

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Consolidated Financial Statements
and Independent Auditors' Report

September 30, 2018 and 2017

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Consolidated Financial Statements
September 30, 2018 and 2017

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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, 2018, 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, 2018, 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 30-32 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, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 22, 2018. In our opinion, the summarized comparative information presented herein, as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Vienna, Virginia
February 28, 2019

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Consolidated Statements of Financial Position
September 30, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,340,469	\$ 6,498,863
Short-term investments	4,905,649	4,458,776
Investments – annuity reserve fund	3,658,716	3,740,303
Bequests and trusts receivable	1,316,437	1,997,420
Grants and pledges receivable, current portion	1,451,023	317,573
Accounts receivable	345,635	290,758
Prepaid expenses	1,026,062	811,734
Inventory	859,597	821,646
Total current assets	<u>19,903,588</u>	<u>18,937,073</u>
Long-term investments	9,681,197	9,088,958
Grants and pledges receivable, long-term, net	1,283,257	39,421
Beneficial interests in trusts	2,647,448	2,608,172
Property and equipment, net	9,954,886	9,801,470
Deferred compensation	72,655	55,668
Other assets	-	32,873
Total assets	<u>\$ 43,543,031</u>	<u>\$ 40,563,635</u>
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,797,450	\$ 1,649,174
Annuity and other split-interest obligations, current portion	309,000	334,461
Loan payable	-	5,344,481
Capital lease obligation, current portion	19,913	17,256
Deferred revenue	153,211	618
Total current liabilities	<u>2,279,574</u>	<u>7,345,990</u>
Annuity and other split-interest obligations, long-term	1,948,685	2,025,281
Deferred compensation	72,655	55,668
Capital lease obligation, net of current portion	77,380	97,293
Total liabilities	<u>4,378,294</u>	<u>9,524,232</u>
Net Assets		
Unrestricted	26,166,620	22,588,136
Temporarily restricted	11,469,022	6,934,480
Permanently restricted	1,529,095	1,516,787
Total net assets	<u>39,164,737</u>	<u>31,039,403</u>
Total liabilities and net assets	<u>\$ 43,543,031</u>	<u>\$ 40,563,635</u>

See accompanying notes.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Consolidated Statement of Activities
 For the Year Ended September 30, 2018
 (With Comparative Totals for the Year Ended September 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Totals
Revenue and Support					
Grants and contributions	\$ 20,816,930	\$ 7,806,984	\$ -	\$ 28,623,914	\$ 25,150,271
Contributed goods and services	4,058,726	-	-	4,058,726	3,068,993
Bequests	7,595,782	1,031,334	-	8,627,116	6,994,682
Royalties	727,605	-	-	727,605	693,635
Investment income	716,931	711	833	718,475	954,675
Split-interest contributions	-	109,405	-	109,405	110,120
Change in value of split interests	154,359	(61,135)	11,475	104,699	136,889
Mailing list royalties	211,373	-	-	211,373	206,558
Rental income	7,568	-	-	7,568	7,344
Other income	420,565	-	-	420,565	485,773
Released from restrictions	4,352,757	(4,352,757)	-	-	-
Total revenue and support	39,062,596	4,534,542	12,308	43,609,446	37,808,940
Expenses					
Program services:					
ESA	9,262,055	-	-	9,262,055	8,555,140
Key Species	11,774,891	-	-	11,774,891	10,655,547
Habitat	8,752,324	-	-	8,752,324	8,195,070
Total program services	29,789,270	-	-	29,789,270	27,405,757
Supporting services:					
Management and general	4,743,141	-	-	4,743,141	4,452,161
Fundraising	951,701	-	-	951,701	1,075,407
Total supporting services	5,694,842	-	-	5,694,842	5,527,568
Total expenses	35,484,112	-	-	35,484,112	32,933,325
Change in Net Assets	3,578,484	4,534,542	12,308	8,125,334	4,875,615
Net Assets, beginning of year	22,588,136	6,934,480	1,516,787	31,039,403	26,163,788
Net Assets, end of year	\$ 26,166,620	\$ 11,469,022	\$ 1,529,095	\$ 39,164,737	\$ 31,039,403

See accompanying notes.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Consolidated Statements of Cash Flows
For the Years Ended September 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 8,125,334	\$ 4,875,615
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	738,958	610,142
Net realized and unrealized gain on investments	(402,794)	(681,077)
Donated securities	(400,824)	(818,930)
Change in value of charitable remainder and other trusts	(39,276)	(149,779)
Change in value of annuity reserve fund	81,587	(109,535)
Change in discount on grants and pledges receivable	36,164	579
Amortization of cost of issuing debt	32,873	11,603
Net loss (gain) on disposal of property and equipment	682	(5,581)
Equipment acquired under capital lease	-	115,878
Change in operating assets and liabilities:		
(Increase) decrease in:		
Bequests and trusts receivable	680,983	770,250
Grants and pledges receivable	(2,413,450)	397,081
Accounts receivable	(54,877)	(18,020)
Prepaid expenses	(214,328)	233,233
Inventory	(37,951)	30,450
Deferred compensation	(16,987)	(18,148)
Increase (decrease) in:		
Accounts payable and accrued expenses	148,276	268,145
Annuity and other split-interest obligations	(102,057)	61,088
Deferred revenue	152,593	(9,982)
Deferred compensation	16,987	18,148
	6,331,893	5,581,160
Cash Flows from Investing Activities		
Proceeds from sale of investments	4,584,871	3,395,139
Purchase of investments	(4,820,365)	(2,768,737)
Purchase of property and equipment	(893,056)	(724,964)
	(1,128,550)	(98,562)
Cash Flows from Financing Activities		
Payments on loan principal	(5,344,481)	(248,009)
Principal payments under capital lease	(17,256)	(30,185)
	(5,361,737)	(278,194)
Net (Decrease) Increase in Cash and Cash Equivalents	(158,394)	5,204,404
Cash and Cash Equivalents, beginning of year	6,498,863	1,294,459
Cash and Cash Equivalents, end of year	\$ 6,340,469	\$ 6,498,863

See accompanying notes.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2018 and 2017

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, DOW 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.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting and Presentation (continued)

- *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.

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 net present value based on projected cash flows. Amounts receivable in more than one year initially recorded in the year ended September 30, 2018 were discounted at an average annual rate of 2.81%, using a rate that considers market and credit risk. 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. 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, 2018 and 2017.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

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, 2018 and 2017, as all amounts are deemed fully collectible.

Inventory

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

Property and Equipment

Property and equipment purchased at a cost of \$1,000 or more are capitalized and recorded at acquisition cost. The building is depreciated over an estimated useful life of 25 years. Furniture, equipment, and improvements are depreciated over estimated useful lives of 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 of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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 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.

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

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, 2018 and 2017

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

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

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, 2018 and 2017, 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, 2018 and 2017

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 permanently restricted gains and losses in the accompanying consolidated statement of activities.

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.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Contributed Goods and Services

Donated goods and 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. Defenders received donated services that 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 \$4,056,231 and \$3,068,993 for the years ended September 30, 2018 and 2017, respectively. Additionally, Defenders received donated goods that are recorded as revenue at their estimated fair values at the date of donation. The value of donated goods received during the years ended September 30, 2018 and 2017 was \$2,495 and \$0, respectively.

Advertising Costs

Defenders expenses advertising costs as incurred. Advertising expenses were \$387,750 and \$444,306 for the years ended September 30, 2018 and 2017, respectively.

Use of Estimates

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

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, 2017, from which the summarized information was derived.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

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 28, 2019, the date the consolidated financial statements were available to be issued.

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 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, 2018 and 2017

4. Investments and Fair Value Measurements

Investment Income

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

	<u>2018</u>	<u>2017</u>
Unrealized gains	\$ 242,118	\$ 710,859
Realized gain (loss)	160,676	(29,782)
Interest and dividends	<u>315,681</u>	<u>273,598</u>
Total investment income	<u>\$ 718,475</u>	<u>\$ 954,675</u>

Fair Value Measurements

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, 2018 and 2017

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, 2018:

	Level 1	Level 2	Level 3	Total fair value
Investments:				
Money market funds	\$ 1,203,625	\$ -	\$ -	\$ 1,203,625
Short-term bonds	99,060	-	-	99,060
Mutual funds:				
Equity	6,110,121	-	-	6,110,121
Fixed income	5,998,677	-	-	5,998,677
Hedge funds	-	1,079,517	-	1,079,517
Tangible assets	95,846	-	-	95,846
Total investments	13,507,329	1,079,517	-	14,586,846
Annuity reserve fund:				
Money market funds	216,858	-	-	216,858
Fixed income	2,166,948	-	-	2,166,948
Equity	1,274,910	-	-	1,274,910
Total annuity reserve fund	3,658,716	-	-	3,658,716
Beneficial interests in trusts:				
Charitable remainder trusts	284,116	-	938,417	1,222,533
Pooled income fund	-	85,212	-	85,212
Perpetual trusts	-	-	1,339,703	1,339,703
Total beneficial interests in trusts	284,116	85,212	2,278,120	2,647,448
Deferred compensation:				
Mutual funds	72,655	-	-	72,655
Total assets at fair value	\$ 17,522,816	\$ 1,164,729	\$ 2,278,120	\$ 20,965,665

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2018 and 2017

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
Investments:				
Money market funds	\$ 1,020,255	\$ -	\$ -	\$ 1,020,255
Short-term bonds	99,562	-	-	99,562
Mutual funds:				
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
Total investments	12,589,022	958,712	-	13,547,734
Annuity reserve fund:				
Money market funds	176,676	-	-	176,676
Fixed income	2,216,214	-	-	2,216,214
Equity	1,347,413	-	-	1,347,413
Total annuity reserve fund	3,740,303	-	-	3,740,303
Beneficial interests in trusts:				
Charitable remainder trusts	272,013	-	925,053	1,197,066
Pooled income fund	-	82,877	-	82,877
Interests in perpetual trusts	-	-	1,328,229	1,328,229
Total beneficial interests in trusts	272,013	82,877	2,253,282	2,608,172
Deferred compensation:				
Mutual funds	55,668	-	-	55,668
Total assets at fair value	\$ 16,657,006	\$ 1,041,589	\$ 2,253,282	\$ 19,951,877

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2018 and 2017

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

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

Level 2

When quoted market prices for similar assets are available in markets that are not active, securities are classified within Level 2 of the valuation hierarchy. Level 2 includes hedge funds. The hedge funds are comprised of tracker funds, debt funds, global credit securities, and research funds. These hedge funds are measured in quantifiable units at quoted market prices on a monthly basis by the broker, and the broker's pricing methodology is assessed when determining the fair value hierarchy. Due to the frequency of the availability of market quotations, the hedge funds held by Defenders at September 30, 2018 and 2017 are categorized as Level 2 in the valuation hierarchy.

Annuity Reserve Fund

Level 1

Annuity reserve fund is primarily invested in money market funds, bonds, mutual funds, and fixed income investments, which are valued at fair value based on quoted market process 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, 2018 and 2017

4. Investments and 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):

	Charitable Remainder Trusts	Interest in Perpetual Trusts	Total Assets
Value at September 30, 2016	\$ 867,084	\$ 1,260,185	\$ 2,127,269
Change in value	57,969	68,044	126,013
Value at September 30, 2017	925,053	1,328,229	2,253,282
Change in value	13,364	11,474	24,838
Value at September 30, 2018	\$ 938,417	\$ 1,339,703	\$ 2,278,120

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2018 and 2017

5. Grants and Pledges Receivable

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

	2018	2017
Due in less than one year	\$ 1,451,023	\$ 317,573
Due in one to five years	1,320,000	40,000
Total grants and pledges receivable	2,771,023	357,573
Less: discount	(36,743)	(579)
Total grants and pledges receivable, net	\$ 2,734,280	\$ 356,994

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:

	2018	2017
Investments – annuity reserve fund	\$ 3,658,716	\$ 3,740,303
Beneficial interests in trusts:		
Assets held by Defenders:		
Charitable remainder trusts	284,116	272,013
Pooled income fund	85,212	82,877
Assets held by a third party:		
Charitable remainder trusts	938,416	925,053
Perpetual trusts	1,339,704	1,328,229
Total beneficial interests in trusts	2,647,448	2,608,172
Total split-interest agreements	\$ 6,306,164	\$ 6,348,475

Liabilities under split-interest agreements included in the accompanying consolidated statements of financial position were \$2,257,685 and \$2,359,742 at September 30, 2018 and 2017, respectively. Net contributions under split-interest agreements were approximately \$109,405 and \$110,120 for the years ended September 30, 2018 and 2017, respectively.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2018 and 2017

7. Property and Equipment

Defenders held the following property and equipment at September 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 4,585,586	\$ 4,585,586
Buildings and improvements	9,210,800	8,923,996
Computer equipment	2,973,107	2,622,839
Furniture and equipment	1,085,182	1,040,034
Website	<u>1,049,991</u>	<u>908,229</u>
Total property and equipment	18,904,666	18,080,684
Less: accumulated depreciation	<u>(8,949,780)</u>	<u>(8,279,214)</u>
Property and equipment, net	<u><u>\$ 9,954,886</u></u>	<u><u>\$ 9,801,470</u></u>

8. Loan Payable

On August 1, 2013, Defenders refinanced the mortgage on its headquarters building, executing a loan agreement in the amount of \$6,306,672. The loan was scheduled to expire on August 1, 2020, and required monthly payments of \$35,898 with an interest rate of 3.29%. The outstanding principal balance on the loan at September 30, 2017 was \$5,344,481. 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. Total interest expense on the loan for the years ended September 30, 2018 and 2017 was \$174,698 and \$182,081, respectively. For the year ended September 30, 2018, the \$115,694 prepayment penalty was included in the total \$174,698 interest paid.

There were 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 through the payoff of the loan on January 31, 2018.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2018 and 2017

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>2018:</u>				
Undesignated	\$ 16,211,734	\$ -	\$ -	\$ 16,211,734
Land and building	8,661,838	-	-	8,661,838
Property and equipment	1,293,048	-	-	1,293,048
Program grants	-	8,597,737	-	8,597,737
Charitable remainder and other trusts	-	1,048,144	-	1,048,144
Charitable gift annuities	-	1,575,418	-	1,575,418
Beneficial interest in perpetual trusts	-	-	1,339,703	1,339,703
Pooled income fund	-	85,212	-	85,212
Lloyd Symington Memorial Fund for Wildlife Education	-	162,511	38,257	200,768
Harding Educational and Charitable Foundation	-	-	151,135	151,135
Total net assets	<u>\$ 26,166,620</u>	<u>\$ 11,469,022</u>	<u>\$ 1,529,095</u>	<u>\$ 39,164,737</u>
<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
Total net assets	<u>\$ 22,588,136</u>	<u>\$ 6,934,480</u>	<u>\$ 1,516,787</u>	<u>\$ 31,039,403</u>

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2018 and 2017

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

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2018 and 2017

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, 2018 and 2017

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, 2018 and 2017.

Composition of Endowment Net Assets

Endowment net asset composition was as follows at September 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 1,529,095	\$ 1,529,095
Total endowment funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,529,095</u>	<u>\$ 1,529,095</u>

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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,516,787</u>	<u>\$ 1,516,787</u>

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2018 and 2017

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>2018:</u>				
Endowment net assets, beginning	\$ -	\$ -	\$ 1,516,787	\$ 1,516,787
Investment return:				
Net appreciation	-	-	833	833
Change in value in perpetual trusts	-	-	11,475	11,475
Total investment return	-	-	12,308	12,308
Endowment net assets, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,529,095</u>	<u>\$ 1,529,095</u>
<u>2017:</u>				
Endowment net assets, beginning	\$ -	\$ -	\$ 1,447,892	\$ 1,447,892
Investment return:				
Net appreciation	-	-	851	851
Change in value in perpetual trusts	-	-	68,044	68,044
Total investment return	-	-	68,895	68,895
Endowment net assets, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,516,787</u>	<u>\$ 1,516,787</u>

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2018 and 2017

11. Related Parties

During the year ended September 30, 2017, 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 year 2017 amounted to \$233,069, of which \$189,877 is represented as contributed services for the year then ended. There were no related parties transactions during the year ended September 30, 2018.

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, 2018 and 2017, the deferred compensation assets and a corresponding liability were \$72,655 and \$55,668, 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 \$554,329 and \$490,650 for the years ended September 30, 2018 and 2017, 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, 2018 and 2017, using the straight-line method, amounted to \$340,074 and \$344,755, respectively.

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2018 and 2017

14. Commitments (continued)

Operating Leases (continued)

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

2019	\$	291,843
2020		139,662
2021		89,422
2022		<u>25,788</u>
Total future minimum lease payments	\$	<u>546,715</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 at both September 30, 2018 and 2017, net of accumulated depreciation of \$25,107 and \$1,931 as of September 30, 2018 and 2017, respectively.

The interest expense associated with these leases for the years ended September 30, 2018 and 2017 was \$15,396 and \$12,355, respectively. Payments under the capital leases are due as follows for the years ending September 30:

2019	\$	32,652
2020		32,652
2021		32,652
2022		<u>29,931</u>
Total		127,887
Less: amounts representing interest		<u>(30,594)</u>
Total capital lease obligations	\$	<u>97,293</u>

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements
September 30, 2018 and 2017

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, 2018 and 2017, Defenders incurred joint costs for its direct response programs of \$5,028,907 and \$4,951,633, respectively, including information materials and fundraising appeals. These joint costs were allocated as follows for the years ended September 30:

	2018	2017
ESA	\$ 188,013	\$ 277,824
Key Species	3,216,978	2,689,978
Habitat	196,508	266,003
Management and general	744,228	898,090
Fundraising	683,180	819,738
Total allocated joint costs	<u>\$ 5,028,907</u>	<u>\$ 4,951,633</u>

16. Supplementary Disclosure of Cash Flow Information

Total interest expenses were \$190,094 and \$195,116 for the years ended September 30, 2018 and 2017, respectively. The interest expense of \$190,094 for the year ended September 30, 2018 included \$115,694 of a prepayment penalty for the loan payoff, as described in Note 8.

Noncash investing and financing transactions for the year ended September 30, 2017 included \$115,878 of leased equipment acquired and a capital lease obligation for that equipment of \$114,549. There were no noncash investing and financing transactions for the year ended September 30, 2018.

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 2018 and 2017. 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, 2018 and 2017

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 periods ended September 30, 2018 and 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, 2018 and 2017.

SUPPLEMENTARY INFORMATION

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Consolidating Schedule of Financial Position
September 30, 2018

	<u>DOW</u>	<u>Action Fund</u>	<u>Elimination</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 6,157,941	\$ 182,528	\$ -	\$ 6,340,469
Short-term investments	4,905,649	-	-	4,905,649
Investments – annuity reserve fund	3,658,716	-	-	3,658,716
Bequests and trusts receivable	1,316,437	-	-	1,316,437
Grants and pledges receivable, current portion	1,451,023	-	-	1,451,023
Accounts receivable	345,567	68	-	345,635
Prepaid expenses	1,026,062	-	-	1,026,062
Inventory	859,597	-	-	859,597
Total current assets	<u>19,720,992</u>	<u>182,596</u>	<u>-</u>	<u>19,903,588</u>
Long-term investments	9,681,197	-	-	9,681,197
Grants and pledges receivable, long-term, net	1,283,257	-	-	1,283,257
Charitable remainder and other trusts	2,647,448	-	-	2,647,448
Property and equipment, net	9,954,886	-	-	9,954,886
Deferred compensation	72,655	-	-	72,655
Total assets	<u>\$ 43,360,435</u>	<u>\$ 182,596</u>	<u>\$ -</u>	<u>\$ 43,543,031</u>
Liabilities and Net Assets				
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	\$ 1,797,242	\$ 208	\$ -	\$ 1,797,450
Annuity and other split-interest obligations, current portion	309,000	-	-	309,000
Capital lease obligation, current portion	19,913	-	-	19,913
Deferred revenue	153,211	-	-	153,211
Total current liabilities	<u>2,279,366</u>	<u>208</u>	<u>-</u>	<u>2,279,574</u>
Annuity and other split-interest obligations, long-term	1,948,685	-	-	1,948,685
Deferred compensation	72,655	-	-	72,655
Capital lease obligation, net of current portion	77,380	-	-	77,380
Total liabilities	<u>4,378,086</u>	<u>208</u>	<u>-</u>	<u>4,378,294</u>
Net Assets				
Unrestricted	25,984,232	182,388	-	26,166,620
Temporarily restricted	11,469,022	-	-	11,469,022
Permanently restricted	1,529,095	-	-	1,529,095
Total net assets	<u>38,982,349</u>	<u>182,388</u>	<u>-</u>	<u>39,164,737</u>
Total liabilities and net assets	<u>\$ 43,360,435</u>	<u>\$ 182,596</u>	<u>\$ -</u>	<u>\$ 43,543,031</u>

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Consolidating Schedule of Activities
For the Year Ended September 30, 2018

	DOW			Action Fund	Elimination	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted		
Revenue and Support						
Grants and contributions	\$ 20,690,930	\$ 7,806,984	\$ -	\$ 126,000	\$ -	\$ 28,623,914
Contributed goods and services	4,058,726	-	-	-	-	4,058,726
Bequests	7,595,782	1,031,334	-	-	-	8,627,116
Royalties	727,605	-	-	-	-	727,605
Investment income	716,683	711	833	248	-	718,475
Split-interest contributions	-	109,405	-	-	-	109,405
Change in value of split interests	154,359	(61,135)	11,475	-	-	104,699
Mailing list royalties	211,373	-	-	-	-	211,373
Rental income	7,568	-	-	-	-	7,568
Other income	424,345	-	-	-	(3,780)	420,565
Released from restrictions	4,352,757	(4,352,757)	-	-	-	-
Total revenue and support	38,940,128	4,534,542	12,308	126,248	(3,780)	43,609,446
Expenses						
Program services:						
ESA	9,258,803	-	-	4,262	(1,010)	9,262,055
Key Species	11,771,639	-	-	4,262	(1,010)	11,774,891
Habitat	8,749,072	-	-	4,262	(1,010)	8,752,324
Total program services	29,779,514	-	-	12,786	(3,030)	29,789,270
Supporting services:						
Management and general	4,739,265	-	-	4,556	(680)	4,743,141
Fundraising	951,374	-	-	397	(70)	951,701
Total supporting services	5,690,639	-	-	4,953	(750)	5,694,842
Total expenses	35,470,153	-	-	17,739	(3,780)	35,484,112
Change in Net Assets	3,469,975	4,534,542	12,308	108,509	-	8,125,334
Net Assets, beginning of year	22,514,257	6,934,480	1,516,787	73,879	-	31,039,403
Net Assets, end of year	\$ 25,984,232	\$ 11,469,022	\$ 1,529,095	\$ 182,388	\$ -	\$ 39,164,737

Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Consolidated Schedule of Functional Expenses
For the Year Ended September 30, 2018
(With Comparative Totals for the Year Ended September 30, 2017)

	Program Services				Supporting Services			2018 Total	2017 Total
	ESA	Key Species	Habitat	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and wages	\$ 3,043,154	\$ 2,344,886	\$ 2,696,989	\$ 8,085,029	\$ 1,728,008	\$ 206,781	\$ 1,934,789	\$ 10,019,818	\$ 9,499,558
Payroll taxes and benefits	824,241	634,660	730,358	2,189,259	467,732	56,281	524,013	2,713,272	2,617,894
Professional fundraising fees	228,148	908,622	285,361	1,422,131	195,849	88,166	284,015	1,706,146	1,131,085
Other professional fees	499,001	382,518	446,289	1,327,808	139,724	19,971	159,695	1,487,503	1,334,981
Grants and contributions	523,055	337,285	457,179	1,317,519	3,429	426	3,855	1,321,374	977,129
Computer services	300,805	305,497	279,964	886,266	264,329	28,773	293,102	1,179,368	1,140,148
Conference fees	12,741	10,189	11,368	34,298	1,431	614	2,045	36,343	38,033
Advertising	54,585	193,175	65,595	313,355	56,697	17,698	74,395	387,750	444,306
Membership incentives and fulfillment	115,084	511,703	150,119	776,906	109,128	49,134	158,262	935,168	891,525
Supplies	32,013	21,967	28,134	82,114	6,061	446	6,507	88,621	157,601
Telephone	44,512	32,951	39,404	116,867	70,939	1,846	72,785	189,652	203,821
Postage and shipping	524,813	2,199,859	669,457	3,394,129	486,396	217,664	704,060	4,098,189	4,136,082
Occupancy and other	268,541	195,433	237,328	701,302	115,231	9,113	124,344	825,646	865,569
Equipment rental and maintenance	9,902	7,610	8,798	26,310	4,992	501	5,493	31,803	37,380
Printing and publications	409,529	1,648,926	514,734	2,573,189	365,046	163,752	528,798	3,101,987	2,834,685
Travel	176,685	118,987	155,021	450,693	34,663	7,147	41,810	492,503	431,156
Conferences, conventions, and meetings	47,392	31,039	41,478	119,909	149,361	9,070	158,431	278,340	244,729
Training	3,172	2,784	2,877	8,833	8,205	154	8,359	17,192	6,172
Interest	58,759	45,404	52,239	156,402	30,616	3,075	33,691	190,093	194,437
Depreciation	228,417	176,501	203,070	607,988	119,016	11,954	130,970	738,958	610,142
Amortization of cost of issuing debt	10,160	7,852	9,034	27,046	5,295	532	5,827	32,873	11,603
Loss on asset disposal	211	163	187	561	110	11	121	682	-
Honoraria	40	26	35	101	-	-	-	101	370
Miscellaneous	1,827	1,297	1,608	4,732	11,318	86	11,404	16,136	12,246
List rentals	34,583	135,044	42,991	212,618	28,535	12,115	40,650	253,268	710,438
Insurance	26,694	20,627	23,732	71,053	13,909	1,397	15,306	86,359	85,816
Royalties	3,756	6,440	3,738	13,934	1,001	451	1,452	15,386	11,564
Taxes, fees, and licenses	80,736	62,368	71,775	214,879	52,824	4,254	57,078	271,957	400,306
Investment management fees	-	-	-	-	67,560	-	67,560	67,560	65,230
Dues and subscriptions	33,304	25,248	29,537	88,089	13,602	1,129	14,731	102,820	107,617
Proactive projects	17,896	11,540	15,642	45,078	-	-	-	45,078	19,705
Compensation payments	-	-	-	-	-	-	-	-	5,644
DR transaction fees/bank fees	78,998	341,622	102,016	522,636	139,734	33,565	173,299	695,935	637,359
Contributed services	1,569,301	1,052,668	1,376,267	3,998,236	52,400	5,595	57,995	4,056,231	3,068,994
Total Expenses	\$ 9,262,055	\$ 11,774,891	\$ 8,752,324	\$ 29,789,270	\$ 4,743,141	\$ 951,701	\$ 5,694,842	\$ 35,484,112	\$ 32,933,325