

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

Audited Combined Financial Statements  
and Supplementary Information

For the year ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying combined financial statements of Center for Biological Diversity, Inc. and its affiliate, Center Action Fund (nonprofit organizations), which comprise the combined statements of financial position as of December 31, 2018, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

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

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements based on our audit. We conducted our audit 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 combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Center for Biological Diversity, Inc. and its affiliate as of December 31, 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.



## INDEPENDENT AUDITOR'S REPORT, Continued

### Report on Supplementary Information

Our audit was conducted for the purposes of forming an opinion on the combined financial statements as a whole. The schedules on pages 17 and 18 are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

*LUOWIG KLEWEN - RUONER PLLC*

July 8, 2019

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

COMBINED STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS

Current assets:

Cash and cash equivalents	\$ 7,042,044
Grants and contributions receivable	915,535
Prepaid expenses	140,980
Investments - other, current portion	1,241,082
Note receivable, current portion	20,068

Total current assets	9,359,709
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Investments - other, non-current portion	685,631
Note receivable, non-current portion	94,824
Investments - deferred compensation	285,486
Investments	7,400,882
Property and equipment, net	5,128,601
Deposits	147,494

Total assets	\$ 23,102,627
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 469,477
Accrued expenses	1,307,518
Total current liabilities	1,776,995

Deferred compensation liability	285,486
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Total liabilities	2,062,481
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Net assets:

Without donor restrictions:

Undesignated	7,828,781
Expended for property and equipment	5,128,601
Board-designated operating reserve	7,360,000
Total unrestricted net assets	20,317,382

With donor restrictions - purpose restrictions	722,764
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Total net assets	21,040,146
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Total liabilities and net assets	\$ 23,102,627
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See independent auditor's report and  
accompanying notes to combined financial statements.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

COMBINED STATEMENT OF ACTIVITIES

For the year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 10,601,844	\$ 4,869,556	\$ 15,471,400
Grants	911,000	2,334,907	3,245,907
Legal returns and settlements	620,750	850,936	1,471,686
Other income	5,620	9,188	14,808
Rental income	14,300	-	14,300
Investment loss	(143,805)	-	(143,805)
Total revenue and support	12,009,709	8,064,587	20,074,296
Net assets released from restrictions	8,446,234	(8,446,234)	-
Total revenue, support, and reclassifications	20,455,943	(381,647)	20,074,296
Expenses:			
Program services	17,730,697	-	17,730,697
Supporting services:			
Fund-raising	1,666,569	-	1,666,569
General and administrative	1,247,441	-	1,247,441
Total expenses	20,644,707	-	20,644,707
Change in net assets	(188,764)	(381,647)	(570,411)
Net assets, beginning of year	20,506,146	1,104,411	21,610,557
Net assets, end of year	\$ 20,317,382	\$ 722,764	\$ 21,040,146

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

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2018

	Program							
	Endangered Species	Public Lands	Population and Sustainability	Environmental Health	Oceans	Climate	Urban Wildlands	International
Payroll and related taxes and benefits	\$ 3,090,152	\$ 2,412,983	\$ 845,521	\$ 1,147,083	\$ 964,235	\$ 2,049,649	\$ 429,239	\$ 313,583
Rent and utilities	189,061	178,248	44,857	88,500	106,193	182,791	24,852	9,831
Travel	210,417	149,801	45,800	50,633	52,374	159,805	28,128	35,148
Professional services	73,278	243,599	10,112	25,496	10,440	218,106	41,014	72,966
Legal	484,771	27,591	4,448	27,269	21,991	156,363	17,020	12,614
Advertising	249,815	23,759	12,833	5,003	14,881	70,153	4,603	1,286
Internet organizing	300,760	1,450	10,368	3,582	16,823	13,884	3,398	184
Contributions and grants	87,203	86,720	9,186	107,121	8,066	23,322	2,742	4,469
Office supplies	54,678	28,196	14,541	14,993	14,640	37,786	9,354	2,675
Printing	17,256	3,270	15,629	1,106	592	8,630	3,949	530
Depreciation	29,321	29,302	14,920	10,912	11,671	33,236	3,418	629
Telephone and internet	38,715	32,289	11,530	13,705	10,579	28,580	4,114	3,633
Postage, mail service, labels	10,705	6,209	10,717	2,083	1,953	6,175	1,907	1,187
Merchant fees	33,796	163	1,165	403	1,890	1,560	382	24
Conferences and meetings	32,850	17,034	7,994	10,479	9,391	16,656	3,682	5,421
Insurance	15,609	9,238	4,128	4,974	4,821	8,904	2,091	1,739
Dues and subscriptions	11,544	6,618	2,251	3,050	3,114	8,776	1,580	1,063
Education	9	52	27,540	5	2	5	14	3
Staff development	1,469	751	232	459	232	3,421	960	134
Events and rallies	1,442	3,006	2,700	815	375	9,909	536	838
Miscellaneous	3,283	823	184	1,763	709	312	170	87
Total functional expenses	<u>\$ 4,936,134</u>	<u>\$ 3,261,102</u>	<u>\$ 1,096,656</u>	<u>\$ 1,519,434</u>	<u>\$ 1,254,972</u>	<u>\$ 3,038,023</u>	<u>\$ 583,153</u>	<u>\$ 468,044</u>

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

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

COMBINED STATEMENT OF FUNCTIONAL EXPENSES, Continued  
For the year ended December 31, 2018

	Program					Total Program	Fund-raising	General and Administrative	Total
	Strategic Litigation	Government Affairs	Ignite Change	Social Welfare	Electioneering				
Payroll and related taxes and benefits	\$ -	\$ 285,378	\$ 905,854	\$ 21,569	\$ 956	\$ 12,466,204	\$ 803,901	\$ 957,819	\$ 14,227,924
Rent and utilities	-	339	69,525	1,598	34	895,829	29,251	19,288	944,368
Travel	-	27,827	61,641	1,816	32	823,423	38,864	30,412	892,699
Professional services	-	2,132	6,444	735	25	704,347	17,871	69,816	792,034
Legal	-	2,268	7,781	5,872	84	768,072	248	17,378	785,698
Advertising	3,412	4,579	50,661	-	-	440,985	141,737	11,310	594,032
Internet organizing	4,576	-	-	1,505	70	356,600	88,809	123	445,532
Contributions and grants	-	2,998	6,492	-	-	338,319	5,129	3,724	347,172
Office supplies	-	4,032	37,337	1,750	56	220,037	97,480	21,318	338,835
Printing	-	1,139	2,479	111	2	54,692	189,855	865	245,412
Depreciation	-	251	8,097	-	-	141,757	15,459	76,379	233,595
Telephone and internet	-	1,914	11,258	1,687	55	158,058	24,183	11,278	193,519
Postage, mail service, labels	-	435	1,940	175	5	43,491	102,667	3,716	149,874
Merchant fees	515	-	-	-	-	39,898	88,156	549	128,603
Conferences and meetings	-	3,163	6,067	-	-	112,737	5,241	10,397	128,375
Insurance	-	1,495	1,709	-	-	54,708	2,472	2,051	59,231
Dues and subscriptions	-	1,404	1,794	-	-	41,194	14,244	2,088	57,526
Education	-	1	3	-	-	27,634	-	-	27,634
Staff development	-	72	6,454	-	-	14,184	808	6,754	21,746
Events and rallies	-	224	1,173	-	-	21,018	-	47	21,065
Miscellaneous	-	17	162	-	-	7,510	194	2,129	9,833
Total functional expenses	\$ 8,503	\$ 339,668	\$ 1,186,871	\$ 36,818	\$ 1,319	\$ 17,730,697	\$ 1,666,569	\$ 1,247,441	\$ 20,644,707

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



CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

COMBINED STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

Cash flows from operating activities:	
Change in net assets	\$ (570,411)
Reconciliation of change in net assets to net cash provided by operating activities:	
Depreciation	233,595
Net realized and unrealized loss on investments	318,343
Net realized and unrealized loss on investments - other	14,923
Reinvested interest	(31,002)
Donated marketable securities	(42,151)
Change in investments - deferred compensation	52,502
Change in operating assets and liabilities:	
Grants and contributions receivable	824,736
Prepaid expenses	16,321
Deposits	(1,775)
Deferrals to deferred compensation plan	(36,000)
Accounts payable	83,238
Accrued expenses	134,771
Deferred compensation liability	(16,502)
Total adjustments	<u>1,550,999</u>
Net cash provided by operating activities	980,588
Cash flows from investing activities:	
Purchases of property and equipment	(1,566,469)
Proceeds from sales of investments	4,502,549
Purchases of investments	(6,407,361)
Purchases of investments - other	(1,285,000)
Proceeds from maturities of investments - other	50,000
Payments received on note receivable	19,284
Net cash used in investing activities	<u>(4,686,997)</u>
Cash flows from financing activities	<u>-</u>
Change in cash and cash equivalents	(3,706,409)
Cash and cash equivalents, beginning of year	<u>10,748,453</u>
Cash and cash equivalents, end of year	<u>\$ 7,042,044</u>
Supplemental disclosure of non-cash investing information:	
Donated marketable securities	<u>\$ 42,151</u>
Reinvested interest	<u>\$ 31,002</u>

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

# CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

## NOTES TO COMBINED FINANCIAL STATEMENTS

For the year ended December 31, 2018

### 1. Organization

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

Center Action Fund (CAF) was organized under the laws of the District of Columbia during February 2018. CAF was formed to promote social welfare within the meaning of section 501(c)(4) of the Internal Revenue Code, including but not limited to: advocating for stronger environmental laws and policies to protect wildlife, the environmental laws and threats to the integrity of those laws, and advocating for and against legislators and elected officials to further advance stronger environmental protections.

### 2. Summary of Significant Accounting Policies

#### Financial Statement Presentation

The combined financial statements include the accounts of Center for Biological Diversity and its commonly managed affiliate, Center Action Fund (collectively referred to as the Organization). The organizations share a common board of directors. All intercompany accounts and transactions have been eliminated in the combined financial statements.

The Organization reports information regarding its financial position and activities according to two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) based upon the existence or absence of donor-imposed restrictions.

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions include \$7,360,000 designated by the Board of Directors as an operating reserve.
- Net assets with donor restrictions – 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained permanently. Generally, donors of these permit the Organization to use all of part of the income earned on any related investments for general or specific purposes.

#### 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, 2018.

#### Investments

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

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

For the year ended December 31, 2018

2. Summary of Significant Accounting Policies, Continued

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 February 2019 and December 2025, have an annual fixed interest rates ranging from 1.50% and 3.01% and are recorded at cost which approximates fair market value.

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.

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 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 its 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 support with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions.

Settlement Income

Settlement income related to legal returns is classified as revenue with donor restrictions as required by law. When the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions. Settlement income received from the outcome of favorable legal settlements is reported an income without donor restrictions.

Functional Expenses

The combined financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Expenses are summarized and categorized based upon their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function.

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

For the year ended December 31, 2018

2. Summary of Significant Accounting Policies, Continued

Functional Expenses, continued

These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated on a time-and-effort basis include payroll, related taxes and benefits, travel, conferences and meetings, dues and subscriptions, education, and staff development. In addition, rent and utilities, office supplies, depreciation, telephone and internet, and postage are allocated on a full-time equivalent basis.

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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Center 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 Center is classified as other than a private foundation under IRC 509(a)(1). There were no income taxes paid during the year ended December 31, 2018.

CAF is exempt from federal income tax under Internal Revenue Code (IRC) Section 501(c)(4) and from Arizona income tax under Arizona Revised Statutes Section 43-1201(4). CAF is classified as other than a private foundation under IRC 509(a)(1). There were no income taxes paid during the year ended December 31, 2018.

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, 2018, 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.

3. Liquidity and Availability

Under the Organization's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments, certificates of deposit and other short-term investments.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the combined statement of financial position date, are comprised of:

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

For the year ended December 31, 2018

3. Liquidity and Availability, Continued

Cash and cash equivalents	\$ 7,042,044
Grants and contributions receivable	915,535
Investments - other, current portion	1,241,082
Note receivable, current portion	20,068
Total financial assets available within one year	9,218,729
Less:	
Amounts unavailable for general expenditures within one year due to purpose restrictions	(722,764)
Total financial assets available to management for general expenditure within one year	<u>\$ 8,495,965</u>

The Organization also maintains a board designated operating reserve. The balance at December 31, 2018 was \$7,360,000. Although the Organization does not intend to spend from these funds, these funds can be made available by Board of Director approval if necessary.

4. 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, the 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, 2018, the Organization had cash and investments of \$13,995,676, at various banks and institutions in excess of FDIC and SIPC limitations.

5. Investments

Investments, including investments – deferred compensation, are stated at market value and consist of the following at December 31,:

Common stock	\$ 3,203,301
Treasury bills	2,406,416
Corporate bonds	1,140,590
Municipal bonds	648,074
Mutual funds	287,987
Total investments	<u>\$ 7,686,368</u>

Investment income, including earnings on investments – other, consists of the following for the year ended December 31,:

Interest and dividends	\$ 248,732
Net realized and unrealized loss	(333,266)
Investment expense	(59,271)
Investment loss, net	<u>\$ (143,805)</u>

6. Note Receivable

The Organization sold the Tucson office building to a private party. The buyer paid \$150,000 in cash and executed a \$200,000 note payable to the Organization. The note bears interest at 4.0% and is due in monthly installments of \$2,025, including interest. The note matures during March 2024. At December 31, 2018, the outstanding balance on the note receivable was \$114,892.

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

For the year ended December 31, 2018

6. Note Receivable, Continued

Future maturities of the note receivable at December 31, 2018 are:

Year ended December 31,

2019	\$ 20,068
2020	20,886
2021	21,737
2022	22,622
2023	23,544
Thereafter	6,035
Total note receivable	<u>\$ 114,892</u>

7. Property and Equipment

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

Land	\$ 150,000
Building and improvements	2,204,283
Furniture and equipment	625,695
Vehicles	35,920
Construction in process	3,169,778
Total property and equipment, at cost or donated value	6,185,676
Less accumulated depreciation	<u>(1,057,075)</u>
Property and equipment, net	<u>\$ 5,128,601</u>

The construction in process amount includes a building purchase and renovations in Portland, Oregon. The building was purchased during October 2016 for a purchase price was \$1,045,000, and the renovations were completed during April 2019 at a total cost of \$2,336,039.

8. 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;

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

For the year ended December 31, 2018

8. Fair Value Measurements, Continued

- 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, 2018.

- *Common stock, treasury bills, mutual funds, corporate bonds, municipal bonds:* Valued at fair value based on national trade listing.

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.

Fair values of investment assets, including investments – deferred compensation, measured on a recurring basis at December 31, 2018 are:

	Level 1	Level 2	Level 3	Total
Common stock	\$ 3,203,301	\$ -	\$ -	\$ 3,203,301
Corporate bonds	1,140,590	-	-	1,140,590
Municipal bonds	3,054,490	-	-	3,054,490
Mutual funds:				
Equities	179,429	-	-	179,429
Multi-asset	85,647	-	-	85,647
Real estate	19,955	-	-	19,955
Mid-cap	2,956	-	-	2,956
Total	<u>\$ 7,686,368</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,686,368</u>

9. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31, 2018:

Subject to expenditure for specified purpose:

Endangered species	\$ 257,500
Strategic litigation	249,445
Oceans	115,319
Climate	88,000
Public lands	12,500
Total net assets with donor restrictions	<u>\$ 722,764</u>

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

For the year ended December 31, 2018

9. Net Assets With Donor Restrictions, Continued

Activity in net assets with donor restrictions is comprised of the following for the year ended December 31, 2018:

	<u>Contributions</u>	<u>Releases</u>
Subject to expenditure for specified purpose:		
Endangered species	\$ 3,848,544	(4,532,630)
Public lands	449,879	(469,290)
Population and sustainability	234,558	(234,558)
Environmental health	410,557	(410,557)
Oceans	962,128	(846,809)
Climate	1,035,171	(947,171)
Urban wildlands	550,415	(557,816)
International	207,900	(207,900)
Strategic litigation	134,435	(8,503)
Government affairs	100,000	(100,000)
Ignite change	131,000	(131,000)
Total net assets with donor restrictions	<u>\$ 8,064,587</u>	<u>\$ (8,446,234)</u>

10. Commitments

Lease Commitments

The Organization leases office space for administration and branch operations under operating leases with expiration dates ranging from May 2019 to January 2025. Total rent expense during the year ended December 31, 2018 was \$863,795. Minimum future lease payments as of December 31, 2018 under the operating leases are:

Year ended December 31,

2019	\$ 515,810
2020	437,272
2021	449,627
2022	392,553
2023	319,425
Thereafter	342,431
Total minimum lease payments	<u>\$ 2,457,118</u>

Compensation Commitment

During the year ended December 31, 2013, the Board of Directors approved a proposal for payment of up to \$1,796,000 in deferred compensation payable to the founders of the Organization and a select number of long-term employees. During the year ended December 31, 2018, 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, 2018, the balance of the compensation commitment totaled \$101,452.

See independent auditor's report.



CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

For the year ended December 31, 2018

11. 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 to the 403(b) plan. Total expense related to this plan for the year ended December 31, 2018 was \$609,143, and is included with payroll and related taxes and benefits in the combined 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 and related assets as of December 31, 2018 are \$285,486.

12. Joint Costs

During the year ended December 31, 2018, the Organization incurred joint costs of \$816,166 for informational materials, payroll and benefits, outside services and activities that included fund-raising appeals. The Organization allocated \$159,295 to program expense, \$3,701 to administrative expense and \$653,170 to fund-raising expense.

13. Subsequent Events

During May 2019, the Center executed an agreement to purchase land and a building for a total purchase price of \$1,345,000. As of July 8, 2019, the Center had provided a \$10,000 earnest money deposit and will pay the balance of the purchase price in cash provided that all conditions of the closing, as specified in the agreement, are met by the seller. In connection with the purchase, the Center has executed a lease agreement with the seller for a portion of the building, for a period from August 14, 2019 through January 31, 2020. The lease requires the seller to be responsible for the maintenance and repair of the leased premises.

The Organization was unaware of any additional subsequent events as of July 8, 2019, the date the combined financial statements were available to be issued.

See independent auditor's report.

## SUPPLEMENTARY INFORMATION

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

COMBINING STATEMENT OF FINANCIAL POSITION

December 31, 2018

	Center for Biological Diversity	Center Action Fund	Combining Entries	Combined Total
<b>Current assets:</b>				
Cash and cash equivalents	\$ 6,967,084	\$ 74,960	\$ -	\$ 7,042,044
Grants and contributions receivable	915,535	500	(500)	915,535
Prepaid expenses	140,980	-	-	140,980
Investments - other, current portion	1,241,082	-	-	1,241,082
Note receivable, current portion	20,068	-	-	20,068
Total current assets	9,284,749	75,460	(500)	9,359,709
Investments - other, non-current portion	685,631	-	-	685,631
Note receivable, non-current portion	94,824	-	-	94,824
Investments - deferred compensation	285,486	-	-	285,486
Investments	7,400,882	-	-	7,400,882
Property and equipment, net	5,128,601	-	-	5,128,601
Due from Center Action Fund	52,097	-	(52,097)	-
Deposits	147,494	-	-	147,494
Total assets	<u>\$ 23,079,764</u>	<u>\$ 75,460</u>	<u>\$ (52,597)</u>	<u>\$ 23,102,627</u>
<b>Current liabilities:</b>				
Accounts payable	\$ 469,477	\$ -	\$ -	\$ 469,477
Accrued expenses	1,307,518	-	-	1,307,518
Due to Center for Biological Diversity	-	52,597	(52,597)	-
Total current liabilities	1,776,995	52,597	(52,597)	1,776,995
Deferred compensation liability	285,486	-	-	285,486
Total liabilities	2,062,481	52,597	(52,597)	2,062,481
<b>Net assets</b>				
Without donor restrictions:				
Undesignated	7,805,918	22,863	-	7,828,781
Expended for property and equipment	5,128,601	-	-	5,128,601
Board-designated operating reserve	7,360,000	-	-	7,360,000
Total net assets without donor restrictions	20,294,519	22,863	-	20,317,382
With donor restrictions:				
Purpose restrictions	722,764	-	-	722,764
Total net assets	21,017,283	22,863	-	21,040,146
Total liabilities and net assets	<u>\$ 23,079,764</u>	<u>\$ 75,460</u>	<u>\$ (52,597)</u>	<u>\$ 23,102,627</u>

Supplementary Information.  
See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

COMBINING STATEMENT OF ACTIVITIES  
For the year ended December 31, 2018

	Center for Biological Diversity			Center Action Fund				Combined Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Combining Entries	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:										
Contributions	\$ 10,588,299	\$ 4,869,556	\$ 15,457,855	\$ 13,545	\$ -	\$ 13,545	\$ -	\$ 10,601,844	\$ 4,869,556	\$ 15,471,400
Grants	911,000	2,334,907	3,245,907	60,000	-	60,000	(60,000)	911,000	2,334,907	3,245,907
Legal returns and settlements	620,750	850,936	1,471,686	-	-	-	-	620,750	850,936	1,471,686
Other income	5,620	9,188	14,808	-	-	-	-	5,620	9,188	14,808
Rent income	14,300	-	14,300	-	-	-	-	14,300	-	14,300
Investment loss, net	(143,805)	-	(143,805)	-	-	-	-	(143,805)	-	(143,805)
Total revenue and support	11,996,164	8,064,587	20,060,751	73,545	-	73,545	(60,000)	12,009,709	8,064,587	20,074,296
Net assets released from restrictions	8,446,234	(8,446,234)	-	-	-	-	-	8,446,234	(8,446,234)	-
Total revenue, support, and reclassifications	20,442,398	(381,647)	20,060,751	73,545	-	73,545	(60,000)	20,455,943	(381,647)	20,074,296
Expenses:										
Program services	17,752,560	-	17,752,560	38,137	-	38,137	(60,000)	17,730,697	-	17,730,697
Supporting services:										
Fund-raising	1,664,926	-	1,664,926	1,643	-	1,643	-	1,666,569	-	1,666,569
General and administrative	1,236,539	-	1,236,539	10,902	-	10,902	-	1,247,441	-	1,247,441
Total expenses	20,654,025	-	20,654,025	50,682	-	50,682	(60,000)	20,644,707	-	20,644,707
Change in net assets	(211,627)	(381,647)	(593,274)	22,863	-	22,863	-	(188,764)	(381,647)	(570,411)
Net assets, beginning of year	20,506,146	1,104,411	21,610,557	-	-	-	-	20,506,146	1,104,411	21,610,557
Net assets, end of year	\$ 20,294,519	\$ 722,764	\$ 21,017,283	\$ 22,863	\$ -	\$ 22,863	\$ -	\$ 20,317,382	\$ 722,764	\$ 21,040,146

Supplementary Information.  
See independent auditor's report.