

CENTER FOR BIOLOGICAL DIVERSITY, INC.

Audited Financial Statements

For the years ended December 31, 2017 and 2016

---

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3 - 4
Statements of Functional Expenses	5 - 8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 17



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, 2017 and 2016, 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, 2017 and 2016, 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*

July 11, 2018

Chris Wm. Ludwig, CPA   Julie S. Klewer, CPA, MBA   Eric S. Rudner, CPA

4783 East Camp Lowell Drive   Tucson, Arizona 85712  
telephone 520 545 0500   facsimile 520 545 0555   [www.ludwigklewer.com](http://www.ludwigklewer.com)

CENTER FOR BIOLOGICAL DIVERSITY, INC.

STATEMENTS OF FINANCIAL POSITION  
December 31, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 10,748,453	\$ 14,072,794
Grants and contributions receivable	1,740,271	1,160,983
Prepaid expenses	157,301	167,713
Investments - other, current portion	49,863	-
Note receivable, current portion	19,283	20,039
Total current assets	<u>12,715,171</u>	<u>15,421,529</u>
Investments - other, non-current portion	656,773	-
Note receivable, non-current portion	114,893	134,175
Investments - deferred compensation	268,984	180,500
Investments	5,741,260	1,501,212
Property and equipment, net	3,795,727	3,012,853
Deposits	145,719	120,267
Total assets	<u>\$ 23,438,527</u>	<u>\$ 20,370,536</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 386,239	\$ 156,199
Accrued expenses	1,172,747	929,755
Total current liabilities	<u>1,558,986</u>	<u>1,085,954</u>
Security deposit payable	-	40,229
Deferred compensation liability	268,984	180,500
Total liabilities	<u>1,827,970</u>	<u>1,306,683</u>
Net assets:		
Unrestricted:		
Undesignated and available for operations	10,050,419	7,687,550
Expended for property and equipment	3,795,727	3,012,853
Board designated	6,660,000	5,960,000
Total unrestricted net assets	<u>20,506,146</u>	<u>16,660,403</u>
Temporarily restricted	1,104,411	2,403,450
Total net assets	<u>21,610,557</u>	<u>19,063,853</u>
Total liabilities and net assets	<u>\$ 23,438,527</u>	<u>\$ 20,370,536</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, 2017

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 9,494,608	\$ 5,982,674	\$ 15,477,282
Grants	335,350	2,752,398	3,087,748
Legal returns and settlements	820,750	474,138	1,294,888
Investment income, net	528,159	-	528,159
Rent income	92,565	-	92,565
Other income	13,804	1,678	15,482
In-kind contributions	8,905	-	8,905
Total revenue and support	11,294,141	9,210,888	20,505,029
Net assets released from restrictions	10,509,927	(10,509,927)	-
Total revenue, support, and reclassifications	21,804,068	(1,299,039)	20,505,029
Expenses:			
Program services	15,218,678	-	15,218,678
Supporting services:			
Fund-raising	1,593,022	-	1,593,022
General and administrative	1,146,625	-	1,146,625
Total expenses	17,958,325	-	17,958,325
Change in net assets	3,845,743	(1,299,039)	2,546,704
Net assets, beginning of year	16,660,403	2,403,450	19,063,853
Net assets, end of year	\$ 20,506,146	\$ 1,104,411	\$ 21,610,557

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, 2016

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 9,684,589	\$ 2,124,895	\$ 11,809,484
Grants	243,000	1,909,613	2,152,613
Legal returns and settlements	83,250	416,775	500,025
Rental income	246,796	-	246,796
Other income	35,783	-	35,783
Investment income	33,098	-	33,098
Loss on sale of property held for sale	(20,969)	-	(20,969)
Total revenue and support	10,305,547	4,451,283	14,756,830
Net assets released from restrictions	7,026,480	(7,026,480)	-
Total revenue, support, and reclassifications	17,332,027	(2,575,197)	14,756,830
Expenses:			
Program services	11,877,396	-	11,877,396
Supporting services:			
Fund-raising	1,100,110	-	1,100,110
General and administrative	989,662	-	989,662
Total expenses	13,967,168	-	13,967,168
Change in net assets	3,364,859	(2,575,197)	789,662
Net assets, beginning of year	13,295,544	4,978,647	18,274,191
Net assets, end of year	\$ 16,660,403	\$ 2,403,450	\$ 19,063,853

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, 2017

	Program						
	Endangered Species	Public Lands	Population and Sustainability	Environmental Health	Oceans	Climate	Urban Wildlands
Payroll and related taxes and benefits	\$ 2,747,204	\$ 2,015,691	\$ 805,699	\$ 931,931	\$ 1,011,469	\$ 2,096,367	\$ 340,010
Rent and utilities	177,233	149,578	36,415	63,106	104,882	201,505	18,473
Professional services	156,631	232,740	20,714	12,132	7,827	27,693	16,690
Travel	198,391	132,043	37,925	39,236	52,626	105,807	22,952
Internet organizing	31,835	14,528	3,923	3,289	4,243	4,837	2,750
Legal	270,701	40,571	2,350	30,154	17,798	105,740	21,708
Advertising	124,512	77,405	62,494	20,366	26,238	37,572	10,829
Contributions and grants	23,464	126,807	8,446	201,749	4,705	33,613	1,611
Office supplies	59,340	33,858	18,334	15,097	12,279	41,829	4,150
Printing	4,607	4,517	42,791	679	1,070	3,678	197
Depreciation	44,340	27,713	12,933	16,628	18,475	31,408	7,390
Telephone and internet	41,333	30,474	11,558	12,284	12,508	31,527	4,621
Events and rallies	7,780	7,077	7,136	2,013	1,904	7,091	829
Postage, mail service, labels	6,560	5,719	26,082	1,763	1,553	6,505	1,592
Merchant fees	17,306	7,402	1,340	1,278	1,617	1,333	1,273
Conferences and meetings	24,859	13,285	5,490	6,526	10,564	15,709	3,348
Insurance	14,826	9,240	4,274	5,493	6,104	10,377	2,442
Dues and subscriptions	7,743	5,244	2,176	2,779	2,929	7,661	1,059
Miscellaneous	5,616	1,032	1,137	1,807	535	747	161
Education	-	-	14,533	-	-	105	-
Staff development	1,511	920	401	292	356	2,270	94
Total functional expenses	<u>\$ 3,965,792</u>	<u>\$ 2,935,844</u>	<u>\$ 1,126,151</u>	<u>\$ 1,368,602</u>	<u>\$ 1,299,682</u>	<u>\$ 2,773,374</u>	<u>\$ 462,179</u>

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

CENTER FOR BIOLOGICAL DIVERSITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES, Continued  
For the year ended December 31, 2017

	Program					Fund-raising	General and Administrative	Total
	International	Strategic Litigation	Government Affairs	Ignite Change	Total			
Payroll and related taxes and benefits	\$ 273,994	\$ 72,311	\$ 214,001	\$ 110,278	\$ 10,618,955	\$ 618,601	\$ 749,362	\$ 11,986,918
Rent and utilities	8,168	6,392	65	7,169	772,986	24,309	113,950	911,245
Professional services	73,332	279	1,796	106,985	656,819	68,154	119,636	844,609
Travel	33,331	4,430	18,198	92,256	737,195	27,633	29,840	794,668
Internet organizing	1,835	2,238	4,807	40,726	115,011	507,983	-	622,994
Legal	9,965	4,637	4,487	-	508,111	9,993	32,551	550,655
Advertising	5,440	5,827	6,114	20,944	397,741	9,100	9,929	416,770
Contributions and grants	386	-	262	150	401,193	-	-	401,193
Office supplies	2,587	98	3,315	7,929	198,816	16,033	23,959	238,808
Printing	467	91	1,007	3,931	63,035	149,102	1,093	213,230
Depreciation	5,543	-	5,543	-	169,973	5,543	9,235	184,751
Telephone and internet	3,679	910	1,391	2,385	152,670	7,662	8,560	168,892
Events and rallies	339	-	1,125	88,086	123,380	8,773	849	133,002
Postage, mail service, labels	223	624	250	1,686	52,557	63,863	4,096	120,516
Merchant fees	1,119	1,364	1,101	1,113	36,246	69,426	5,280	110,952
Conferences and meetings	4,069	227	4,082	2,830	90,989	2,312	6,931	100,232
Insurance	1,828	-	1,828	-	56,412	1,828	9,752	67,992
Dues and subscriptions	1,703	93	2,651	-	34,038	2,174	2,446	38,658
Miscellaneous	378	12	121	-	11,546	194	18,439	30,179
Education	-	-	-	-	14,638	-	-	14,638
Staff development	499	14	8	2	6,367	339	717	7,423
Total functional expenses	<u>\$ 428,885</u>	<u>\$ 99,547</u>	<u>\$ 272,152</u>	<u>\$ 486,470</u>	<u>\$ 15,218,678</u>	<u>\$ 1,593,022</u>	<u>\$ 1,146,625</u>	<u>\$ 17,958,325</u>

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, 2016

	Program						
	Endangered Species	Public Lands	Population and Sustainability	Environmental Health	Oceans	Climate	Urban Wildlands
Payroll and related taxes and benefits	\$ 2,129,806	\$ 2,192,202	\$ 666,203	\$ 742,590	\$ 866,518	\$ 1,594,897	\$ 385,059
Rent and utilities	171,335	123,809	20,516	51,486	103,727	144,966	3,587
Travel	166,664	109,147	39,553	40,231	57,657	116,079	5,457
Professional services	94,604	64,580	14,539	2,046	33,976	36,591	5,000
Legal	61,231	21,811	3,839	19,727	11,436	91,346	50,031
Contributions and grants	28,069	20,069	1,145	1,682	2,056	81,691	-
Printing	10,277	24,805	3,603	916	2,527	9,574	319
Office supplies	41,672	23,963	14,029	10,634	10,955	27,470	1,129
Internet organizing	11,041	3,559	866	263	3,883	7,739	86
Conferences and meetings	38,819	20,998	8,868	12,187	11,316	21,635	342
Depreciation	33,568	20,980	9,791	12,588	13,987	23,777	5,595
Postage, mail service, labels	6,022	4,830	16,722	1,319	1,519	6,481	225
Telephone and internet	34,160	23,158	7,830	8,448	10,191	22,204	1,112
Merchant fees	8,100	2,611	635	193	2,849	5,678	63
Advertising	14,063	5,348	13,193	2,967	3,408	4,368	-
Events and rallies	9,773	13,304	3,089	2,315	2,827	4,680	527
Insurance	3,208	1,034	252	77	1,128	2,249	25
Repairs and maintenance	8,828	7,517	4,999	2,486	1,159	5,534	-
Dues and subscriptions	8,590	4,037	3,113	1,592	2,314	9,130	43
Miscellaneous	3,555	401	240	443	262	413	-
Staff development	8,554	5,144	2,366	2,212	2,875	5,027	-
Education	2,414	1,636	18,710	1,543	1,168	2,754	46
Total functional expenses	<u>\$ 2,894,353</u>	<u>\$ 2,694,943</u>	<u>\$ 854,101</u>	<u>\$ 917,945</u>	<u>\$ 1,147,738</u>	<u>\$ 2,224,283</u>	<u>\$ 458,646</u>

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

CENTER FOR BIOLOGICAL DIVERSITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES, Continued  
For the year ended December 31, 2016

	Program				General and	
	International	Strategic Litigation	Total	Fund-raising	Administrative	Total
Payroll and related taxes and benefits	\$ 225,168	\$ 111,399	\$ 8,913,842	\$ 512,615	\$ 531,667	\$ 9,958,124
Rent and utilities	7,681	23,608	650,715	16,291	138,403	805,409
Travel	23,948	41,465	600,201	24,898	30,987	656,086
Professional services	57,529	10,395	319,260	66,775	95,015	481,050
Legal	4,406	22,431	286,258	473	23,697	310,428
Contributions and grants	102,842	500	238,054	150	-	238,204
Printing	669	4,027	56,717	119,233	5,178	181,128
Office supplies	3,088	2,920	135,860	16,541	22,898	175,299
Internet organizing	11	259	27,707	141,135	-	168,842
Conferences and meetings	3,843	3,885	121,893	6,030	15,003	142,926
Depreciation	4,196	4,196	128,678	7,306	6,896	142,880
Postage, mail service, labels	424	1,315	38,857	91,097	5,951	135,905
Telephone and internet	3,960	7,035	118,098	9,045	8,664	135,807
Merchant fees	8	190	20,327	50,044	7,024	77,395
Advertising	9	-	43,356	10,998	11,416	65,770
Events and rallies	1,502	7,433	45,450	3,153	3,824	52,427
Insurance	3	75	8,051	10	42,568	50,629
Repairs and maintenance	294	239	31,056	6,988	12,582	50,626
Dues and subscriptions	945	1,316	31,080	5,018	1,853	37,951
Miscellaneous	34	71	5,419	9,443	21,894	36,756
Staff development	573	1,057	27,808	2,104	2,173	32,085
Education	438	-	28,709	763	1,969	31,441
Total functional expenses	\$ 441,571	\$ 243,816	\$ 11,877,396	\$ 1,100,110	\$ 989,662	\$ 13,967,168

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, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 2,546,704	\$ 789,662
Reconciliation of change in net assets to net cash provided by operating activities:		
Depreciation	184,751	142,880
Net realized and unrealized (gain) loss on investments	(444,231)	1,668
Reinvested interest	(7,420)	(4,112)
Donated marketable securities	(2,668)	(77,577)
Change in investments - deferred compensation	(52,484)	(6,578)
Loss on sale of property held for sale	-	20,969
Change in operating assets and liabilities:		
Grants and contributions receivable	(579,288)	(261,517)
Prepaid expenses	10,412	990
Deposits	(25,452)	(4,279)
Deferrals to deferred compensation plan	(36,000)	(54,000)
Accounts payable	230,040	47,847
Accrued expenses	242,992	384,697
Security deposit payable	(40,229)	-
Deferred compensation liability	88,484	60,578
Total adjustments	(431,093)	251,566
Net cash provided by operating activities	2,115,611	1,041,228
Cash flows from investing activities:		
Purchases of property and equipment	(967,625)	(1,271,691)
Proceeds from the sale of property held for sale	-	157,031
Proceeds from sales of investments	918,891	6,470
Purchases of investments	(4,704,854)	(1,421,191)
Purchases of investments - other	(706,402)	-
Proceeds from maturities of investments - other	-	5,750,000
Payments received on note receivable	20,038	16,292
Net cash (used in) provided by investing activities	(5,439,952)	3,236,911
Cash flows from financing activities	-	-
Change in cash and cash equivalents	(3,324,341)	4,278,139
Cash and cash equivalents, beginning of year	14,072,794	9,794,655
Cash and cash equivalents, end of year	\$ 10,748,453	\$ 14,072,794
Supplemental disclosure of non-cash investing information:		
Donated marketable securities	\$ 2,668	\$ 77,577
Reinvested interest	\$ 7,420	\$ 4,112

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, 2017 and 2016

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, 2017 and 2016.

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 December 2018 and December 2025, have an annual fixed interest rates ranging from 1.40% and 2.84% 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.

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2017 and 2016

---

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 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 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.

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.

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2017 and 2016

2. Summary of Significant Accounting Policies, Continued

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, 2017 and 2016.

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, 2017, 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. 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, 2017 and 2016, the Organization had cash and investments of \$15,624,765 and \$12,547,924, respectively, at various banks and institutions in excess of FDIC and SIPC limitations.

4. Investments

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

	2017	2016
Common stock	\$ 3,166,453	\$ 951,586
Treasury bills	978,828	-
Corporate bonds	977,941	300,365
Municipal bonds	617,215	249,261
Mutual funds	269,807	180,500
Total investments	<u>\$ 6,010,244</u>	<u>\$ 1,681,712</u>

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2017 and 2016

4. Investments, Continued

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

	2017	2016
Interest and dividends	\$ 130,847	\$ 34,766
Net realized and unrealized gain (loss)	444,231	(1,668)
Investment expense	(46,919)	-
Investment income, net	<u>\$ 528,159</u>	<u>\$ 33,098</u>

5. 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, 2017 and 2016, the outstanding balance on the note receivable was \$134,176 and \$154,214, respectively.

Future maturities of the note receivable at December 31, 2017 are:

Year ended December 31,

2018	\$ 19,283
2019	20,068
2020	20,886
2021	21,737
2022	22,622
Thereafter	<u>29,580</u>
Total note receivable	<u>\$ 134,176</u>

6. Property and Equipment

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

	2017	2016
Land	\$ 150,000	\$ 150,000
Building and improvements	2,187,663	1,907,588
Furniture and equipment	576,549	456,887
Vehicles	35,920	16,601
Construction in process	<u>1,669,075</u>	<u>1,120,506</u>
Total property and equipment, at cost or donated value	4,619,207	3,651,582
Less accumulated depreciation	<u>(823,480)</u>	<u>(638,729)</u>
Property and equipment, net	<u>\$ 3,795,727</u>	<u>\$ 3,012,853</u>

The construction in process amount includes a building that was purchased in Portland, Oregon during October 2016 for a purchase price was \$1,045,000. The building is undergoing renovations and is expected to be completed during August 2018. The estimated total cost of the building purchase and renovations is \$2,487,000.

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2017 and 2016

---

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, 2017 and 2016.

- *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.

See independent auditor's report.



CENTER FOR BIOLOGICAL DIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2017 and 2016

7. Fair Value Measurements, Continued

Fair values of investment assets, including investments – deferred compensation, measured on a recurring basis at December 31, 2017 are:

	Level 1	Level 2	Level 3	Total
Common stock	\$ 3,166,453	\$ -	\$ -	\$ 3,166,453
Treasury bills	978,828	-	-	978,828
Corporate bonds	977,941	-	-	977,941
Municipal bonds	617,215	-	-	617,215
Mutual funds:				
Equities	169,081	-	-	169,081
Multi-asset	90,484	-	-	90,484
Real estate	5,735	-	-	5,735
Fixed income	4,507	-	-	4,507
Total	<u>\$ 6,010,244</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,010,244</u>

Fair values of investment assets, including investments – deferred compensation, measured on a recurring basis at December 31, 2016 are:

	Level 1	Level 2	Level 3	Total
Common stock	\$ 951,586	\$ -	\$ -	\$ 951,586
Corporate bonds	300,365	-	-	300,365
Municipal bonds	249,261	-	-	249,261
Mutual funds:				
Equities	96,374	-	-	96,374
Multi-asset	73,278	-	-	73,278
Real estate	6,869	-	-	6,869
Fixed income	3,979	-	-	3,979
Total	<u>\$ 1,681,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,681,712</u>

8. Commitments

Lease Commitments

The Organization leases office space for administration and branch operations under operating leases with expiration dates ranging from May 2018 to January 2025. Total rent expense during the years ended December 31, 2017 and 2016 was \$637,389 and \$542,125, respectively. Minimum future lease payments as of December 31, 2017 under the operating leases are:

Year ended December 31,

2018	\$ 532,149
2019	472,279
2020	412,072
2021	424,427
2022	93,629
Thereafter	922,980
Total minimum lease payments	<u>\$ 2,857,536</u>

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2017 and 2016

8. Commitments, Continued

Lease Commitments, continued

During the year ended December 31, 2015, the Organization entered into an agreement to sublease a leased property in California. The sublease agreement expired during August 2017 and was not renewed. The rental income during the years ended December 31, 2017 and 2016 was \$92,565 and \$246,796, respectively.

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 years ended December 31, 2017 and 2016, 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, 2017 and 2016, the balance of the compensation commitment totaled \$391,452 and \$702,452, respectively.

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 to the 403(b) plan. Total expense related to this plan for the years ended December 31, 2017 and 2016 was \$511,460 and \$455,345, 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 balances of the deferred compensation liability and related assets as of December 31, 2017 and 2016 are \$268,984 and \$180,500, respectively.

10. Joint Costs

During the year ended December 31, 2017, the Organization incurred joint costs of \$613,171 for informational materials, payroll and benefits, outside services and activities that included fund-raising appeals. The Organization allocated \$73,710 to program expense and \$539,461 to fund-raising expense.

During the year ended December 31, 2016, the Organization incurred joint costs of \$543,623 for informational materials, payroll and benefits, outside services and activities that included fund-raising appeals. The Organization allocated \$198,775 to program expense and \$344,848 to fund-raising expense.

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2017 and 2016

11. Subsequent Events

On February 15, 2018, members of the Organization's board and staff established a new 501(c)(4) organization. The Center Action Fund (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. The CAF will primarily focus on issues relating to protections for endangered species, protections for climate and clean air, protections for human health against toxics, and protecting the integrity of public lands. The CAF board consists of one of board member, officer and staff person from the Organization. Their CAF roles are independent of their roles at the Organization

The Organization was unaware of any additional subsequent events as of July 11, 2018, the date the financial statements were available to be issued.