

CENTER FOR BIOLOGICAL DIVERSITY, INC.

Audited Financial Statements

For the years ended December 31, 2015 and 2014

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LUDWIG KLEWER & CO. PLLC

Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Center for Biological Diversity, Inc.

We have audited the accompanying financial statements of Center for Biological Diversity, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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 financial statements referred to above present fairly, in all material respects, the financial position of Center for Biological Diversity, Inc. as of December 31, 2015 and 2014, 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.

Ludwig Klewer & Co. PLLC

February 14, 2017

CENTER FOR BIOLOGICAL DIVERSITY, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents	\$ 9,794,655	\$ 7,823,891
Grants and contributions receivable	899,466	255,887
Prepaid expenses	168,703	135,505
Investments - other	5,750,000	7,000,000
Property held for sale	178,000	-
Note receivable, current portion	17,803	21,276
Total current assets	<u>16,808,627</u>	<u>15,236,559</u>
Note receivable, non-current portion	152,703	170,506
Investments - deferred compensation	119,922	52,522
Investments	6,470	346,230
Property and equipment, net	1,884,042	1,767,003
Deposits	115,988	115,988
Total assets	<u>\$ 19,087,752</u>	<u>\$ 17,688,808</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 108,352	\$ 146,072
Accrued expenses	545,058	354,444
Total current liabilities	<u>653,410</u>	<u>500,516</u>
Security deposit payable	40,229	-
Deferred compensation liability	119,922	52,522
Total liabilities	<u>813,561</u>	<u>553,038</u>
Net assets:		
Unrestricted:		
Undesignated and available for operations	6,151,502	5,761,611
Expended for property and equipment	1,884,042	1,767,003
Board designated	5,260,000	4,560,000
Total unrestricted net assets	<u>13,295,544</u>	<u>12,088,614</u>
Temporarily restricted	4,978,647	5,047,156
Total net assets	<u>18,274,191</u>	<u>17,135,770</u>
Total liabilities and net assets	<u>\$ 19,087,752</u>	<u>\$ 17,688,808</u>

See independent auditor's report and
accompanying notes to financial statements.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

STATEMENT OF ACTIVITIES
For the year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 4,026,701	\$ 5,302,552	\$ 9,329,253
Grants	98,000	2,170,000	2,268,000
Legal returns and settlements	90,188	416,515	506,703
In-kind contributions	178,000	-	178,000
Rent income	105,900	-	105,900
Investment income	22,174	-	22,174
Other income	378	7,999	8,377
Contract revenue	-	6,667	6,667
Loss on sale of property and equipment	(981)	-	(981)
Total revenue and support	4,520,360	7,903,733	12,424,093
Net assets released from restrictions	7,972,242	(7,972,242)	-
Total revenue, support, and reclassifications	12,492,602	(68,509)	12,424,093
Expenses:			
Program services	9,494,038	-	9,494,038
Supporting services:			
General and administrative	926,796	-	926,796
Fund-raising	864,838	-	864,838
Total expenses	11,285,672	-	11,285,672
Change in net assets	1,206,930	(68,509)	1,138,421
Net assets, beginning of year	12,088,614	5,047,156	17,135,770
Net assets, end of year	\$ 13,295,544	\$ 4,978,647	\$ 18,274,191

See independent auditor's report and accompanying notes to financial statements.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

STATEMENT OF ACTIVITIES
For the year ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 5,243,068	\$ 5,534,530	\$ 10,777,598
Grants	242,573	1,891,500	2,134,073
Legal returns and settlements	397,028	863,726	1,260,754
Contract revenue	100,203	-	100,203
Investment income	17,173	-	17,173
Other income	15,869	-	15,869
Loss on sale of property and equipment	(268,918)	-	(268,918)
Total revenue and support	5,746,996	8,289,756	14,036,752
Net assets released from restrictions	7,336,623	(7,336,623)	-
Total revenue, support, and reclassifications	13,083,619	953,133	14,036,752
Expenses:			
Program services	8,481,802	-	8,481,802
Supporting services:			
Fund-raising	932,121	-	932,121
General and administrative	828,072	-	828,072
Total expenses	10,241,995	-	10,241,995
Change in net assets	2,841,624	953,133	3,794,757
Net assets, beginning of year	9,246,990	4,094,023	13,341,013
Net assets, end of year	\$ 12,088,614	\$ 5,047,156	\$ 17,135,770

See independent auditor's report and accompanying notes to financial statements.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2015

	Program										Fund-raising	General and Administrative	Total
	Endangered Species	Public Lands	Population and Sustainability	Environmental Health	Oceans	Climate	Urban Wildlands	International	Strategic Litigation	Total			
Payroll and related taxes and benefits	\$ 1,889,854	\$ 1,382,232	\$ 616,999	\$ 357,678	\$ 755,683	\$ 1,371,148	\$ 349,046	\$ 84,001	\$ 233,671	\$ 7,040,312	\$ 525,194	\$ 580,493	\$ 8,145,999
Rent and utilities	149,793	57,172	27,346	1,856	23,948	99,800	35,691	2,331	8,297	406,234	16,753	118,187	541,174
Travel	113,753	98,306	32,481	21,513	27,735	73,242	12,916	9,842	37,937	427,725	24,074	49,190	500,989
Professional services	96,533	82,376	13,922	3,255	25,127	63,960	11,067	17,923	2,868	317,031	21,984	13,420	352,435
Legal	116,395	18,125	1,431	7,073	16,308	63,520	19,270	820	17,285	260,227	1,364	33,202	294,793
Office supplies	70,925	18,538	13,154	7,507	6,676	38,879	9,144	416	3,135	168,374	43,642	20,163	232,179
Postage, mail service, labels	99,236	9,723	32,437	2,763	3,005	9,395	1,649	360	1,905	160,473	56,593	3,275	222,341
Conferences and meetings	39,448	35,811	10,983	10,789	14,098	34,831	5,409	2,219	6,333	159,921	3,067	14,389	177,377
Printing	52,524	17,590	9,768	2,064	1,634	7,619	886	126	1,141	93,352	46,094	11,981	151,427
Depreciation	19,908	18,737	9,549	4,024	8,721	21,849	250	658	2,954	86,650	12,041	14,377	113,068
Telephone and internet	24,840	18,056	5,601	2,016	5,119	18,665	9,183	640	7,662	91,782	10,269	5,904	107,955
Contributions and grants	18,544	18,108	12,553	655	994	36,347	30	7	20	87,258	600	-	87,858
Repairs and maintenance	8,565	15,861	13,572	297	1,657	7,241	637	-	292	48,122	26,516	7,195	81,833
Internet organizing	27,325	2,072	1,062	796	550	1,793	-	37	458	34,093	34,767	6,001	74,861
Merchant fees	26,063	1,968	1,048	756	527	1,702	39	141	435	32,679	24,600	5,182	62,461
Advertising	5,482	2,809	27,146	1,905	2,922	3,844	1,296	-	505	45,909	8,761	4,156	58,826
Dues and subscriptions	7,147	2,846	2,001	432	1,453	4,175	1,742	11	1,792	21,599	6,561	2,100	30,260
Insurance	809	479	172	110	307	1,561	359	6	184	3,987	581	19,804	24,372
Miscellaneous	2,172	347	352	37	25	80	-	-	-	3,013	763	17,645	21,421
Education	851	327	133	711	945	1,969	118	1	242	5,297	614	132	6,043
Total functional expenses	\$ 2,770,167	\$ 1,801,483	\$ 831,710	\$ 426,237	\$ 897,434	\$ 1,861,620	\$ 458,732	\$ 119,539	\$ 327,116	\$ 9,494,038	\$ 864,838	\$ 926,796	\$ 11,285,672

See independent auditor's report and accompanying notes to financial statements.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2014

	Program										Total	
	Endangered Species	Public Lands	Population and Sustainability	Oceans	Climate	Urban Wildlands	International	Strategic Litigation	Fund-raising	General and Administrative		
Payroll and related taxes and benefits	\$ 1,567,841	\$ 1,321,535	\$ 324,085	\$ 769,478	\$ 1,162,535	\$ 511,114	\$ 57,575	\$ 317,490	\$ 6,031,653	\$ 456,039	\$ 403,663	\$ 6,891,355
Internet organizing	158,917	120,777	28,605	69,923	114,420	38,140	5,669	29,293	565,744	69,923	-	635,667
Travel	116,262	91,657	23,163	33,720	87,594	19,010	6,616	25,287	403,309	40,292	24,618	468,219
Professional services	123,163	37,973	1,413	4,815	45,536	6,766	57	115	219,838	68,659	107,101	395,598
Rent and utilities	115,717	66,040	9,196	48,611	68,171	34,721	1,423	7,925	351,804	14,746	10,718	377,268
Legal	84,094	105,712	51	15,847	45,010	36,241	755	4,841	292,551	-	62,177	354,728
Conferences and meetings	20,316	12,904	3,428	8,648	53,651	6,778	666	1,453	107,844	14,638	22,856	145,338
Printing	4,456	1,875	12,149	929	4,538	1,578	29	59	25,613	117,713	391	143,717
Postage, mail service, labels	6,588	2,868	32,050	1,850	4,119	1,779	241	464	49,959	71,908	1,114	122,981
Office supplies	28,938	15,582	7,480	11,056	15,416	13,815	926	2,690	95,903	10,370	14,037	120,310
Merchant fees	-	-	-	-	-	-	-	-	-	49,828	54,540	104,368
Contributions and grants	58,195	20,149	-	1,450	24,025	-	-	-	103,819	-	-	103,819
Telephone and Internet	27,955	21,373	3,528	9,344	17,265	6,484	672	4,906	91,527	4,242	3,556	99,325
Depreciation	10,254	10,705	4,278	7,541	9,206	3,940	344	1,510	47,778	8,121	11,322	67,221
Miscellaneous	4,704	-	-	100	10,002	-	-	-	14,806	-	41,941	56,747
Repairs and maintenance	1,346	130	-	17	4,388	11	-	-	5,892	-	49,189	55,081
Dues and Subscriptions	22,433	2,650	427	1,048	11,051	641	235	630	39,115	3,458	717	43,290
Insurance	5,312	3,455	880	2,879	3,804	1,714	148	850	19,042	1,526	17,742	38,310
Advertising	14,475	225	-	205	25	-	-	-	14,930	658	2,390	17,978
Education	-	-	-	-	675	-	-	-	675	-	-	675
Total functional expenses	\$ 2,370,966	\$ 1,835,610	\$ 450,733	\$ 987,461	\$ 1,681,431	\$ 682,732	\$ 75,356	\$ 397,513	\$ 8,481,802	\$ 932,121	\$ 828,072	\$ 10,241,995

See independent auditor's report and accompanying notes to financial statements.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

STATEMENTS OF CASH FLOWS
For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,138,421	\$ 3,794,757
Reconciliation of change in net assets to net cash provided by operating activities:		
Depreciation	113,068	67,221
Net realized and unrealized (gain) loss on investments	(1,352)	166
Change in investments - deferred compensation	100	(22)
Loss on sale of property and equipment	981	268,918
Donated property held for sale	(178,000)	-
Change in operating assets and liabilities:		
Grants and contributions receivable	(643,579)	(65,882)
Prepaid expenses	(33,198)	287,376
Deposits	-	(63,100)
Deferrals to deferred compensation plan	(67,500)	(52,500)
Accounts payable	(37,720)	5,274
Accrued expenses	190,614	79,482
Security deposit payable	40,229	-
Deferred compensation liability	67,400	52,522
Total adjustments	<u>(548,957)</u>	<u>579,455</u>
Net cash provided by operating activities	589,464	4,374,212
Cash flows from investing activities:		
Purchases of property and equipment	(232,588)	(1,632,249)
Proceeds from the sale of property and equipment	1,500	350,000
Proceeds from sales of investments	394,285	31,270
Purchases of investments	(53,173)	(276,745)
Proceeds from maturities of investments - other	1,250,000	2,430,000
Purchases of investments - other	-	(7,000,000)
Advance on note receivable	-	(200,000)
Payments received on note receivable	21,276	8,218
Net cash provided by (used in) investing activities	<u>1,381,300</u>	<u>(6,289,506)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Change in cash and cash equivalents	1,970,764	(1,915,294)
Cash and cash equivalents, beginning of year	7,823,891	9,739,185
Cash and cash equivalents, end of year	<u>\$ 9,794,655</u>	<u>\$ 7,823,891</u>
Supplemental disclosure of non-cash investing information:		
Donated property held for sale	<u>\$ 178,000</u>	<u>\$ -</u>

See independent auditor's report and accompanying notes to financial statements.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2015 and 2014

1. Organization

Center for Biological Diversity, Inc. (the Organization) was organized under the laws of the State of New Mexico as a nonprofit corporation. In May 2013, the Organization was reincorporated under the laws of the State of California. The Center for Biological Diversity works through science, law and creative media to secure a future for all species, great or small, hovering on the brink of extinction.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization does not have permanently restricted net assets.

Cash and Cash Equivalents

The Organization considers cash and highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of demand deposits with financial institutions and money market accounts.

Grants and Contributions Receivable

Grants and contributions receivable consist principally of uncollateralized amounts due from other non-profit organizations and individual donors at year-end. No amounts included in the grants and contributions receivable balance are greater than ninety days past due. The Organization utilizes the allowance method to account for uncollectible amounts, and management believes all amounts are considered fully collectible. Therefore, no allowance for uncollectible accounts has been established at December 31, 2015 and 2014.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Investments – Other

Investments - other is comprised of various certificates of deposit held for investment that are not debt securities. The certificates of deposit mature between March and June 2016, have an annual fixed interest rate of 0.31% and are recorded at cost which approximates fair market value. Only one certificate of deposit was renewed and matures during March 2017 and has an annual fixed interest rates of 0.15%.

Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as current, and certificates of deposit with remaining maturities greater than one year are classified as non-current.

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2015 and 2014

2. Summary of Significant Accounting Policies, Continued

Volunteer Services and Donated Goods

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Property Held For Sale

Property held for sale consists of property contributed to the Organization by a donor. The property was recorded at the appraised value during December 2015.

Property and Equipment

Property and equipment purchased with a cost of greater than \$1,000 and a useful life of greater than one year is recorded at cost. Donated property is recorded at estimated fair market value on the date of the donation. Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets:

Building and improvements	5-30 years
Furniture and equipment	3-5 years
Vehicles	5 years

The cost of repairs and maintenance is charged to expense in the year incurred. Expenditures that increase the useful lives of the assets beyond one year are capitalized. Upon the sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed from the accounts. All gains or losses are reflected in revenue in the year of disposition.

Support and Revenue

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor 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 statement of activities as net assets released from restrictions.

Settlement Income

Settlement income related to legal returns is classified as temporarily restricted revenue as required by law. When the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Settlement income received from the outcome of favorable legal settlements is reported as unrestricted income.

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2015 and 2014

2. Summary of Significant Accounting Policies, Continued

Functional Expenses

The Organization allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by other reasonable methods.

Advertising Costs

The cost of advertising is expensed when incurred or when the first advertising takes place. The Organization does not participate in direct-response advertising, which requires the capitalization and amortization of related costs.

Accounting Estimates

The preparation of 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 reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal income tax under Internal Revenue Code (IRC) Section 501(c)(3) and from Arizona income tax under Arizona Revised Statutes Section 43-1201(4). The Organization is classified as other than a private foundation under IRC 509(a)(1). There were no income taxes paid during the years ended December 31, 2015 and 2014.

The Organization's policy is to disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax positions. As of December 31, 2015, management is not aware of any uncertain tax positions that are potentially material. In addition, management is not aware of any matters that would cause the Organization to lose its tax-exempt status.

Reclassifications

Certain items from the 2014 financial statements have been reclassified to conform to the presentation of the 2015 financial statements.

3. Concentration Risk

Cash balances are maintained at various financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures cash accounts at banks up to \$250,000 per institution. Investments held by other institutions are covered up to \$500,000 under insurance provided by the Securities Investor Protection Corporation (SIPC). However, SIPC does not protect against losses in market value. It is the opinion of management that the solvency of the referenced financial institutions is not of concern at this time. At December 31, 2015 and 2014, the Organization had cash and investments of \$8,432,492 and \$6,381,416, respectively, at various banks and institutions in excess of FDIC and SIPC limitations.

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2015 and 2014

4. Investments

Investments are stated at market value and consist of the following at December 31,:

	<u>2015</u>	<u>2014</u>
Common stock	\$ 6,470	\$ 75,926
Mutual funds	-	170,187
U.S. Treasury bills and other bond securities	-	100,117
Total investments	<u>\$ 6,470</u>	<u>\$ 346,230</u>

Investment income consists of the following for the years ended December 31,:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 20,822	\$ 17,339
Net realized and unrealized gain (loss)	1,352	(166)
Investment income	<u>\$ 22,174</u>	<u>\$ 17,173</u>

5. Note Receivable

During the year ended December 31, 2014, the Organization sold the Tucson office building to a private party. The buyer provided a \$150,000 cash payment and a \$200,000 note payable to the Organization. The note bears interest at 4.0% and is due in monthly installments of \$2,025. The note matures in March 2024. At December 31, 2015 and 2014, the outstanding balance on the note receivable was \$170,506 and \$191,782, respectively.

Future maturities of the note receivable at December 31, 2015 are:

<u>Year ended December 31,</u>	
2016	\$ 17,803
2017	18,528
2018	19,283
2019	20,068
2020	20,886
Thereafter	73,938
Total note receivable	<u>\$ 170,506</u>

6. Property and Equipment

Property and equipment consists of the following at December 31,:

	<u>2015</u>	<u>2014</u>
Land	\$ 150,000	\$ 150,000
Building and improvements	1,791,604	1,602,689
Furniture and equipment	421,686	391,753
Vehicles	16,601	16,601
Total property and equipment, at cost or donated value	2,379,891	2,161,043
Less accumulated depreciation	(495,849)	(394,040)
Property and equipment, net	<u>\$ 1,884,042</u>	<u>\$ 1,767,003</u>

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2015 and 2014

7. Fair Value Measurements

The Financial Accounting Standards Board has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
 - If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015 and 2014.

- *Common stock, mutual funds, U.S. Treasury bills:* Valued at fair value based on national trade listing.
- *Property held for sale:* Valued at appraised value on the date gifted to the Organization.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

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For the years ended December 31, 2015 and 2014

7. Fair Value Measurements, Continued

Fair values of investment assets measured on a recurring basis at December 31, 2015 are:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 6,470	\$ -	\$ -	\$ 6,470
Property held for sale	-	-	178,000	178,000
Total	<u>\$ 6,470</u>	<u>\$ -</u>	<u>\$ 178,000</u>	<u>\$ 184,470</u>

Fair values of investment assets measured on a recurring basis at December 31, 2014 are:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 75,926	\$ -	\$ -	\$ 75,926
Mutual funds - Large blend	170,187	-	-	170,187
U.S. Treasury bills and other bond securities	100,117	-	-	100,117
Total	<u>\$ 346,230</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 346,230</u>

8. Commitments

Lease Commitments

The Organization leases office space for administration and branch operations under operating leases with expiration dates ranging from January 2016 to January 2025. Total rent expense during the years ended December 31, 2015 and 2014 was \$461,405 and \$267,071, respectively. Minimum future lease payments as of December 31, 2015 under the operating leases are:

Year ended December 31,

2016	\$ 556,126
2017	513,025
2018	365,385
2019	342,808
2020	304,241
Thereafter	1,212,886
Total minimum lease payments	<u>\$ 3,294,471</u>

During the year ended December 31, 2015, the Organization entered into a sublease agreement to rent out a leased property in California. The sublease agreement expires during August 2017. The total sublease income during the year ended December 31, 2015 was \$105,900. Minimum future rental income payments as of December 31, 2015 are:

Year ended December 31,

2016	\$ 163,385
2017	103,218
Total minimum rental income	<u>\$ 266,603</u>

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2015 and 2014

8. Commitments, Continued

Compensation Commitment

During the year ended December 31, 2013, the Board of Directors approved a proposal for payment of up to \$1,600,000 in deferred compensation payable to the founders of the Organization and a select number of long-term employees.

During the years ended December 31, 2015 and 2014, funds were paid out to select individuals upon their request in an annual amount not to exceed the Board's directive. Compensation can be paid out as a bonus or as contributions to a 457(b) annuity account. Management intends to disperse all funds within five to seven years. At December 31, 2015, the balance of the compensation commitment totaled \$949,952.

9. Retirement Plans

403(b) Defined Contribution Plan

The Organization sponsors a salary deferral plan under Section 403(b) of the IRC. The plan allows eligible employees to defer a portion of their compensation on a tax-deferred basis until the employee withdraws the funds. Employees are eligible to make elective deferral contributions on their date of hire and are eligible to receive employer contributions on their date of hire after one consecutive year of service as long as they have reached 21 years of age. The Organization may also make contributions of the 403(b) plan. Total expense related to this plan for the years ended December 31, 2015 and 2014 was \$431,337 and \$296,434, respectively, and is included with payroll and related taxes and benefits in the statements of functional expenses.

457(b) Eligible Deferred Compensation Plan

The Organization has a 457(b) eligible deferred compensation plan (457(b) Plan) that allows eligible employees to defer pretax annual compensation up to certain limitations imposed by the IRS. The 457(b) Plan covers employees of the Organization whose annual salary is in excess of limits imposed by the IRS. The organization reports assets and liabilities of equal amounts attributable to the amount deferred and the related investment earnings. The balance of the deferred compensation liability as of December 31, 2015 and 2014 is \$119,922 and \$52,522, respectively.

10. Joint Costs

During the year ended December 31, 2015, the Organization incurred joint costs of \$367,602 for informational materials, payroll and benefits, outside services and activities that included fund-raising appeals. The Organization allocated \$140,627 to program expense and \$226,975 to fund-raising expense.

During the year ended December 31, 2014, the Organization incurred joint costs of \$534,353 for informational materials, payroll and benefits, outside services and activities that included fund-raising appeals. The Organization allocated \$213,277 to program expense and \$321,076 to fund-raising expense.

11. Subsequent Events

During June 2016, the Organization sold the property held for sale for \$170,137.

During October 2016, the Organization purchased a building in Portland, Oregon. The purchase price was \$1,045,000.

The Organization was unaware of any additional subsequent events as of February 14, 2017, the date the financial statements were available to be issued.

See independent auditor's report.