

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

Audited Combined Financial Statements
and Supplementary Information

For the years ended December 31, 2019 and 2018

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

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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, 2019 and 2018, and the related combined statements of activities, functional expenses and cash flows for the years 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 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 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, 2019 and 2018, 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.



Chris Wm. Ludwig, CPA Julie S. Klewer, CPA, MBA Eric S. Rudner, CPA
4783 East Camp Lowell Drive Tucson, Arizona 85712
www.lkrpcpas.com t 520 545 0500 f 520 545 0555
Certified Public Accountants & Consultants

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 22 and 23 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.

LUDWIG KLEWER + RUONTER LLC

April 27, 2020

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

COMBINED STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

ASSETS

	2019	2018
Current assets:		
Cash and cash equivalents	\$ 5,196,825	\$ 7,042,044
Grants and contributions receivable	2,060,883	915,535
Prepaid expenses	231,271	140,980
Investments - other, current portion	1,380,049	1,241,082
Note receivable, current portion	20,886	20,068
Total current assets	8,889,914	9,359,709
Investments - other, non-current portion	1,677,834	685,631
Note receivable, non-current portion	73,938	94,824
Investments - deferred compensation	365,200	285,486
Investments	6,701,805	7,400,882
Property and equipment, net	6,384,041	5,128,601
Deposits	154,268	147,494
Total assets	<u>\$ 24,247,000</u>	<u>\$ 23,102,627</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 138,649	\$ 469,477
Accrued expenses	1,538,262	1,307,518
Total current liabilities	1,676,911	1,776,995
Deferred compensation liability	365,200	285,486
Total liabilities	2,042,111	2,062,481
Net assets:		
Without donor restrictions:		
Undesignated	6,364,536	7,828,781
Expended for property and equipment	6,384,041	5,128,601
Board-designated operating reserve	8,060,000	7,360,000
Total unrestricted net assets	20,808,577	20,317,382
With donor restrictions - purpose restrictions	1,396,312	722,764
Total net assets	22,204,889	21,040,146
Total liabilities and net assets	<u>\$ 24,247,000</u>	<u>\$ 23,102,627</u>

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 8,254,798	\$ 6,732,695	\$ 14,987,493
Grants	965,015	4,770,574	5,735,589
Legal returns and settlements	751,546	668,565	1,420,111
Investment income	1,335,884	-	1,335,884
Other income	9,631	313	9,944
Rental income	8,650	-	8,650
Total revenue and support	11,325,524	12,172,147	23,497,671
Net assets released from restrictions	11,498,599	(11,498,599)	-
Total revenue, support, and reclassifications	22,824,123	673,548	23,497,671
Expenses:			
Program services	19,226,438	-	19,226,438
Supporting services:			
Fund-raising	1,726,432	-	1,726,432
General and administrative	1,380,058	-	1,380,058
Total expenses	22,332,928	-	22,332,928
Change in net assets	491,195	673,548	1,164,743
Net assets, beginning of year	20,317,382	722,764	21,040,146
Net assets, end of year	\$ 20,808,577	\$ 1,396,312	\$ 22,204,889

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, net	(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, 2019

	Program								
	Endangered Species	Public Lands	Population and Sustainability	Environmental Health	Oceans	Climate	Urban Wildlands	International	Government Affairs
Payroll and related taxes and benefits	\$ 3,389,160	\$ 2,784,939	\$ 971,593	\$ 1,275,655	\$ 1,226,820	\$ 2,256,330	\$ 575,519	\$ 343,672	\$ 325,335
Rent and utilities	166,198	177,773	40,823	74,476	105,168	168,794	22,415	25,410	252
Travel	201,462	163,711	56,471	51,274	67,836	129,219	29,762	36,947	17,735
Professional services	74,245	140,518	13,172	31,748	25,989	261,169	6,653	72,954	6,018
Advertising	95,185	69,642	21,053	26,113	22,410	40,262	11,982	11,724	5,726
Legal	203,835	55,592	3,928	20,930	37,700	99,247	30,549	6,519	5,164
Internet organizing	28,990	25,783	20,576	21,122	20,576	24,521	18,646	18,184	18,100
Depreciation	123,683	53,536	20,202	55,380	14,977	39,797	4,444	1,519	361
Office supplies	71,178	32,872	12,530	18,476	13,740	25,266	4,340	4,740	3,146
Printing	9,423	6,395	22,683	4,665	2,445	6,273	995	1,383	368
Telephone and internet	40,955	35,208	10,444	15,411	11,686	27,540	4,031	6,436	1,699
Postage, mail service, labels	17,363	11,073	17,255	2,811	2,450	7,306	3,553	1,485	331
Contributions and grants	46,426	57,988	28,173	5,391	8,384	10,795	6,001	4	701
Conferences and meetings	29,772	28,273	9,564	10,394	7,810	18,588	4,854	4,972	2,485
Merchant fees	-	-	-	-	-	-	-	-	-
Insurance	15,315	11,164	4,575	5,254	4,124	8,019	1,986	1,961	1,332
Dues and subscriptions	10,468	6,162	2,335	3,541	3,915	11,134	2,329	923	3,508
Events and rallies	4,616	3,482	1,675	938	1,937	29,260	352	627	322
Miscellaneous	4,741	1,008	61	2,369	843	1,756	1,971	5	-
Staff development	2,117	1,615	493	772	718	3,094	245	243	156
Education	-	-	11,500	-	-	30	-	-	-
Total functional expenses	<u>\$ 4,535,132</u>	<u>\$ 3,666,734</u>	<u>\$ 1,269,106</u>	<u>\$ 1,626,720</u>	<u>\$ 1,579,528</u>	<u>\$ 3,168,400</u>	<u>\$ 730,627</u>	<u>\$ 539,708</u>	<u>\$ 392,739</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, 2019

	Program					General and	
	Ignite	Social Welfare	Electioneering	Total	Fund-raising	Administrative	Total
	Change			Program			
Payroll and related taxes and benefits	\$ 1,152,414	\$ 1,057	\$ 2,702	\$ 14,305,196	\$ 816,830	\$ 1,005,405	\$ 16,127,431
Rent and utilities	79,073	214	67	860,663	28,593	28,472	917,728
Travel	83,024	131	39	837,611	34,294	27,108	899,013
Professional services	13,653	41	7	646,167	19,005	144,240	809,412
Advertising	65,818	-	-	369,915	156,418	13,478	539,811
Legal	7,583	691	32	471,770	218	24,439	496,427
Internet organizing	130,065	-	-	326,563	83,865	4,613	415,041
Depreciation	21,239	-	-	335,138	25,994	38,458	399,590
Office supplies	38,950	72	21	225,331	82,054	22,636	330,021
Printing	49,314	24	10	103,978	212,934	1,796	318,708
Telephone and internet	14,522	714	91	168,737	14,465	9,599	192,801
Postage, mail service, labels	20,743	107	14	84,491	80,956	6,218	171,665
Contributions and grants	2,187	-	-	166,050	-	-	166,050
Conferences and meetings	20,261	-	-	136,973	8,330	10,887	156,190
Merchant fees	-	-	-	-	141,815	3,661	145,476
Insurance	4,401	-	-	58,131	3,847	13,689	75,667
Dues and subscriptions	1,933	-	-	46,248	10,191	3,370	59,809
Events and rallies	1,690	-	1,500	46,399	5,445	4,545	56,389
Miscellaneous	1,653	-	-	14,407	80	9,085	23,572
Staff development	1,687	-	-	11,140	1,098	8,359	20,597
Education	-	-	-	11,530	-	-	11,530
Total functional expenses	<u>\$ 1,710,210</u>	<u>\$ 3,051</u>	<u>\$ 4,483</u>	<u>\$ 19,226,438</u>	<u>\$ 1,726,432</u>	<u>\$ 1,380,058</u>	<u>\$ 22,332,928</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

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	\$ 4,936,134	\$ 3,261,102	\$ 1,096,656	\$ 1,519,434	\$ 1,254,972	\$ 3,038,023	\$ 583,153	\$ 468,044

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 STATEMENTS OF CASH FLOWS
For the years ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 1,164,743	\$ (570,411)
Reconciliation of change in net assets to net cash (used in) provided by operating activities:		
Depreciation	399,590	233,595
Net realized and unrealized (gain) loss on investments	(1,133,157)	318,343
Net realized and unrealized loss on investments - other	9,620	14,923
Reinvested interest and dividends	(59,727)	(31,002)
Donated marketable securities	(1,692,716)	(1,401,505)
Change in investments - deferred compensation	79,714	52,502
Change in operating assets and liabilities:		
Grants and contributions receivable	(1,145,348)	824,736
Prepaid expenses	(90,291)	16,321
Deposits	(6,774)	(1,775)
Deferrals to deferred compensation plan	(79,714)	(36,000)
Accounts payable	(330,828)	83,238
Accrued expenses	230,744	134,771
Deferred compensation liability	79,714	(16,502)
Total adjustments	(3,739,173)	191,645
Net cash (used in) provided by operating activities	(2,574,430)	(378,766)
Cash flows from investing activities:		
Purchases of property and equipment	(1,655,029)	(1,566,469)
Proceeds from sales of investments	4,582,882	5,861,903
Purchases of investments	(1,077,920)	(6,407,361)
Purchases of investments - other	(1,405,790)	(1,285,000)
Proceeds from maturities of investments - other	265,000	50,000
Payments received on note receivable	20,068	19,284
Net cash used in investing activities	729,211	(3,327,643)
Cash flows from financing activities	-	-
Change in cash and cash equivalents	(1,845,219)	(3,706,409)
Cash and cash equivalents, beginning of year	7,042,044	10,748,453
Cash and cash equivalents, end of year	\$ 5,196,825	\$ 7,042,044
Supplemental disclosure of non-cash investing information:		
Donated marketable securities	\$ 1,692,715	\$ 1,401,505
Reinvested interest and dividends	\$ 59,727	\$ 31,002

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 years ended December 31, 2019 and 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 \$8,060,000 and \$7,360,000 at December 31, 2019 and 2018, respectively, 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, 2019 and 2018.

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

2. Summary of Significant Accounting Policies, Continued

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.

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% to 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.

Effective January 1, 2019, the Organization adopted FASB ASC 606, Revenue from Contracts with Customers. The Organization's adoption of this standard did not impact amounts previously recorded, and there was no material impact to the financial statements as of and for the year ended December 31, 2019.

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

2. Summary of Significant Accounting Policies, Continued

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 as 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.

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 years ended December 31, 2019 and 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 years ended December 31, 2019 and 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, 2019, 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.

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

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 the following at December 31, :

	2019	2018
Cash and cash equivalents	\$ 5,196,825	\$ 7,042,044
Grants and contributions receivable	2,060,883	915,535
Investments - other, current portion	1,380,049	1,241,082
Note receivable, current portion	20,886	20,068
Total financial assets available within one year	8,658,643	9,218,729
Less:		
Amounts unavailable for general expenditures within one year due to purpose restrictions	(1,396,312)	(722,764)
Total financial assets available to management for general expenditure within one year	\$ 7,262,331	\$ 8,495,965

The Organization also maintains a board designated operating reserve. The balance was \$8,060,000 and \$7,360,000 at December 31, 2019 and 2018, respectively. 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. The Organization had cash and investments of \$13,014,931 and \$13,995,676 as of December 31, 2019 and 2018, respectively 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,:

	2019	2018
Common stock	\$ 4,331,203	\$ 3,203,301
Treasury bills	564,440	2,406,416
Corporate bonds	882,803	1,140,590
Municipal bonds	922,736	648,074
Mutual funds	365,823	287,987
Total investments	\$ 7,067,005	\$ 7,686,368

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

For the year ended December 31, 2019 and 2018

5. Investments, Continued

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

	2019	2018
Interest and dividends	\$ 285,466	\$ 248,732
Net realized and unrealized gain (loss)	1,123,537	(333,266)
Investment expense	(73,119)	(59,271)
Investment income (loss), net	<u>\$ 1,335,884</u>	<u>\$ (143,805)</u>

6. Note Receivable

Note receivable consists of the following at December 31,:

	2019	2018
Note receivable due in monthly installments of \$2,025 including interest at 4.0% through March 2024.	\$ 94,824	\$ 114,892
Less current portion	(20,886)	(20,068)
Non-current portion	<u>\$ 73,938</u>	<u>\$ 94,824</u>

Future maturities of the note receivable at December 31, 2019 are:

Year ended December 31,

2020	\$ 20,886
2021	21,737
2022	22,622
2023	23,544
2024	6,035
Total note receivable	<u>\$ 94,824</u>

7. Property and Equipment

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

	2019	2018
Land	\$ 150,000	\$ 150,000
Building and improvements	6,803,142	2,204,283
Furniture and equipment	845,932	625,695
Vehicles	35,920	35,920
Construction in process	5,711	3,169,778
Total property and equipment, at cost or donated value	7,840,705	6,185,676
Less accumulated depreciation	(1,456,664)	(1,057,075)
Property and equipment, net	<u>\$ 6,384,041</u>	<u>\$ 5,128,601</u>

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

7. Property and Equipment, Continued

Construction in process of \$5,711 at December 31, 2019 includes renovations on a building in Tucson, Arizona that is expected to be completed in 2020 at a total estimated cost of \$500,000. Construction in process of \$3,169,778 at December 31, 2018 includes a building purchase and renovations in Portland, Oregon. The building was purchased during October 2016 for a purchase price of \$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;
- 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 methodology used for assets measured at fair value. There have been no changes in the methodology used at December 31, 2019 and 2018.

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

The method 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 method is 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. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

8. Fair Value Measurements, Continued

Fair values of investment assets, including investments – deferred compensation, measured on a recurring basis at December 31, 2019 are:

	Level 1	Level 2	Level 3	Total
Common stock	\$ 4,331,203	\$ -	\$ -	\$ 4,331,203
Treasury bills	564,440	-	-	564,440
Corporate bonds	882,803	-	-	882,803
Municipal bonds	922,736	-	-	922,736
Mutual funds	365,823	-	-	365,823
Total	<u>\$ 7,067,005</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,067,005</u>

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	287,987	-	-	287,987
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,:

	2019	2018
Subject to expenditure for specified purpose:		
Endangered species	\$ 661,095	\$ 257,500
Public lands	503,395	12,500
Climate	103,469	88,000
Oceans	70,324	115,319
Urban wildlands	58,029	-
Strategic litigation	-	249,445
Total net assets with donor restrictions	<u>\$ 1,396,312</u>	<u>\$ 722,764</u>

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 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, 2019:

	<u>Contributions</u>	<u>Releases</u>
Subject to expenditure for specified purpose:		
Endangered species	\$ 4,689,280	\$ (4,535,129)
Climate	2,141,458	(2,125,987)
Public lands	1,864,340	(1,373,448)
Oceans	1,068,795	(1,113,790)
Urban wildlands	788,657	(730,627)
Population and sustainability	542,188	(542,188)
Environmental health	435,494	(435,494)
Ignite change	320,425	(320,426)
International	231,345	(231,345)
Government affairs	90,165	(90,165)
Total net assets with donor restrictions	<u>\$ 12,172,147</u>	<u>\$ (11,498,599)</u>

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)
Climate	1,035,171	(947,171)
Oceans	962,128	(846,809)
Urban wildlands	550,415	(557,816)
Public lands	449,879	(469,290)
Environmental health	410,557	(410,557)
Population and sustainability	234,558	(234,558)
International	207,900	(207,900)
Strategic litigation	134,435	(8,503)
Ignite change	131,000	(131,000)
Government affairs	100,000	(100,000)
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 years ended December 31, 2019 and 2018 was \$820,618 and \$863,795, respectively.

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

10. Commitments, Continued

Lease Commitments, continued

Minimum future lease payments as of December 31, 2019 under the operating leases are:

Year ended December 31,

2020	\$ 546,343
2021	551,046
2022	433,096
2023	319,096
2024	316,061
Thereafter	26,400
Total minimum lease payments	<u>\$ 2,192,042</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. 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, 2019 and 2018, the balance of the compensation commitment totaled \$1,500 and \$101,452, respectively.

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 years ended December 31, 2019 and 2018 was \$711,273 and \$609,143, respectively, 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 at December 31, 2019 and 2018 are \$365,200 and \$285,486, respectively.

12. Joint Costs

During the years ended December 31, 2019 and 2018, the Organization incurred joint costs of \$1,098,578 and \$816,166, respectively, for informational materials, payroll and benefits, outside services and activities that included fund-raising appeals. The Organization allocated \$232,830 and \$159,295, respectively, to program expense, \$11,284 and \$3,701, respectively, to administrative expense and \$854,464 and \$653,170, respectively, to fund-raising expense for the years ended December 31, 2019 and 2018, respectively.

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

13. Subsequent Events

The Organization evaluated its December 31, 2019 combined financial statements through April 27, 2020, the date the financial statements were available to be issued. The negative impacts to the local and national economy and to the financial and real property markets resulting from the COVID-19 pandemic and public response will likely reduce public support and investment return in the following fiscal year. Currently, Congress is extending aid to small businesses and nonprofit organizations which could help mitigate the effects of this disruption. The uncertainty of the duration of this interruption and unclear scope of federal assistance prevents the Organization from estimating the scope and significance of the overall impact on subsequent periods. However, the Organization feels that, due to its strong cash position, the short- and medium-term impact of COVID-19 on our ability to continue working towards our long-term goals will be minimized.

The Organization was unaware of any additional subsequent events as of April 27, 2020, the date the combined financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2019

	Center for Biological Diversity	Center Action Fund	Combining Entries	Combined Total
Current assets:				
Cash and cash equivalents	\$ 5,178,783	\$ 18,042	\$ -	\$ 5,196,825
Grants and contributions receivable	2,060,883	-	-	2,060,883
Prepaid expenses	231,271	-	-	231,271
Investments - other, current portion	1,380,049	-	-	1,380,049
Note receivable, current portion	20,886	-	-	20,886
Total current assets	8,871,872	18,042	-	8,889,914
Investments - other, non-current portion	1,677,834	-	-	1,677,834
Note receivable, non-current portion	73,938	-	-	73,938
Investments - deferred compensation	365,200	-	-	365,200
Investments	6,701,805	-	-	6,701,805
Property and equipment, net	6,384,041	-	-	6,384,041
Due from Center Action Fund	2,631	-	(2,631)	-
Deposits	154,268	-	-	154,268
Total assets	<u>\$ 24,231,589</u>	<u>\$ 18,042</u>	<u>\$ (2,631)</u>	<u>\$ 24,247,000</u>
Current liabilities:				
Accounts payable	\$ 121,245	\$ 17,404	\$ -	\$ 138,649
Accrued expenses	1,538,262	-	-	1,538,262
Due to Center for Biological Diversity	-	2,631	(2,631)	-
Total current liabilities	1,659,507	20,035	(2,631)	1,676,911
Deferred compensation liability	365,200	-	-	365,200
Total liabilities	2,024,707	20,035	(2,631)	2,042,111
Net assets				
Without donor restrictions:				
Undesignated	6,366,529	(1,993)	-	6,364,536
Expended for property and equipment	6,384,041	-	-	6,384,041
Board-designated operating reserve	8,060,000	-	-	8,060,000
Total net assets without donor restrictions	20,810,570	(1,993)	-	20,808,577
With donor restrictions:				
Purpose restrictions	1,396,312	-	-	1,396,312
Total net assets	22,206,882	(1,993)	-	22,204,889
Total liabilities and net assets	<u>\$ 24,231,589</u>	<u>\$ 18,042</u>	<u>\$ (2,631)</u>	<u>\$ 24,247,000</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, 2019

	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	\$ 8,250,155	\$ 6,732,695	\$ 14,982,850	\$ 4,643	\$ -	\$ 4,643	\$ -	\$ 8,254,798	\$ 6,732,695	\$ 14,987,493
Grants	965,015	4,770,574	5,735,589	-	-	-	-	965,015	4,770,574	5,735,589
Legal returns and settlements	751,546	668,565	1,420,111	-	-	-	-	751,546	668,565	1,420,111
Investment income, net	1,335,884	-	1,335,884	-	-	-	-	1,335,884	-	1,335,884
Other income	9,631	313	9,944	-	-	-	-	9,631	313	9,944
Rent income	8,650	-	8,650	-	-	-	-	8,650	-	8,650
Total revenue and support	11,320,881	12,172,147	23,493,028	4,643	-	4,643	-	11,325,524	12,172,147	23,497,671
Net assets released from restrictions	11,498,599	(11,498,599)	-	-	-	-	-	11,498,599	(11,498,599)	-
Total revenue, support, and reclassifications	22,819,480	673,548	23,493,028	4,643	-	4,643	-	22,824,123	673,548	23,497,671
Expenses:										
Program services	19,218,904	-	19,218,904	7,534	-	7,534	-	19,226,438	-	19,226,438
Supporting services:										
Fund-raising	1,726,243	-	1,726,243	189	-	189	-	1,726,432	-	1,726,432
General and administrative	1,358,282	-	1,358,282	21,776	-	21,776	-	1,380,058	-	1,380,058
Total expenses	22,303,429	-	22,303,429	29,499	-	29,499	-	22,332,928	-	22,332,928
Change in net assets	516,051	673,548	1,189,599	(24,856)	-	(24,856)	-	491,195	673,548	1,164,743
Net assets, beginning of year	20,294,519	722,764	21,017,283	22,863	-	22,863	-	20,317,382	722,764	21,040,146
Net assets, end of year	\$ 20,810,570	\$ 1,396,312	\$ 22,206,882	\$ (1,993)	\$ -	\$ (1,993)	\$ -	\$ 20,808,577	\$ 1,396,312	\$ 22,204,889

Supplementary Information.
See independent auditor's report.