

CENTER FOR BIOLOGICAL DIVERSITY, INC.

Audited Financial Statements

For the years ended December 31, 2016 and 2015

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LUDWIG KLEWER & CO. PLLC  
Certified Public Accountants & Consultants

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Center for Biological Diversity, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, 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, 2016 and 2015, 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*

August 28, 2017

CENTER FOR BIOLOGICAL DIVERSITY, INC.

STATEMENTS OF FINANCIAL POSITION  
December 31, 2016 and 2015

ASSETS

	2016	2015
Current assets:		
Cash and cash equivalents	\$ 14,072,794	\$ 9,794,655
Grants and contributions receivable	1,160,983	899,466
Prepaid expenses	167,713	168,703
Investments - other	-	5,750,000
Property held for sale	-	178,000
Note receivable, current portion	20,039	17,803
Total current assets	15,421,529	16,808,627
Note receivable, non-current portion	134,175	152,703
Investments - deferred compensation	180,500	119,922
Investments	1,501,212	6,470
Property and equipment, net	3,012,853	1,884,042
Deposits	120,267	115,988
Total assets	<u>\$ 20,370,536</u>	<u>\$ 19,087,752</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 156,199	\$ 108,352
Accrued expenses	929,755	545,058
Total current liabilities	1,085,954	653,410
Security deposit payable	40,229	40,229
Deferred compensation liability	180,500	119,922
Total liabilities	1,306,683	813,561
Net assets:		
Unrestricted:		
Undesignated and available for operations	7,687,550	6,151,502
Expended for property and equipment	3,012,853	1,884,042
Board designated	5,960,000	5,260,000
Total unrestricted net assets	16,660,403	13,295,544
Temporarily restricted	2,403,450	4,978,647
Total net assets	19,063,853	18,274,191
Total liabilities and net assets	<u>\$ 20,370,536</u>	<u>\$ 19,087,752</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, 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 ACTIVITIES  
For the year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 4,026,701	\$ 5,302,552	\$ 9,329,253
Grants	98,000	2,170,000	2,268,000
Legal returns and settlements	90,188	416,515	506,703
In-kind contributions	178,000	-	178,000
Rent income	105,900	-	105,900
Investment income	22,174	-	22,174
Other income	378	7,999	8,377
Contract revenue	-	6,667	6,667
Loss on sale of property and equipment	(981)	-	(981)
Total revenue and support	4,520,360	7,903,733	12,424,093
Net assets released from restrictions	7,972,242	(7,972,242)	-
Total revenue, support, and reclassifications	12,492,602	(68,509)	12,424,093
Expenses:			
Program services	9,494,036	-	9,494,036
Supporting services:			
General and administrative	926,796	-	926,796
Fund-raising	864,840	-	864,840
Total expenses	11,285,672	-	11,285,672
Change in net assets	1,206,930	(68,509)	1,138,421
Net assets, beginning of year	12,088,614	5,047,156	17,135,770
Net assets, end of year	\$ 13,295,544	\$ 4,978,647	\$ 18,274,191

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

# CENTER FOR BIOLOGICAL DIVERSITY, INC.

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

	Endangered Species	Program										General and Administrative	Total
		Public Lands	Population and Sustainability	Environmental Health	Oceans	Climate	Urban Wildlands	International	Strategic Litigation	Total	Fund-raising		
Payroll and related taxes and benefits	\$ 2,129,806	\$ 2,192,202	\$ 666,203	\$ 742,590	\$ 866,518	\$ 1,594,897	\$ 385,059	\$ 225,168	\$ 111,399	\$ 8,913,842	\$ 512,615	\$ 531,667	\$ 9,958,124
Rent and utilities	171,335	123,809	20,516	51,486	103,727	144,966	3,587	7,661	23,608	650,715	16,291	138,403	805,409
Travel	166,664	109,147	39,553	40,231	57,657	116,079	5,457	23,948	41,465	600,201	24,898	30,987	656,086
Professional services	94,604	64,580	14,539	2,046	33,976	36,591	5,000	57,529	10,395	319,260	66,775	95,015	481,050
Legal	61,231	21,811	3,839	19,727	11,436	91,346	50,031	4,406	22,431	286,258	473	23,697	310,428
Contributions and grants	28,069	20,069	1,145	1,682	2,056	81,691	-	102,842	500	238,054	150	-	238,204
Printing	10,277	24,805	3,603	916	2,527	9,574	319	669	4,027	56,717	119,233	5,178	181,128
Office supplies	41,672	23,963	14,029	10,634	10,955	27,470	1,129	3,088	2,920	135,860	16,541	22,898	175,299
Internet organizing	11,041	3,559	866	263	3,883	7,739	86	11	259	27,707	141,135	-	168,842
Conferences and meetings	38,819	20,998	8,868	12,187	11,316	21,635	342	3,843	3,885	121,893	6,030	15,003	142,926
Depreciation	33,568	20,980	9,791	12,588	13,987	23,777	5,595	4,196	4,196	128,678	7,306	6,896	142,880
Postage, mail service, labels	6,022	4,830	16,722	1,319	1,519	6,481	225	424	1,315	38,857	91,097	5,951	135,905
Telephone and Internet	34,160	23,158	7,830	8,448	10,191	22,204	1,112	3,960	7,035	118,098	9,045	8,664	135,807
Merchant fees	8,100	2,611	635	193	2,849	5,678	63	8	190	20,327	50,044	7,024	77,395
Advertising	14,063	5,348	13,193	2,967	3,408	4,368	-	9	-	43,356	10,998	11,416	65,770
Events and rallies	9,773	13,304	3,089	2,315	2,827	4,680	527	1,502	7,433	45,450	3,153	3,824	52,427
Insurance	3,208	1,034	252	77	1,128	2,249	25	3	75	8,051	10	42,568	50,629
Repairs and maintenance	8,828	7,517	4,999	2,486	1,159	5,534	-	294	239	31,056	6,988	12,582	50,626
Dues and subscriptions	8,590	4,037	3,113	1,592	2,314	9,130	43	945	1,316	31,080	5,018	1,853	37,951
Miscellaneous	3,555	401	240	443	262	413	-	34	71	5,419	9,443	21,894	36,756
Staff development	8,554	5,144	2,366	2,212	2,875	5,027	-	573	1,057	27,808	2,104	2,173	32,085
Education	2,414	1,636	18,710	1,543	1,168	2,754	46	438	-	28,709	763	1,969	31,441
Total functional expenses	\$ 2,894,353	\$ 2,694,943	\$ 854,101	\$ 917,945	\$ 1,147,738	\$ 2,224,283	\$ 458,646	\$ 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.

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

	Program										General and Administrative	Total
	Endangered Species	Public Lands	Population and Sustainability	Environmental Health	Oceans	Climate	Urban Wildlands	International	Strategic Litigation	Total		
Payroll and related taxes and benefits	\$ 1,899,854	\$ 1,382,232	\$ 616,999	\$ 357,678	\$ 755,683	\$ 1,371,148	\$ 349,046	\$ 84,001	\$ 233,671	\$ 7,040,312	\$ 580,493	\$ 8,145,999
Rent and utilities	149,793	57,172	27,346	1,856	23,948	99,800	35,691	2,331	8,297	406,234	118,187	541,174
Travel	113,753	98,306	32,481	21,513	27,735	73,242	12,916	9,842	37,937	427,725	49,190	500,989
Professional services	96,533	82,376	13,922	3,255	25,127	63,960	11,067	17,923	2,868	317,031	13,420	352,435
Legal	116,395	18,125	1,431	7,073	16,308	63,520	19,270	820	17,285	260,227	33,202	294,793
Office supplies	70,925	18,538	13,154	7,507	6,676	38,879	9,144	416	3,135	168,374	20,163	232,179
Printing	105,188	17,590	9,768	2,064	1,634	7,619	886	126	1,141	146,016	11,980	228,692
Postage, mail service, labels	46,573	9,723	32,437	2,763	3,005	9,395	1,649	360	1,905	107,810	3,275	143,076
Conferences and meetings	26,764	22,183	8,481	9,033	10,075	18,479	3,771	2,204	5,093	132,623	20,391	132,623
Depreciation	19,908	18,737	9,549	4,024	8,721	21,849	250	658	2,954	86,650	14,377	113,068
Telephone and Internet	24,840	18,056	5,601	2,016	5,119	18,665	9,183	640	7,662	91,782	5,904	107,955
Contributions and grants	18,544	18,108	12,553	655	994	36,347	30	7	20	87,258	-	87,858
Repairs and maintenance	8,565	15,861	13,572	297	1,657	7,241	637	-	292	48,122	7,195	81,833
Merchant fees	26,063	1,968	1,048	756	527	1,702	39	141	435	32,679	5,182	62,461
Internet organizing	27,325	2,072	1,062	796	550	1,793	-	37	458	34,093	-	60,000
Events and rallies	12,685	13,623	2,504	1,756	4,024	16,351	1,638	15	1,241	53,837	-	59,616
Advertising	5,482	2,809	2,521	1,905	2,922	3,844	1,296	-	505	21,284	4,156	34,201
Dues and subscriptions	7,147	2,846	2,001	432	1,453	4,175	1,742	11	1,792	21,599	2,100	30,260
Education	4	2	24,626	553	1	17	-	-	-	25,203	62	25,320
Insurance	809	479	172	110	307	1,561	359	6	184	3,987	19,804	24,372
Miscellaneous	2,172	347	352	37	25	80	-	-	-	3,013	17,645	21,421
Staff development	846	324	131	158	944	1,953	118	1	242	4,717	70	5,347
Total functional expenses	\$ 2,770,168	\$ 1,801,477	\$ 831,711	\$ 426,237	\$ 897,435	\$ 1,861,620	\$ 458,732	\$ 119,539	\$ 327,117	\$ 9,494,036	\$ 926,796	\$ 11,285,672

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, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 789,662	\$ 1,138,421
Reconciliation of change in net assets to net cash provided by operating activities:		
Depreciation	142,880	113,068
Net realized and unrealized loss (gain) on investments	1,668	(1,352)
Reinvested interest	(4,112)	-
Donated marketable securities	(77,577)	-
Change in investments - deferred compensation	(6,578)	100
Loss on sale of property and equipment	-	981
Loss on sale of property held for sale	20,969	-
Donated property held for sale	-	(178,000)
Change in operating assets and liabilities:		
Grants and contributions receivable	(261,517)	(643,579)
Prepaid expenses	990	(33,198)
Deposits	(4,279)	-
Deferrals to deferred compensation plan	(54,000)	(67,500)
Accounts payable	47,847	(37,720)
Accrued expenses	384,697	190,614
Security deposit payable	-	40,229
Deferred compensation liability	60,578	67,400
Total adjustments	251,566	(548,957)
Net cash provided by operating activities	1,041,228	589,464
Cash flows from investing activities:		
Purchases of property and equipment	(1,271,691)	(232,588)
Proceeds from the sale of property held for sale	157,031	1,500
Proceeds from sales of investments	6,470	394,285
Purchases of investments	(1,421,191)	(53,173)
Proceeds from maturities of investments - other	5,750,000	1,250,000
Payments received on note receivable	16,292	21,276
Net cash provided by investing activities	3,236,911	1,381,300
Cash flows from financing activities	-	-
Change in cash and cash equivalents	4,278,139	1,970,764
Cash and cash equivalents, beginning of year	9,794,655	7,823,891
Cash and cash equivalents, end of year	\$ 14,072,794	\$ 9,794,655
Supplemental disclosure of non-cash investing information:		
Donated property held for sale	\$ -	\$ 178,000
Donated marketable securities	\$ 77,577	\$ -
Reinvested interest	\$ 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, 2016 and 2015

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, 2016 and 2015.

Investments

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

Investments – Other

Investments - other is comprised of various certificates of deposit held for investment that are not debt securities. The certificates of deposit mature between March and December 2016, have an annual fixed interest rates ranging from 0.15% and 0.31% and are recorded at cost which approximates fair market value. One certificate of deposit was renewed during December 2016 for a term of three months, and it was classified as cash equivalents at December 31, 2016.

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, 2016 and 2015

2. Summary of Significant Accounting Policies, Continued

Volunteer Services and Donated Goods

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

Property Held For Sale

Property held for sale consists of property contributed to the Organization by a donor. The property was recorded at the appraised value of \$178,000 during December 2015. It was sold during June 2016, and the Organization recognized a loss on the sale of \$20,969.

Property and Equipment

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

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

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

Support and Revenue

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Settlement Income

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

See independent auditor's report.



CENTER FOR BIOLOGICAL DIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2016 and 2015

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2. Summary of Significant Accounting Policies, Continued

Functional Expenses

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

Advertising Costs

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

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal income tax under Internal Revenue Code (IRC) Section 501(c)(3) and from Arizona income tax under Arizona Revised Statutes Section 43-1201(4). The Organization is classified as other than a private foundation under IRC 509(a)(1). There were no income taxes paid during the years ended December 31, 2016 and 2015.

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, 2016, management is not aware of any uncertain tax positions that are potentially material. In addition, management is not aware of any matters that would cause the Organization to lose its tax-exempt status.

Reclassifications

Certain items from the 2015 financial statements have been reclassified to conform to the 2016 financial statement presentation.

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, 2016 and 2015, the Organization had cash and investments of \$12,547,924 and \$8,432,492, respectively, at various banks and institutions in excess of FDIC and SIPC limitations.

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2016 and 2015

4. Investments

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

	2016	2015
Common stock	\$ 951,586	\$ 6,470
Corporate bonds	300,365	-
Municipal bonds	249,261	-
Mutual funds	180,500	119,922
Total investments	<u>\$ 1,681,712</u>	<u>\$ 126,392</u>

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

	2016	2015
Interest and dividends	\$ 34,766	\$ 20,822
Net realized and unrealized (loss) gain	(1,668)	1,352
Investment income	<u>\$ 33,098</u>	<u>\$ 22,174</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, 2016 and 2015, the outstanding balance on the note receivable was \$154,214 and \$170,506, respectively.

Future maturities of the note receivable at December 31, 2016 are:

Year ended December 31,

2017	\$ 20,039
2018	19,283
2019	20,068
2020	20,886
2021	21,737
Thereafter	52,201
Total note receivable	<u>\$ 154,214</u>

6. Property and Equipment

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

	2016	2015
Land	\$ 150,000	\$ 150,000
Building and improvements	1,907,588	1,791,604
Furniture and equipment	456,887	421,686
Vehicles	16,601	16,601
Construction in process	1,120,506	-
Total property and equipment, at cost or donated value	3,651,582	2,379,891
Less accumulated depreciation	(638,729)	(495,849)
Property and equipment, net	<u>\$ 3,012,853</u>	<u>\$ 1,884,042</u>

See independent auditor's report.



CENTER FOR BIOLOGICAL DIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2016 and 2015

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6. Property and Equipment, Continued

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 July 2018. The estimated total cost of the building purchase and renovations is \$2,487,000.

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, 2016 and 2015.

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

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

See independent auditor's report.



CENTER FOR BIOLOGICAL DIVERSITY, INC.

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7. Fair Value Measurements, Continued

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>

Fair values of investment assets, including investments – deferred compensation, measured on a recurring basis at December 31, 2015 are:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Multi-asset	\$ 59,843	\$ -	\$ -	\$ 59,843
Equities	55,768	-	-	55,768
Real estate	4,311	-	-	4,311
Common stock	6,470	-	-	6,470
Property held for sale	-	-	178,000	178,000
Total	<u>\$ 126,392</u>	<u>\$ -</u>	<u>\$ 178,000</u>	<u>\$ 304,392</u>

8. Commitments

Lease Commitments

The Organization leases office space for administration and branch operations under operating leases with expiration dates ranging from January 2016 to January 2025. Total rent expense during the years ended December 31, 2016 and 2015 was \$542,125 and \$461,405, respectively. Minimum future lease payments as of December 31, 2016 under the operating leases are:

Year ended December 31,

2017	\$ 633,769
2018	499,031
2019	470,951
2020	412,068
2021	424,427
Thereafter	<u>1,016,602</u>
Total minimum lease payments	<u>\$ 3,456,848</u>

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS  
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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, 2016 and 2015 was \$246,796 and \$105,900, respectively. Future expected rental income under this agreement during the year ended December 31, 2017 is \$103,218.

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, 2016 and 2015, 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, 2016 and 2015, the balance of the compensation commitment totaled \$702,452 and \$949,952, 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 of the 403(b) plan. Total expense related to this plan for the years ended December 31, 2016 and 2015 was \$455,345 and \$431,337, respectively, and is included with payroll and related taxes and benefits in the statements of functional expenses.

457(b) Eligible Deferred Compensation Plan

The Organization has a 457(b) eligible deferred compensation plan (457(b) Plan) that allows eligible employees to defer pretax annual compensation up to certain limitations imposed by the IRS. The 457(b) Plan covers employees of the Organization whose annual salary is in excess of limits imposed by the IRS. The organization reports assets and liabilities of equal amounts attributable to the amount deferred and the related investment earnings. The balance of the deferred compensation liability as of December 31, 2016 and 2015 is \$180,500 and \$119,922, respectively.

10. Joint Costs

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.

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

11. Subsequent Events

The Organization was unaware of any subsequent events as of August 28 2017, the date the financial statements were available to be issued.

See independent auditor's report.