Investments:				
Money market funds	\$ 8,052,950	\$ -	\$ -	\$ 8,052,950
Short-term bonds	117,452	-	-	117,452
Mutual funds:				
Equity	14,074,456	-	-	14,074,456
Fixed income	22,655,717	-	-	22,655,717
Total investments	44,900,575	-	-	44,900,575
Annuity reserve fund:				
Money market funds	172,851	-	-	172,851
Fixed income	1,700,689	-	-	1,700,689
Equity	1,443,973	-	-	1,443,973
Total annuity reserve fund	3,317,513	-	-	3,317,513
Beneficial interests in trusts:				
Charitable remainder trusts	344,931	-	92,981	437,912
Pooled income fund	-	45,272	-	45,272
Perpetual trusts	-	-	1,646,166	1,646,166
Total beneficial interests in trusts	344,931	45,272	1,739,147	2,129,350
Deferred compensation:				
Mutual funds	12,948	-	-	12,948
Total assets at fair value	\$ 48,575,967	\$ 45,272	\$ 1,739,147	\$ 50,360,386

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

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, 2024:

	Level 1	Level 2	Level 3	Total fair value
Investments:				
Money market funds	\$ 1,395,057	\$ -	\$ -	\$ 1,395,057
Short-term bonds	112,900	-	-	112,900
Mutual funds:				
Equity	26,474,076	-	-	26,474,076
Fixed income	11,062,327	-	-	11,062,327
Total investments	39,044,360	-	-	39,044,360
Annuity reserve fund:				
Money market funds	112,582	-	-	112,582
Fixed income	1,836,579	-	-	1,836,579
Equity	1,412,522	-	-	1,412,522
Total annuity reserve fund	3,361,683	-	-	3,361,683
Beneficial interests in trusts:				
Charitable remainder trusts	325,804	-	266,765	592,569
Pooled income fund	-	48,121	-	48,121
Perpetual trusts	-	-	1,600,097	1,600,097
Total beneficial interests in trusts	325,804	48,121	1,866,862	2,240,787
Deferred compensation:				
Mutual funds	231,860	-	-	231,860
Total assets at fair value	\$ 42,963,707	\$ 48,121	\$ 1,866,862	\$ 44,878,690

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

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.

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.

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.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

5. Investments and Fair Value Measurements (continued)

Fair Value Measurements (continued)

Beneficial Interests in Trusts (continued)

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) for the years ended September 30:

	Charitable Remainder Trusts	Interest in Perpetual Trusts	Total Assets
Value at September 30, 2023	\$ 245,704	\$ 1,350,066	\$ 1,595,770
Change in value	21,061	250,031	271,092
Value at September 30, 2024	266,765	1,600,097	1,866,862
Change in value	(173,784)	46,069	(127,715)
Value at September 30, 2025	\$ 92,981	\$ 1,646,166	\$ 1,739,147

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

5. Investments and Fair Value Measurements (continued)

Net Investment Return

Net investment return consists of the following for the years ended September 30:

	<u>2025</u>	<u>2024</u>
Interest and dividends	\$ 1,138,480	\$ 966,368
Unrealized (loss) gain	(3,288,050)	7,169,676
Realized gain (loss)	5,603,932	(477,035)
Less: investment management fees	<u>(156,130)</u>	<u>(136,694)</u>
Total investment return, net	<u>\$ 3,298,232</u>	<u>\$ 7,522,315</u>

6. Grants and Contributions Receivable

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

	<u>2025</u>	<u>2024</u>
Due in less than one year	\$ 638,046	\$ 528,734
Due in one to five years	<u>510,000</u>	<u>120,000</u>
Total grants and contributions receivable	1,148,046	648,734
Less: present value discount (3% to 4%)	<u>(42,987)</u>	<u>(8,653)</u>
Grants and contributions receivable, net	<u>\$ 1,105,059</u>	<u>\$ 640,081</u>

7. Split-Interest Agreements

Liabilities under split-interest agreements included in the accompanying consolidated statements of financial position were \$1,956,680 and \$2,092,571 at September 30, 2025 and 2024, respectively. Net contributions under split-interest agreements were \$22,163 and \$56,266 for the years ended September 30, 2025 and 2024, respectively.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

7. Split-Interest Agreements (continued)

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

	2025	2024
Investments – annuity reserve fund	\$ 3,317,513	\$ 3,361,683
Beneficial interests in trusts:		
Assets held by Defenders:		
Charitable remainder trusts	344,931	325,804
Pooled income fund	45,272	48,121
Assets held by a third party:		
Charitable remainder trusts	92,981	266,765
Perpetual trusts	1,646,166	1,600,097
Total beneficial interests in trusts	2,129,350	2,240,787
Total split-interest agreements	\$ 5,446,863	\$ 5,602,470

8. Property and Equipment

Defenders held the following property and equipment at September 30:

	2025	2024
Land	\$ 4,585,586	\$ 4,585,586
Buildings and improvements	9,764,407	9,761,460
Computer equipment	2,829,526	2,807,356
Furniture and equipment	1,173,422	1,170,816
Website	228,375	228,375
Total property and equipment	18,581,316	18,553,593
Less: accumulated depreciation and amortization	(11,962,231)	(11,509,963)
Property and equipment, net	\$ 6,619,085	\$ 7,043,630

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

9. Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of both undesignated and Board-designated amounts. Undesignated net assets without donor restrictions are available to support general operations. Board-designated net assets represent amounts that the Board of Directors has internally set aside for specific purposes. In July 2025, the Board of Directors designated portions of net assets without donor restrictions to establish an Operating Reserve and an Emergency Reserve. The Operating Reserve is intended to provide a financial cushion for short-term revenue shortfalls and unexpected operating needs. The Emergency Reserve is intended to support the organization's response to significant, unforeseen events or time-sensitive strategic opportunities. Board-designated net assets are invested in accordance with Defenders' Investment Policy Statement and may be re-designated or made available for other purposes at the discretion of the Board of Directors.

The net assets without donor restrictions consists of the following for the years ended September 30:

	<u>2025</u>	<u>2024</u>
Undesignated	\$ 22,180,127	\$ 38,823,172
Board-designated:		
Operating and Emergency Reserve	24,533,412	-
Land and building	6,549,950	6,926,889
Property and equipment	69,135	106,741
	<u>69,135</u>	<u>106,741</u>
Total net assets without donor restrictions	<u>\$ 53,332,624</u>	<u>\$ 45,856,802</u>

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

9. Net Assets (continued)

Net Assets With Donor Restrictions

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

	2025	2024
Subject to expenditure for specific purpose:		
Program grants	\$ 3,691,395	\$ 4,382,207
Subject to the passage of time:		
Charitable remainder and other trusts	244,708	405,194
Charitable gift annuities	1,554,038	1,456,486
Pooled income fund	45,272	48,121
Lloyd Symington Memorial Fund for Wildlife Education	162,512	162,512
Total subject to the passage of time	2,006,530	2,072,313
Endowments:		
Beneficial interest in perpetual trusts	1,646,166	1,600,097
Harding Educational and Charitable Foundation	179,923	172,648
Lloyd Symington Memorial Fund for Wildlife Education	45,544	43,702
Total endowments	1,871,633	1,816,447
Total net assets with donor restrictions	\$ 7,569,558	\$ 8,270,967

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, 2025 and 2024

9. 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.

10. 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 U.S. GAAP, 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 does not have fiduciary or investment responsibility for perpetual trusts held and administered by external trustees. Defenders' role with respect to these trusts is limited to monitoring distributions received and ensuring they are used in accordance with donor intent.

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.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

10. Endowment (continued)

Interpretation of Relevant Law (continued)

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

The Board of Directors of Defenders, through its Finance Committee, provides oversight of donor-restricted endowments held directly by the organization and may delegate day-to-day investment management to a qualified investment advisor. The investment objective for these endowment funds is to preserve capital while providing a predictable and sustainable source of income and assuming a moderate level of risk.

Spending Policy

Defenders' endowment consists primarily of beneficial interests in perpetual trusts held and administered by third-party trustees. Investment and distribution decisions for these trusts are made solely by the external trustees. As a result, these distributions are not subject to Defenders' spending policy and are recognized as income when received.

For the small portion of donor-restricted endowments where Defenders is the trustee, spending allocations follow donor intent. To preserve and grow the endowment principal, the Board currently elects to reinvest all earnings from these funds rather than making annual distributions.

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. There were no donor-restricted endowment funds deficiencies for the years ended September 30, 2025 and 2024.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

10. Endowment (continued)

Composition of Endowment Net Assets

Endowment net asset composition was as follows at September 30:

	<u>2025</u>	<u>2024</u>
Donor-restricted endowment funds	<u>\$ 1,871,633</u>	<u>\$ 1,816,447</u>

Changes in Endowment Net Assets

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

	<u>2025</u>	<u>2024</u>
Endowment net assets, beginning of year	\$ 1,816,447	\$ 1,552,686
Investment return, net	<u>55,186</u>	<u>263,761</u>
Endowment net assets, end of year	<u>\$ 1,871,633</u>	<u>\$ 1,816,447</u>

11. Deferred Compensation Plan

Defenders maintains a non-qualified deferred compensation 457(b) plan, which was established to provide supplemental benefits for the President. Contributions to the plan were based on 7% of the President's aggregate compensation, allocated between the money purchase pension plan and the 457(b) plan. Additionally, the Board had authorized contributions to the 457(b) plan up to the statutory limit of allowable contributions as additional deferred compensation for the former President.

The applicable statutory maximum was contributed initially to the money purchase pension plan, with any remaining allowable contributions allocated to the 457(b) plan. Deferred compensation and related investments are available and subject to federal income tax only upon termination of employment, retirement, death, or an unforeseeable emergency. However, contributions are subject to Federal Insurance Contributions Act (FICA) and Medicare taxes (and Medicare surtax, if applicable) at the time deferred compensation/contribution is no longer subject to a substantial risk of forfeiture (vesting). Until distributed to the participant or beneficiary, all deferred amounts, and related investment earnings, remain the sole property and rights of Defenders. At September 30, 2025 and 2024, the deferred compensation assets and a corresponding liability were \$12,948 and \$231,860, respectively.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

12. 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 \$839,631 and \$729,130 for the years ended September 30, 2025 and 2024, respectively.

13. Commitments and Contingencies

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.

Leases

Defenders leases office space for its two field locations under noncancellable operating lease agreements. These agreements were originally set to expire in October 2024 and include provisions for future increases in minimum annual rental payments. In April 2024, the lease for the Denver field office was extended, with the new expiration date set for January 2028.

Additionally, Defenders entered into a finance lease for certain office equipment, which began on January 15, 2023, and is scheduled to expire on December 15, 2027.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

13. Commitments and Contingencies (continued)

Leases (continued)

Total ROU assets and lease liabilities are as follows at September 30:

Lease Assets – Classification in Consolidated Statements of Financial Position:

	2025	2024
ROU assets – operating leases	\$ 194,410	\$ 274,833
ROU assets – finance lease	87,070	123,564
Total ROU lease assets	\$ 281,480	\$ 398,397

Lease Liabilities – Classification in Consolidated Statements of Financial Position:

	2025	2024
Operating lease liabilities	\$ 212,104	\$ 274,145
Finance lease liabilities	87,071	123,564
Total lease liabilities	\$ 299,175	\$ 397,709

Total lease costs are as follows for the years ended September 30:

	2025	2024
Operating lease costs	\$ 88,703	\$ 133,814
Finance lease costs:		
Amortization of ROU assets	36,494	35,205
Interest expense	3,850	5,139
Total lease costs	\$ 129,047	\$ 174,158

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

13. Commitments and Contingencies (continued)

Leases (continued)

The following table summarizes supplemental qualitative information related to the leases for the years ended September 30:

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 58,160	\$ 137,757
Operating cash flows from finance lease	\$ 3,850	\$ 5,139
Financing cash flows from finance lease	\$ 36,494	\$ 35,205
ROU assets obtained in exchange for lease obligations:		
Operating leases	\$ -	\$ 257,634
Weighted-average remaining lease term (in years):		
Operating leases	2.0	3.3
Finance lease	2.3	3.3
Weighted-average discount rate:		
Operating leases	4.77%	4.76%
Finance lease	3.6%	3.6%

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below for the years ending September 30:

	Operating Leases	Finance Lease	Total
2026	\$ 94,606	\$ 40,344	\$ 134,950
2027	97,037	40,344	137,381
2028	33,021	10,086	43,107
Total minimum lease payments	224,664	90,774	315,438
Less: discount to present value	(12,560)	(3,703)	(16,263)
Present value of lease liabilities	\$ 212,104	\$ 87,071	\$ 299,175

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

14. Contributed Services

Contributed nonfinancial assets recognized within the consolidated statement of activities included the following for the years ended September 30:

	2025	2024
Legal services	\$ 2,011,268	\$ 2,940,180
Consulting services	7,425	117,619
Advertising	1,694,536	-
Total contributed goods and services	\$ 3,713,229	\$ 3,057,799

Contributed legal services are provided by attorneys who advise on various conservation and administrative legal matters, and are used for program and supporting services and recognized at fair value based on current rates for similar legal services.

Contributed advertising is valued using estimated principal market prices of identical or similar products. Contributed advertising is used for fundraising and development.

Contributed consulting services is recognized at fair value based on current rate for similar services and are used for program and supporting services.

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, 2025 and 2024, the costs of direct response programs included joint costs not directly attributable to any single function.

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

	2025	2024
Constituency mobilization	\$ 3,230,448	\$ 3,836,119
Management and general	487,570	524,831
Fundraising	567,582	713,033
Total allocated joint costs	\$ 4,285,600	\$ 5,073,983

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

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. 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 2025 and 2024. 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, 2025 and 2024, 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, 2025 and 2024.

18. Collective Bargaining Agreement

At September 30, 2025, approximately 60% of the Defender's employees were represented by the Office and Professional Employees International Union, Local 2, and are employed under a collective bargaining agreement. The agreement was entered into on December 11, 2024 and will continue through September 30, 2027. Pursuant to its terms, the agreement automatically renews for a one-year term and from year to year thereafter, until either party provides proper written notice of its intent to renew, modify, alter, change, or terminate the contract.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2025 and 2024

19. Supplementary Disclosures of Cash Flow Information

	<u>2025</u>	<u>2024</u>
Noncash Transactions Arising from ASC 842 Adoption:		
Recognition of operating lease ROU assets	\$ -	\$ (257,634)
Recognition of operating lease liabilities	\$ -	\$ 257,634
Interest paid	<u>\$ 3,852</u>	<u>\$ 5,811</u>

SUPPLEMENTARY INFORMATION

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Consolidating Statement of Financial Position
September 30, 2025

	<u>DOW</u>	<u>Action Fund</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,222,146	\$ 267,483	\$ -	\$ 2,489,629
Short-term investments	11,158	-	-	11,158
Investments – annuity reserve fund	3,317,513	-	-	3,317,513
Bequests and trusts receivable	1,628,226	-	-	1,628,226
Grants and contributions receivable, current portion	638,046	-	-	638,046
Accounts receivable	324,377	-	(1,491)	322,886
Prepaid expenses	1,868,237	-	-	1,868,237
Inventory	1,044,649	-	-	1,044,649
Total current assets	11,054,352	267,483	(1,491)	11,320,344
Long-term investments	20,356,005	-	-	20,356,005
Investments – operating and emergency reserve fund	24,533,412	-	-	24,533,412
Grants and contributions receivable, long-term, net	467,013	-	-	467,013
Beneficial interests in trusts	2,129,350	-	-	2,129,350
Lease right-of-use assets	281,480	-	-	281,480
Property and equipment, net	6,619,085	-	-	6,619,085
Deferred compensation	12,948	-	-	12,948
Total assets	\$ 65,453,645	\$ 267,483	\$ (1,491)	\$ 65,719,637
Liabilities and Net Assets				
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	\$ 2,499,533	\$ 1,579	\$ (1,491)	\$ 2,499,621
Refundable advances	49,031	-	-	49,031
Annuity and other split-interest obligations, current portion	246,255	-	-	246,255
Total current liabilities	2,794,819	1,579	(1,491)	2,794,907
Annuity and other split-interest obligations, long-term	1,710,425	-	-	1,710,425
Lease liabilities	299,175	-	-	299,175
Deferred compensation	12,948	-	-	12,948
Total liabilities	4,817,367	1,579	(1,491)	4,817,455
Net Assets				
Without donor restrictions	53,066,720	265,904	-	53,332,624
With donor restrictions	7,569,558	-	-	7,569,558
Total net assets	60,636,278	265,904	-	60,902,182
Total liabilities and net assets	\$ 65,453,645	\$ 267,483	\$ (1,491)	\$ 65,719,637

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Consolidating Statement of Financial Position
September 30, 2024

	<u>DOW</u>	<u>Action Fund</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,620,756	\$ 282,779	\$ -	\$ 1,903,535
Short-term investments	2,612,741	-	-	2,612,741
Investments – annuity reserve fund	3,361,683	-	-	3,361,683
Bequests and trusts receivable	1,847,629	-	-	1,847,629
Grants and contributions receivable, current portion	528,734	-	-	528,734
Accounts receivable	246,038	-	(185)	245,853
Prepaid expenses	1,049,280	-	-	1,049,280
Inventory	754,564	-	-	754,564
Total current assets	<u>12,021,425</u>	<u>282,779</u>	<u>(185)</u>	<u>12,304,019</u>
Long-term investments	36,431,619	-	-	36,431,619
Grants and contributions receivable, long-term, net	111,347	-	-	111,347
Beneficial interests in trusts	2,240,787	-	-	2,240,787
Lease right-of-use assets	398,397	-	-	398,397
Property and equipment, net	7,043,630	-	-	7,043,630
Deferred compensation	231,860	-	-	231,860
Total assets	<u>\$ 58,479,065</u>	<u>\$ 282,779</u>	<u>\$ (185)</u>	<u>\$ 58,761,659</u>
Liabilities and Net Assets				
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	\$ 1,873,263	\$ 185	\$ (185)	\$ 1,873,263
Refundable advances	38,487	-	-	38,487
Annuity and other split-interest obligations, current portion	291,925	-	-	291,925
Total current liabilities	<u>2,203,675</u>	<u>185</u>	<u>(185)</u>	<u>2,203,675</u>
Annuity and other split-interest obligations, long-term	1,800,646	-	-	1,800,646
Lease liabilities	397,709	-	-	397,709
Deferred compensation	231,860	-	-	231,860
Total liabilities	<u>4,633,890</u>	<u>185</u>	<u>(185)</u>	<u>4,633,890</u>
Net Assets				
Without donor restrictions	45,574,208	282,594	-	45,856,802
With donor restrictions	8,270,967	-	-	8,270,967
Total net assets	<u>53,845,175</u>	<u>282,594</u>	<u>-</u>	<u>54,127,769</u>
Total liabilities and net assets	<u>\$ 58,479,065</u>	<u>\$ 282,779</u>	<u>\$ (185)</u>	<u>\$ 58,761,659</u>

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Consolidating Statement of Activities
For the Year Ended September 30, 2025

	DOW		Action Fund		Elimination	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions			
Revenue and Support						
Grants and contributions	\$ 24,117,381	\$ 4,911,408	\$ -	\$ -	\$ -	\$ 29,028,789
Contributed services	3,713,229	-	-	-	-	3,713,229
Bequests	12,290,366	-	-	-	-	12,290,366
Royalties	199,967	-	-	-	-	199,967
Investment return, net	3,241,731	55,185	1,316	-	-	3,298,232
Split-interest contributions	-	22,163	-	-	-	22,163
Change in value of split interests	135,298	(87,945)	-	-	-	47,353
Mailing list royalties	153,387	-	-	-	-	153,387
Other income	67,074	-	-	(6,577)	-	60,497
Released from restrictions – programs	5,602,220	(5,602,220)	-	-	-	-
Total revenue and support	49,520,653	(701,409)	1,316	(6,577)		48,813,983
Expenses						
Program services:						
Biodiversity conservation	16,958,939	-	-	-	-	16,958,939
Constituency mobilization	13,901,002	-	-	-	-	13,901,002
Total program services	30,859,941	-	-	-	-	30,859,941
Supporting services:						
Management and general	6,372,460	-	18,006	(6,577)	-	6,383,889
Fundraising	4,795,740	-	-	-	-	4,795,740
Total supporting services	11,168,200	-	18,006	(6,577)	-	11,179,629
Total expenses	42,028,141	-	18,006	(6,577)		42,039,570
Change in Net Assets	7,492,512	(701,409)	(16,690)	-		6,774,413
Net Assets, beginning of year	45,574,208	8,270,967	282,594	-		54,127,769
Net Assets, end of year	\$ 53,066,720	\$ 7,569,558	\$ 265,904	\$ -		\$ 60,902,182

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Consolidating Statement of Activities
For the Year Ended September 30, 2024

	DOW		Action Fund		Elimination	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions			
Revenue and Support						
Grants and contributions	\$ 22,483,967	\$ 4,531,279	\$ -	\$ -	\$ -	\$ 27,015,246
Contributed services	3,057,799	-	-	-	-	3,057,799
Bequests	7,476,796	-	-	-	-	7,476,796
Royalties	210,180	-	-	-	-	210,180
Investment return, net	7,256,214	263,763	2,338	-	-	7,522,315
Split-interest contributions	-	56,266	-	-	-	56,266
Change in value of split interests	311,903	254,869	-	-	-	566,772
Mailing list royalties	190,495	-	-	-	-	190,495
Other income	49,420	-	-	(923)	(923)	48,497
Released from restrictions – programs	5,453,810	(5,453,810)	-	-	-	-
Total revenue and support	46,490,584	(347,633)	2,338	(923)		46,144,366
Expenses						
Program services:						
Biodiversity conservation	15,624,747	-	-	-	-	15,624,747
Constituency mobilization	15,349,508	-	-	-	-	15,349,508
Total program services	30,974,255	-	-	-	-	30,974,255
Supporting services:						
Management and general	5,942,851	-	5,342	(923)	(923)	5,947,270
Fundraising	1,172,531	-	-	-	-	1,172,531
Total supporting services	7,115,382	-	5,342	(923)	(923)	7,119,801
Total expenses	38,089,637	-	5,342	(923)		38,094,056
Change in Net Assets	8,400,947	(347,633)	(3,004)	-		8,050,310
Net Assets, beginning of year	37,173,261	8,618,600	285,598	-		46,077,459
Net Assets, end of year	\$ 45,574,208	\$ 8,270,967	\$ 282,594	\$ -		\$ 54,127,769