

**Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund**

Consolidated Financial Statements  
and Independent Auditor's Report

September 30, 2023 and 2022

# Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Consolidated Financial Statements  
September 30, 2023 and 2022

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

### *Opinion*

We have audited the accompanying consolidated financial statements of Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund (collectively, "Defenders"), which comprise the consolidated statements of financial position as of September 30, 2023 and 2022; the related consolidated statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Defenders as of September 30, 2023 and 2022, 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.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Defenders and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Emphasis of Matter*

As discussed in Note 2 to the consolidated financial statements, Defenders adopted Accounting Standards Update (ASU) 2016-02, Accounting Standards Codification (ASC) 842, *Leases*, and all subsequent ASUs that modified ASC 842. Defenders has applied the modified retrospective method to adopt this standard during the year ended September 30, 2023, and adjusted the presentation in the consolidated financial statements as permitted by ASC 842. Our opinion is not modified with respect to this matter.

***Emphasis of Matter (continued)***

As discussed in Note 2 to the consolidated financial statements, Defenders adopted Financial Accounting Standards Board ASU 2020-07, Not-for-Profit Entities (topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Defenders' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Defenders' internal control. Accordingly, no such opinion is expressed.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)***

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Defenders' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on pages 34-37 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

***Report on Summarized Comparative Information***

We have previously audited Defenders' September 30, 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 24, 2023. In our opinion, the summarized comparative information presented herein, as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Vienna, Virginia  
February 13, 2024

**Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund**

Consolidated Statements of Financial Position  
September 30, 2023 and 2022

	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,681,875	\$ 5,503,375
Short-term investments	17	23,120
Investments – annuity reserve fund	3,050,993	3,108,401
Bequests and trusts receivable	2,012,211	1,352,859
Grants and contributions receivable, current portion	701,915	856,540
Accounts receivable	199,877	193,212
Prepaid expenses	966,724	775,056
Inventory	1,169,463	675,667
Total current assets	11,783,075	12,488,230
Long-term investments	28,692,697	26,477,260
Grants and contributions receivable, long-term, net	97,385	13,810
Beneficial interests in trusts	1,914,962	1,834,891
Lease right-of-use assets	300,836	-
Property and equipment, net	7,470,236	7,937,048
Deferred compensation	192,427	157,606
Total assets	\$ 50,451,618	\$ 48,908,845
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,850,982	\$ 2,939,354
Annuity and other split-interest obligations, current portion	293,455	303,030
Total current liabilities	2,144,437	3,242,384
Annuity and other split-interest obligations, long-term	1,723,767	1,793,315
Lease liabilities	313,528	-
Deferred compensation	192,427	157,606
Total liabilities	4,374,159	5,193,305
<b>Net Assets</b>		
Without donor restrictions	37,458,859	34,450,024
With donor restrictions	8,618,600	9,265,516
Total net assets	46,077,459	43,715,540
Total liabilities and net assets	\$ 50,451,618	\$ 48,908,845

See accompanying notes.

**Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund**

Consolidated Statement of Activities  
For the Year Ended September 30, 2023  
(With Comparative Totals for the Year Ended September 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
<b>Revenue and Support</b>				
Grants and contributions	\$ 22,356,821	\$ 4,150,644	\$ 26,507,465	\$ 28,950,871
Contributed goods and services	5,908,513	-	5,908,513	5,046,528
Bequests	8,436,965	706,337	9,143,302	13,879,255
Royalties	345,429	-	345,429	511,236
Investment return, net	3,317,117	7,036	3,324,153	(6,454,901)
Split-interest contributions	-	36,944	36,944	48,823
Change in value of split interests	97,286	64,844	162,130	(1,039,435)
Mailing list royalties	227,556	-	227,556	200,213
Other income	48,222	-	48,222	32,562
Released from restrictions – programs	5,612,721	(5,612,721)	-	-
<b>Total revenue and support</b>	<b>46,350,630</b>	<b>(646,916)</b>	<b>45,703,714</b>	<b>41,175,152</b>
<b>Expenses</b>				
Program services:				
Biodiversity conservation	18,360,266	-	18,360,266	18,969,725
Constituency mobilization	17,334,236	-	17,334,236	16,528,176
<b>Total program services</b>	<b>35,694,502</b>	<b>-</b>	<b>35,694,502</b>	<b>35,497,901</b>
Supporting services:				
Management and general	6,536,253	-	6,536,253	6,358,316
Fundraising	1,111,040	-	1,111,040	1,029,453
<b>Total supporting services</b>	<b>7,647,293</b>	<b>-</b>	<b>7,647,293</b>	<b>7,387,769</b>
<b>Total expenses</b>	<b>43,341,795</b>	<b>-</b>	<b>43,341,795</b>	<b>42,885,670</b>
<b>Change in Net Assets</b>	<b>3,008,835</b>	<b>(646,916)</b>	<b>2,361,919</b>	<b>(1,710,518)</b>
<b>Net Assets, beginning of year</b>	<b>34,450,024</b>	<b>9,265,516</b>	<b>43,715,540</b>	<b>45,426,058</b>
<b>Net Assets, end of year</b>	<b>\$ 37,458,859</b>	<b>\$ 8,618,600</b>	<b>\$ 46,077,459</b>	<b>\$ 43,715,540</b>

See accompanying notes.

**Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund**

Consolidated Statement of Functional Expenses  
For the Year Ended September 30, 2023  
(With Comparative Totals for the Year Ended September 30, 2022)

	Program Services			Supporting Services			2023 Total	2022 Total
	Biodiversity Conservation	Constituency Mobilization	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and wages	\$ 7,238,995	\$ 3,888,410	\$ 11,127,405	\$ 2,642,517	\$ 289,792	\$ 2,932,309	\$ 14,059,714	\$ 13,586,425
Payroll taxes and benefits	1,805,277	983,126	2,788,403	663,388	76,362	739,750	3,528,153	3,606,073
Professional fundraising fees	-	1,673,070	1,673,070	139,361	154,400	293,761	1,966,831	1,431,179
Other professional fees	890,070	861,705	1,751,775	468,059	140,394	608,453	2,360,228	3,649,109
Grants and contributions	681,399	70,845	752,244	4,000	-	4,000	756,244	690,005
Computer services	58,001	727,335	785,336	451,839	39,264	491,103	1,276,439	1,140,268
Conference fees	22,939	3,978	26,917	1,974	135	2,109	29,026	13,950
Advertising	31,216	866,463	897,679	72,646	93,385	166,031	1,063,710	1,290,183
Membership incentives and fulfillment	-	1,393,826	1,393,826	52	8	60	1,393,886	1,371,457
Supplies	236,729	34,811	271,540	3,457	842	4,299	275,839	165,489
Telephone	8,537	1,995	10,532	178,583	176	178,759	189,291	184,621
Postage and shipping	66,372	2,931,978	2,998,350	366,702	141,875	508,577	3,506,927	3,686,796
Occupancy	558,799	142,702	701,501	125,785	5,251	131,036	832,537	891,831
Equipment rental and maintenance	27,200	12,353	39,553	8,711	598	9,309	48,862	60,528
Printing and publications	52,873	3,124,177	3,177,050	328,748	129,920	458,668	3,635,718	3,711,516
Travel	312,120	81,358	393,478	13,580	2,843	16,423	409,901	167,741
Meetings	41,663	22,590	64,253	5,895	2,299	8,194	72,447	45,563
Training	23,340	6,475	29,815	7,244	3,061	10,305	40,120	35,733
Interest	2,600	1,182	3,782	833	57	890	4,672	2,051
Depreciation and amortization	396,688	180,162	576,850	127,038	8,724	135,762	712,612	732,960
Honoraria	1,475	325	1,800	200	-	200	2,000	1,750
Staffing, temporary help, and other	9,911	3,493	13,404	32,348	205	32,553	45,957	83,616
List rentals	-	43,161	43,161	5,112	5,096	10,208	53,369	175,290
Insurance	65,917	29,937	95,854	21,110	1,450	22,560	118,414	114,127
Royalties	6,557	9,554	16,111	19	8	27	16,138	42,782
Taxes, fees, and licenses	157,875	71,702	229,577	62,006	3,471	65,477	295,054	278,510
Dues and subscriptions	68,412	76,095	144,507	6,969	1,180	8,149	152,656	148,481
DR transaction fees/bank fees	-	-	-	586,537	-	586,537	586,537	531,108
Contributed services	5,595,301	91,428	5,686,729	211,540	10,244	221,784	5,908,513	5,046,528
<b>Total Expenses</b>	<b>\$ 18,360,266</b>	<b>\$ 17,334,236</b>	<b>\$ 35,694,502</b>	<b>\$ 6,536,253</b>	<b>\$ 1,111,040</b>	<b>\$ 7,647,293</b>	<b>\$ 43,341,795</b>	<b>\$ 42,885,670</b>

See accompanying notes.



**Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund**

Consolidated Statements of Cash Flows  
For the Years Ended September 30, 2023 and 2022

	2023	2022
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 2,361,919	\$ (1,710,518)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	587,398	732,960
Net realized and unrealized (gains) losses on investments	(2,698,934)	6,953,879
Donated securities	(412,100)	(470,844)
Change in value of charitable remainder and other trusts	(80,071)	457,681
Change in value of annuity reserve fund	57,408	861,476
Change in discount on grants and contributions receivable	12,926	1,078
Amortization of ROU operating lease assets	125,214	-
Effect of adoption of the new lease standard	21,008	-
Change in operating assets and liabilities:		
(Increase) decrease in:		
Bequests and trusts receivable	(659,352)	(485,143)
Grants and contributions receivable	58,124	355,428
Accounts receivable	(6,665)	121,249
Prepaid expenses	(191,668)	350,222
Inventory	(493,796)	101,539
Deferred compensation	(34,821)	9,942
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,088,372)	150,026
Annuity and other split-interest obligations	(79,123)	(173,839)
Deferred compensation	34,821	(9,942)
Operating lease liabilities	(133,530)	-
Net cash (used in) provided by operating activities	(2,619,614)	7,245,194
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	1,945,681	444,235
Purchase of investments	(1,026,981)	(3,933,143)
Purchase of property and equipment	(95,000)	(176,476)
Net cash provided by (used in) investing activities	823,700	(3,665,384)
<b>Cash Flows from Financing Activity</b>		
Principal payments under capital lease	(25,586)	(27,880)
Net cash used in financing activity	(25,586)	(27,880)
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(1,821,500)	3,551,930
<b>Cash and Cash Equivalents, beginning of year</b>	5,503,375	1,951,445
<b>Cash and Cash Equivalents, end of year</b>	\$ 3,681,875	\$ 5,503,375

See accompanying notes.

# Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

## 1. Nature of Operations

Defenders of Wildlife (DOW) is a District of Columbia nonprofit corporation founded in 1947. DOW is a national, nonprofit membership organization dedicated to the protection of all native animals and plants in their natural communities. Programs are primarily funded through grants and contributions.

Defenders of Wildlife Action Fund (“the Action Fund”) was incorporated on June 22, 2017 in the District of Columbia. The Action Fund is a national nonprofit social welfare organization, whose only member is DOW. The Action Fund was organized for the purpose of protecting wildlife, natural habitats, and the environment by educating people about wildlife, and advocating for laws, regulations, and policies that will positively affect wildlife, habitats, and the environment.

## 2. Summary of Significant Accounting Policies

### Principles of Consolidation

Consolidated financial statements are presented due to varying degrees of control and financial interests between DOW and the Action Fund. DOW and the Action Fund share certain personnel and overhead costs, with the shared costs allocated between the two entities based on a resource-sharing and expense reimbursement agreement. All significant intercompany balances and transactions are eliminated in consolidation. Except when referred to separately, both entities are collectively referred to as “Defenders” throughout the accompanying consolidated financial statements and related notes.

### Comparative Information

The consolidated statement of activities includes certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Defenders’ consolidated financial statements for the year ended September 30, 2022, from which the summarized information was derived.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 2. Summary of Significant Accounting Policies (continued)

#### Basis of Accounting and Presentation

Defenders' consolidated financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions in the following classes:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### Cash Equivalents

Cash equivalents consist of interest-earning checking accounts, as well as highly liquid investments with original maturities of three months or less. Temporary cash investments are placed with creditworthy, high-quality financial institutions. These banking arrangements preclude any significant concentration of uninsured cash. The carrying amounts in the consolidated statements of financial position approximate fair value because of the short-term maturities of the instruments.

#### Investments

Investments are recorded at fair value based on quoted market prices. All realized and unrealized gains and losses, net of investment management fees, are reported as a component of net investment return in the accompanying consolidated statement of activities. Certain investments are recorded as long-term, as Defenders has the intent and ability to hold them for more than one year. Short-term investments are included with current assets, since the intent is for them to be available for working capital purposes, if needed.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 2. Summary of Significant Accounting Policies (continued)

#### Grants and Contributions Receivable

All grants and contributions receivable are reflected at either net realizable value or at net present value based on projected cash flows. Amounts receivable in more than one year initially recorded in the years ended September 30, 2023 and 2022 were discounted at an average annual rate of 5.03% and 4.22%, respectively, using a rate that considers market and credit risk. Defenders' policy is to write off uncollectible grants and contributions receivable when management determines the receivable will not be collected. All grants and contributions receivable were deemed fully collectible at September 30, 2023 and 2022.

#### Accounts Receivable

Accounts receivable consist of royalties, list rentals, pension forfeitures, and other receivables. All accounts receivable are recorded at net realizable value. Defenders' policy is to charge off uncollectible accounts receivable when management determines the receivable will not be collected. No allowance for uncollectible accounts has been established at September 30, 2023 and 2022, as all amounts are deemed fully collectible.

#### Inventory

Inventory includes membership items, such as bags and jackets, which are branded with Defenders' logo. Inventory is recorded at cost (using specific identification), and is expensed when used. No allowance was recorded for inventory obsolescence at September 30, 2023 and 2022, respectively.

#### Property and Equipment

Property and equipment purchased at a cost of \$1,000 or more are capitalized and recorded at acquisition cost. The building is depreciated over an estimated useful life of 25 years. Furniture, equipment, and improvements are depreciated over estimated useful lives of five to 25 years, with no salvage value. All depreciation is computed using the straight-line method. Donated items are recorded at fair market value.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended September 30, 2023 and 2022.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 2. Summary of Significant Accounting Policies (continued)

#### Assets Held and Liabilities Under Split-Interest Agreements

Defenders receives certain planned gift donations that benefit not only Defenders, but also another beneficiary designated by the donor. These contributions are term split-interest agreements, which include charitable remainder trusts, charitable gift annuities, a pooled income fund, and perpetual trusts.

##### *Charitable Remainder Trusts*

Defenders acts as trustee for various irrevocable charitable remainder trusts. These trusts are governed by the respective trust agreements, which generally provide for either an income stream or a future distribution of cash, in whole or in part, for a specified period or upon the occurrence of a specific event, respectively. The trust assets are recorded at fair value, and a related liability for future payments to be made to specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect assumptions market participants would use in pricing the liability. The excess of contributed assets over the trust liability is recorded as a contribution with donor restrictions until such amount is received via trust distribution or is expended in satisfaction of the donor-restricted purpose stipulated by the trust agreement, or both, if any. In subsequent years, the liability for future trust payments to the donor is reduced by payments made to the donor and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the fiscal year. Upon termination of the trust, the remaining liability is removed and recognized as income.

##### *Charitable Gift Annuities*

Under charitable gift annuity contracts, Defenders receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability.

The excess of contributed assets over the annuity liability is recorded as a contribution with donor restrictions. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the fiscal year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 2. Summary of Significant Accounting Policies (continued)

#### Assets Held and Liabilities Under Split-Interest Agreements (continued)

##### *Charitable Gift Annuities (continued)*

According to certain state laws, the charitable gift annuity reserve fund is invested primarily in money market funds, bonds, mutual funds, and fixed income investments. As of September 30, 2023 and 2022, Defenders had sufficient funds in its reserve fund to meet the California Insurance Code (“the Code”) requirements, and those funds were invested in accordance with the Code.

##### *Pooled Income Fund*

In 1980, Defenders established a pooled income fund. The fund is divided into units, and contributions of many donors’ life-income gifts are pooled and invested as a group. Each donor is assigned a specific number of units based on the proportion of the fair value of their contributions to the total fair value of the pooled income fund on the date of the donor’s entry to the pooled fund. Until a donor’s death, the donor (or a designated beneficiary) is paid the actual income earned on the donor’s assigned units. Upon the donor’s death, the value of these assigned units reverts to Defenders.

#### Beneficial Interests in Trusts Held by Others

##### *Charitable Remainder Trusts Held by Others*

Defenders has been named as an irrevocable beneficiary of several charitable trusts held and administered by independent trustees. These trusts were created independently by donors and are administered by outside agents designated by the donors.

Therefore, Defenders has neither possession nor control over the assets of the trusts. At the date Defenders receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the consolidated statement of activities, and a beneficial interest in charitable trusts held by others is recorded in the consolidated statements of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trusts are reported at fair value in the consolidated statements of financial position, with changes in fair value recognized in the consolidated statement of activities.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 2. Summary of Significant Accounting Policies (continued)

#### Beneficial Interests in Trusts Held by Others (continued)

##### *Charitable Remainder Trusts Held by Others (continued)*

Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions.

##### *Perpetual Trusts Held by Others*

Defenders was named as an irrevocable beneficiary of several perpetual trusts held and administered by a third-party trustee. Under the terms of the trust, Defenders has the irrevocable right to receive the income earned on the trust assets in perpetuity, but never receives the assets held in trust. The beneficial interests are recorded at fair value, which is measured using the fair value of the assets contributed to the trust. Distributions of the trusts' annual earnings are recorded as unrestricted income and any changes in the market value of the original gifts are reported as restricted gains and losses in the accompanying consolidated statement of activities.

#### Leases

Defenders determines if an arrangement is a lease at inception for all lease transactions with an initial term greater than one year. Both operating and finance leases are included in right-of-use ("ROU") lease assets, which represents Defenders' right to use an underlying asset for the lease terms. Lease liabilities represent Defenders' obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Finance lease assets and liabilities are recognized at the lower of their present value of the minimum lease payments or the fair value of the assets.

As Defenders' leases do not provide an implicit rate, accordingly, Defenders elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate to calculate the present value of lease payments. The ROU assets also include any lease payments made and exclude lease incentives. Defenders' lease terms may include options to extend or terminate the lease when it is reasonably certain that Defenders will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Defenders elected a short-term leases exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 2. Summary of Significant Accounting Policies (continued)

#### Revenue Recognition

##### *Revenue Accounted for in Accordance with Contribution Accounting*

*Grants and contributions* that are nonreciprocal are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Defenders reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of Defenders' programs or to a future year. 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 consolidated statement of activities as net assets released from restrictions.

Contributions with donor restrictions to the endowment corpus are invested in perpetuity by or on Defenders' behalf. The principal of the gift is never expended, while the investment return is spent on current restricted or unrestricted programs as specified by the donor.

Defenders receives certain promises to give, collected over multiple accounting periods, and classifies the portion receivable in future accounting periods as restricted revenue. Defenders discounts the promises to give using an appropriate discount rate over the contribution period.

*Bequests* are recognized as revenue at the time the probate court declares the will valid and the proceeds are reasonably measurable. It is Defenders' practice to reduce these amounts by approximately 10% before recording the receivable, for estimated administration costs associated with the estates.

*Donated services* that meet the criteria for recognition are recognized at fair value at the time of donation. Donated services consist of pro-bono legal services and advertising, and are reported as contributed goods and services in the accompanying consolidated statement of activities. The value of these donated services is included in the consolidated financial statements as both revenue and expense in the amounts of \$5,908,513 and \$5,046,528 for the years ended September 30, 2023 and 2022, respectively.



## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 2. Summary of Significant Accounting Policies (continued)

#### Revenue Recognition (continued)

##### *Revenue Accounted for as Contracts*

Revenue is recognized when Defenders satisfies a performance obligation by transferring a promised good or performing a service. The amount of revenue recognized reflects the consideration Defenders expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, Defenders combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the consolidated statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Defenders recognizes rental revenue in the accounting period for which the performance obligation is satisfied. Any rental revenue payments received in advance are deferred until earned.

#### Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### Advertising Costs

Defenders expenses advertising costs as incurred. Advertising expenses were \$1,063,710 and \$1,290,183 for the years ended September 30, 2023 and 2022, respectively.

#### Use of Estimates

The preparation of consolidated 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 amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the split-interest agreements; carrying value of land, buildings, and equipment; and bequests and trusts receivable.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 2. Summary of Significant Accounting Policies (continued)

#### Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Accounting Standards Codification (ASC) 842, *Leases*. The update requires a lessee to recognize an ROU asset and lease liability, initially measured at the present value of the lease payments, in its consolidated statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective for Defenders' fiscal year ended September 30, 2023. Defenders adopted ASC 842 during the year ended September 30, 2023, and adjusted the presentation in the consolidated financial statements as permitted by ASC 842. A modified retrospective transition approach is required for lessees for finance and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to increase transparency of contributed nonfinancial assets for nonprofit entities through enhancements in presentation and disclosure requirements. Nonprofit entities are required to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, apart from contributions of cash and other financial contributions. Nonprofit entities are also required to disclose various information related to contributed nonfinancial assets. Defenders adopted ASU 2020-07 in fiscal year 2023, and has adjusted presentation in the consolidated financial statements and related notes as permitted by ASU 2020-07.

#### Subsequent Events

In preparing these consolidated financial statements, Defenders has evaluated events and transactions for potential recognition or disclosure through February 13, 2024, the date the consolidated financial statements were available to be issued.

Subsequent to year end, on November 6, 2023, the President and Chief Executive Officer of Defenders announced her decision to step down from her position in fiscal year 2024. As part of the transition, a retention agreement was signed in January 2024 between the outgoing President and Chief Executive Officer and the Chair of the Board of Directors. The agreement contains terms that, in addition to her current compensation package, include an additional payment that accrues monthly and will be paid at the end of the retention period if she stays for the entire period.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 3. Liquidity and Availability

Financial assets that are available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following at September 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,681,875	\$ 5,503,375
Short-term investments	17	23,120
Bequests and trusts receivable	2,012,211	1,352,859
Grants and contributions receivable – due within one year	701,915	856,540
Accounts receivable	<u>199,877</u>	<u>193,212</u>
Total available for general expenditures	<u>\$ 6,595,895</u>	<u>\$ 7,929,106</u>

Defenders considers net assets with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. Defenders' endowment funds consist of beneficial interests in perpetual trusts and other donor-restricted endowments to be held in perpetuity. Donor-restricted endowment funds are not available for general expenditures.

### 4. Concentration of Credit Risk

Financial instruments that potentially subject Defenders to significant concentrations of credit risk consist of cash and cash equivalents, and investments. Defenders maintains cash deposits and investments with various financial institutions that may, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). Defenders has not experienced any losses on its cash and cash equivalents, and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 5. Investments and Fair Value Measurements

#### Fair Value Measurements

Defenders follows FASB ASC 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period. In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability.

The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to Defenders' assessment of the quality, risk, or liquidity profile of the asset or liability. In general, and where applicable, Defenders uses quoted prices in active markets for identical assets and quoted market prices for similar assets in markets that are not active to determine fair value. This pricing methodology applies to Level 1 and Level 2 investments.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 5. Investments and Fair Value Measurements (continued)

#### Fair Value Measurements (continued)

The following table presents Defenders' fair value hierarchy for those assets measured on a recurring basis as of September 30, 2023:

	Level 1	Level 2	Level 3	Total fair value
Investments:				
Money market funds	\$ 1,347,189	\$ -	\$ -	\$ 1,347,189
Short-term bonds	104,474	-	-	104,474
Mutual funds:				
Equity	18,170,006	-	-	18,170,006
Fixed income	9,071,045	-	-	9,071,045
<b>Total investments</b>	<b>28,692,714</b>	<b>-</b>	<b>-</b>	<b>28,692,714</b>
Annuity reserve fund:				
Money market funds	214,853	-	-	214,853
Fixed income	1,712,816	-	-	1,712,816
Equity	1,123,324	-	-	1,123,324
<b>Total annuity reserve fund</b>	<b>3,050,993</b>	<b>-</b>	<b>-</b>	<b>3,050,993</b>
Beneficial interests in trusts:				
Charitable remainder trusts	276,796	-	245,704	522,500
Pooled income fund	-	42,396	-	42,396
Perpetual trusts	-	-	1,350,066	1,350,066
<b>Total beneficial interests in trusts</b>	<b>276,796</b>	<b>42,396</b>	<b>1,595,770</b>	<b>1,914,962</b>
Deferred compensation:				
Mutual funds	192,427	-	-	192,427
<b>Total assets at fair value</b>	<b>\$ 32,212,930</b>	<b>\$ 42,396</b>	<b>\$ 1,595,770</b>	<b>\$ 33,851,096</b>

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 5. Investments and Fair Value Measurements (continued)

#### Fair Value Measurements (continued)

The following table presents Defenders' fair value hierarchy for those assets measured on a recurring basis as of September 30, 2022:

	Level 1	Level 2	Level 3	Total fair value
Investments:				
Money market funds	\$ 1,048,008	\$ -	\$ -	\$ 1,048,008
Short-term bonds	101,922	-	-	101,922
Mutual funds:				
Equity	16,336,323	-	-	16,336,323
Fixed income	9,014,127	-	-	9,014,127
<b>Total investments</b>	<b>26,500,380</b>	<b>-</b>	<b>-</b>	<b>26,500,380</b>
Annuity reserve fund:				
Money market funds	66,337	-	-	66,337
Fixed income	1,835,932	-	-	1,835,932
Equity	1,206,132	-	-	1,206,132
<b>Total annuity reserve fund</b>	<b>3,108,401</b>	<b>-</b>	<b>-</b>	<b>3,108,401</b>
Beneficial interests in trusts:				
Charitable remainder trusts	260,155	-	237,358	497,513
Pooled income fund	-	84,724	-	84,724
Perpetual trusts	-	-	1,252,654	1,252,654
<b>Total beneficial interests in trusts</b>	<b>260,155</b>	<b>84,724</b>	<b>1,490,012</b>	<b>1,834,891</b>
Deferred compensation:				
Mutual funds	157,606	-	-	157,606
<b>Total assets at fair value</b>	<b>\$ 30,026,542</b>	<b>\$ 84,724</b>	<b>\$ 1,490,012</b>	<b>\$ 31,601,278</b>

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 5. Investments and Fair Value Measurements (continued)

#### Fair Value Measurements (continued)

Defenders used the following methods and significant assumptions to estimate fair value of assets recorded at fair value:

#### Investments

##### *Level 1*

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 includes money market funds, mutual funds, corporate bonds, stocks, and fixed income securities held as investments.

#### Annuity Reserve Fund

##### *Level 1*

Annuity reserve fund is primarily invested in money market funds, bonds, mutual funds, and fixed income investments, which are valued at fair value based on quoted market prices of the underlying investments, and therefore classified as Level 1.

#### Beneficial Interests in Trusts

##### *Level 1*

Charitable remainder trust assets for which Defenders is a trustee are invested in a diversified portfolio of mutual funds and marketable securities, which are valued at fair value based on quoted market prices of the underlying investments, and are therefore classified within Level 1.

##### *Level 2*

Pooled income fund consists primarily of fixed income equity mutual funds that are valued at price per unit of shares held by Defenders at year end and are based on quoted market prices in active markets.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 5. Investments and Fair Value Measurements (continued)

#### Fair Value Measurements (continued)

##### *Level 3*

The fair values of beneficial interests in charitable and perpetual trusts are determined by using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees. These are considered to be Level 3 measurements. The following table is a rollforward of the fair value measurements using unobservable inputs (Level 3):

	Charitable Remainder Trusts	Interest in Perpetual Trusts	Total Assets
Value at September 30, 2021	\$ 314,909	\$ 1,544,188	\$ 1,859,097
Change in value	(77,551)	(291,534)	(369,085)
Value at September 30, 2022	237,358	1,252,654	1,490,012
Change in value	8,346	97,412	105,758
Value at September 30, 2023	\$ 245,704	\$ 1,350,066	\$ 1,595,770

#### Net Investment Return

Net investment return consists of the following for the years ended September 30:

	2023	2022
Interest and dividends	\$ 745,830	\$ 619,563
Unrealized gains (losses)	4,028,333	(6,558,237)
Realized losses	(1,329,399)	(395,642)
Less: investment management fees	(120,611)	(120,585)
Total investment return, net	\$ 3,324,153	\$ (6,454,901)



## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 6. Grants and Contributions Receivable

Grants and contributions receivable are promised as follows at September 30:

	2023	2022
Due in less than one year	\$ 701,915	\$ 856,540
Due in one to five years	110,311	15,000
Total grants and contributions receivable	812,226	871,540
Less: discount	(12,926)	(1,190)
Grants and contributions receivable, net	\$ 799,300	\$ 870,350

### 7. Split-Interest Agreements

Liabilities under split-interest agreements included in the accompanying consolidated statements of financial position were \$2,017,222 and \$2,096,345 at September 30, 2023 and 2022, respectively. Net contributions under split-interest agreements were approximately \$36,944 and \$48,823 for the years ended September 30, 2023 and 2022, respectively.

Assets held under split-interest agreements in the accompanying consolidated statements of financial position were comprised of the following at September 30:

	2023	2022
Investments – annuity reserve fund	\$ 3,050,993	\$ 3,108,401
Beneficial interests in trusts:		
Assets held by Defenders:		
Charitable remainder trusts	276,796	260,155
Pooled income fund	42,396	84,724
Assets held by a third party:		
Charitable remainder trusts	245,704	237,358
Perpetual trusts	1,350,066	1,252,654
Total beneficial interests in trusts	1,914,962	1,834,891
Total split-interest agreements	\$ 4,965,955	\$ 4,943,292

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 8. Property and Equipment

Defenders held the following property and equipment at September 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 4,585,586	\$ 4,585,586
Buildings and improvements	9,702,211	9,636,197
Computer equipment	2,805,496	2,787,010
Furniture and equipment	1,159,753	1,149,253
Website	<u>228,375</u>	<u>346,931</u>
Total property and equipment	18,481,421	18,504,977
Less: accumulated depreciation	<u>(11,011,185)</u>	<u>(10,567,929)</u>
Property and equipment, net	<u><u>\$ 7,470,236</u></u>	<u><u>\$ 7,937,048</u></u>

### 9. Net Assets

#### Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of the following at September 30:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 29,988,624	\$ 26,512,976
Land and building	7,265,732	7,585,055
Property and equipment	<u>204,503</u>	<u>351,993</u>
Total net assets without donor restrictions	<u><u>\$ 37,458,859</u></u>	<u><u>\$ 34,450,024</u></u>

Net assets without donor restrictions include undesignated funds that have not been specifically set aside by the Board for an internally-designated purpose and are available for general operations, as well as funds designated for purposes of future property and equipment needs.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 9. Net Assets (continued)

#### Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at September 30:

	2023	2022
Subject to expenditure for specific purpose:		
Program grants	\$ 5,304,736	\$ 6,060,316
Subject to the passage of time:		
Charitable remainder and other trusts	366,330	346,884
Charitable gift annuities	1,189,940	1,162,683
Pooled income fund	42,396	84,724
Lloyd Symington Memorial Fund for Wildlife Education	162,512	162,512
Total subject to the passage of time	1,761,178	1,756,803
Endowments:		
Beneficial interest in perpetual trusts Harding Educational and Charitable Foundation	1,350,066	1,252,654
Lloyd Symington Memorial Fund for Wildlife Education	40,930	39,540
Total endowments	1,552,686	1,448,397
Total net assets with donor restrictions	\$ 8,618,600	\$ 9,265,516

#### *Subject to Expenditure for Specific Purpose*

Defenders receives a number of program-specific grants that are often expended over more than one fiscal year. The unused grant funds that are not expended at the end of the fiscal year are carried over to the next fiscal year, and are classified as net assets with donor restrictions until appropriate expenses are incurred in accordance with the program restrictions.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 9. Net Assets (continued)

#### Net Assets With Donor Restrictions (continued)

##### *Subject to the Passage of Time*

As discussed in Note 2, Defenders is party to various split-interest agreements with donors, including irrevocable charitable remainder trusts, charitable gift annuities, pooled income funds, perpetual trusts, and similar arrangements. Certain revenues from these arrangements are restricted for the purposes or time periods specified in the arrangements.

### 10. Endowment

Defenders' endowment includes beneficial interests in perpetual trusts and other donor-restricted contributions to be held in perpetuity, the earnings of which can be used to fund either specific programs or general operations. Under accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The Board of Directors of Defenders has interpreted the District of Columbia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Defenders classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, Defenders considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) duration and preservation of the fund; (2) purposes of Defenders and the donor-restricted endowment fund; (3) general economic conditions; (4) possible effect of inflation and deflation; (5) expected total return from income and the appreciation or depreciation of investments; (6) other resources of Defenders; and (7) investment policies of Defenders.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 10. Endowment (continued)

#### Return Objectives, Risk Parameters, and Strategies

Defenders follows a conservative investment policy for endowment assets that attempts to preserve fully the original corpus and optimize returns. Should significant, new donations be made to the endowment assets, Defenders' investment policy would permit a strategy of long-term growth of the endowment assets. Under such a policy, the endowment assets would be invested in a manner that is intended to produce results exceeding major investment benchmarks while assuming a moderate level of risk.

#### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Defenders to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature would be reported by Defenders in net assets with donor restrictions. There were no donor-restricted endowment funds deficiencies for the year ended September 30, 2023.

During the year ended September 30, 2022, the donor-restricted endowment funds experienced a net investment loss. The funds held in the Harding Educational and Charitable Foundation and the Lloyd Symington Memorial Fund for Wildlife Education both experienced losses; however, the ending balances remained above the corpus balances in both funds, as earnings from prior fiscal periods covered the losses. The beneficial interest in perpetual trusts also experienced a loss that depleted its fund balance to \$1,252,654, resulting in an underwater deficit of \$87,049 below the corpus balance of \$1,339,703.

#### Composition of Endowment Net Assets

Endowment net asset composition was as follows at September 30:

	<u>2023</u>	<u>2022</u>
Donor-restricted endowment funds	<u>\$ 1,552,686</u>	<u>\$ 1,448,397</u>

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 10. Endowment (continued)

#### Changes in Endowment Net Assets

Changes in endowment net assets were as follows for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Endowment net assets, beginning of year	\$ 1,448,397	\$ 1,747,282
Investment return, net	<u>104,289</u>	<u>(298,885)</u>
Endowment net assets, end of year	<u>\$ 1,552,686</u>	<u>\$ 1,448,397</u>

### 11. Deferred Compensation Plan

Defenders maintains a non-qualified deferred compensation 457(b) plan for the President as a means of providing a supplemental benefit. Defenders contributes 7% in the aggregate of the President's compensation to the money purchase pension plan and the 457(b) plan. The Board also authorized additional contributions to the 457(b) plan as additional deferred compensation to the President up to the statutory limit of allowable contributions.

The applicable statutory maximum is contributed initially to the money purchase pension plan, and the remaining amount is contributed to the 457(b) plan. Deferred compensation and investments designated for the deferrals are only available and taxable upon termination of employment, retirement, death, or an unforeseeable emergency. Until paid or made available to the participant or beneficiary, all deferred amounts, and investment earnings related thereto, are solely the property and rights of Defenders. At September 30, 2023 and 2022, the deferred compensation assets and a corresponding liability were \$192,427 and \$157,606, respectively.

### 12. Retirement Plan

A money purchase pension plan was established by Defenders under Section 401(a) of the Internal Revenue Code (IRC), covering substantially all employees. Employees are eligible for participation after one year of service and are vested ratably over five years of service. Defenders' required contribution to the plan is 7% of each participant's aggregate compensation. Employee contributions are not permissible under the plan. Current pension costs are funded as they accrue. Total pension expense was \$669,478 and \$713,913 for the years ended September 30, 2023 and 2022, respectively.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 13. Commitments and Contingencies

#### Leases

Defenders leases office space for both of its field locations under noncancellable operating lease agreements, which expire in October 2024. Both agreements provide for increases in future minimum annual rental payments.

In addition, Defenders began to lease certain office equipment under a new finance lease that commenced on January 15, 2023 and expires on December 15, 2027.

Rental expense for all leases for the year ended September 30, 2022, using the straight-line method, was \$405,175.

Total ROU assets and lease liabilities at September 30, 2023 are as follows:

#### *Lease Assets – Classification in Consolidated Statements of Financial Position*

Operating lease ROU assets	\$ 142,067
Finance lease ROU assets	<u>158,769</u>
Total lease ROU assets	<u><u>\$ 300,836</u></u>

#### *Lease Liabilities – Classification in Consolidated Statements of Financial Position*

Operating lease liabilities	\$ 154,759
Finance lease liabilities	<u>158,769</u>
Total lease liabilities	<u><u>\$ 313,528</u></u>

Total lease costs for the year ended September 30, 2023 are as follows:

Operating lease costs	\$ 125,214
Finance lease costs:	
Amortization of ROU assets	25,586
Interest expense	<u>4,672</u>
Total lease costs	<u><u>\$ 155,472</u></u>

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 13. Commitments and Contingencies (continued)

#### Leases (continued)

The following table summarizes supplemental qualitative information related to the leases for the year ended September 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 133,530
Operating cash flows from finance lease	\$ 4,672
Financing cash flows from finance lease	\$ 25,586
ROU assets obtained in exchange for lease obligations:	
Operating leases	\$ 267,281
Finance lease	\$ 184,355
Weighted-average remaining lease term (in years):	
Operating leases	1
Finance lease	4
Weighted-average discount rate:	
Operating leases	4.12%
Finance lease	3.6%

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below for the years ending September 30:

	Operating Leases	Finance Lease	Total
2024	\$ 146,301	\$ 40,344	\$ 186,645
2025	12,204	40,344	52,548
2026	-	40,344	40,344
2027	-	40,344	40,344
2028	-	10,086	10,086
	Total minimum lease payments	171,462	329,967
	Less: discount to present value	(12,693)	(16,439)
	Present value of lease liabilities	\$ 158,769	\$ 313,528



## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 13. Commitments and Contingencies (continued)

#### Employment Agreement

Defenders has a signed employment agreement with the President and Chief Executive Officer, which contains terms that require severance payments upon the occurrence of certain contractual events.

### 14. Contributed Goods and Services

Contributed nonfinancial assets recognized within the consolidated statement of activities included the following for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Legal services	\$ 5,800,697	\$ 4,920,388
Advertising	107,816	115,426
Consulting services	<u>-</u>	<u>10,714</u>
Total contributed goods and services	<u>\$ 5,908,513</u>	<u>\$ 5,046,528</u>

Contributed legal services are provided by attorneys who advise on various conservation and administrative legal matters. Contributed legal services are used for program and supporting services and recognized at fair value based on current rates for similar legal services.

Contributed advertising is valued using estimated principal market prices of identical or similar products. Contributed advertising is used for fundraising and development.

Contributed consulting services are provided by specialists and recognized at fair value based on current rates for similar consulting services.

All contributed goods and services received during the years ended September 30, 2023 and 2022 were unrestricted.

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 15. Allocation of Joint Costs

Defenders achieves some of its programmatic, management, and general goals through direct response and similar campaigns that include requests for contributions. During the years ended September 30, 2023 and 2022, the costs of direct response programs included joint costs not directly attributable to any single function.

The costs were allocated among the following functional expense categories as follows for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Constituency mobilization	\$ 5,583,597	\$ 5,022,403
Management and general	782,812	1,158,501
Fundraising	<u>771,085</u>	<u>745,011</u>
Total allocated joint costs	<u>\$ 7,137,494</u>	<u>\$ 6,925,915</u>

### 16. Functionalized Expenses

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Defenders allocates the majority of its expenses utilizing an indirect cost allocation methodology. Expenses that are allocated include salaries and wages, employee benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort. Additionally, the remaining expenses are allocated using a methodology that is calculated based on the estimates of personnel time spent on each function per type of natural expense category, and also a consideration of square footage of space and resources dedicated to a particular function.

### 17. Income Taxes

Under IRC §501(c)(3), DOW is exempt from the payment of taxes on income other than net unrelated business income. DOW was granted nonprivate foundation status under IRC §509(a)(1) and IRC §170(b)(1)(A)(vi). No provision for taxes has been made as there were no significant taxes resulting from unrelated business activities during fiscal years 2023 and 2022. DOW has elected to be subject to the lobbying limitations under IRC §501(h).

## Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund

Notes to Consolidated Financial Statements  
September 30, 2023 and 2022

### 17. Income Taxes (continued)

Under IRC §501(c)(4), the Action Fund is exempt from the payment of taxes on income other than net unrelated business income. For the years ended September 30, 2023 and 2022, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded.

Management has evaluated Defenders' tax positions and concluded that Defenders had no significant uncertain tax positions at September 30, 2023 and 2022.

### 18. Supplementary Disclosures of Cash Flow Information

	2023	2022
Noncash transactions arising from ASC 842 adoption:		
Recognition of operating lease right-of-use assets	\$ (267,281)	\$ -
Recognition of operating lease liabilities	\$ 288,289	\$ -
Write-off of deferred rent	\$ (21,008)	\$ -
Establishment of finance right-of-use asset	\$ (184,355)	\$ -
Establishment of finance lease liability	\$ 184,355	\$ -
Interest paid	\$ 4,672	\$ 2,051
Donated securities	\$ 412,100	\$ 470,844

**SUPPLEMENTARY INFORMATION**

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**Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund**

Consolidating Schedule of Financial Position  
September 30, 2023

	<u>DOW</u>	<u>Action Fund</u>	<u>Elimination</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 3,401,277	\$ 280,598	\$ -	\$ 3,681,875
Short-term investments	17	-	-	17
Investments – annuity reserve fund	3,050,993	-	-	3,050,993
Bequests and trusts receivable	2,012,211	-	-	2,012,211
Grants and contributions receivable, current portion	696,915	5,000	-	701,915
Accounts receivable	199,684	193	-	199,877
Prepaid expenses	966,724	-	-	966,724
Inventory	1,169,463	-	-	1,169,463
Total current assets	<u>11,497,284</u>	<u>285,791</u>	-	<u>11,783,075</u>
Long-term investments	28,692,697	-	-	28,692,697
Grants and contributions receivable, long-term, net	97,385	-	-	97,385
Beneficial interests in trusts	1,914,962	-	-	1,914,962
Lease right-of-use assets	300,836	-	-	300,836
Property and equipment, net	7,470,236	-	-	7,470,236
Deferred compensation	192,427	-	-	192,427
Total assets	<u>\$ 50,165,827</u>	<u>\$ 285,791</u>	<u>\$ -</u>	<u>\$ 50,451,618</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 1,850,789	\$ 193	\$ -	\$ 1,850,982
Annuity and other split-interest obligations, current portion	293,455	-	-	293,455
Total current liabilities	<u>2,144,244</u>	<u>193</u>	-	<u>2,144,437</u>
Annuity and other split-interest obligations, long-term	1,723,767	-	-	1,723,767
Lease liabilities	313,528	-	-	313,528
Deferred compensation	192,427	-	-	192,427
Total liabilities	<u>4,373,966</u>	<u>193</u>	-	<u>4,374,159</u>
<b>Net Assets</b>				
Without donor restrictions	37,173,261	285,598	-	37,458,859
With donor restrictions	8,618,600	-	-	8,618,600
Total net assets	<u>45,791,861</u>	<u>285,598</u>	-	<u>46,077,459</u>
Total liabilities and net assets	<u>\$ 50,165,827</u>	<u>\$ 285,791</u>	<u>\$ -</u>	<u>\$ 50,451,618</u>

**Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund**

Consolidating Schedule of Financial Position  
September 30, 2022

	<u>DOW</u>	<u>Action Fund</u>	<u>Elimination</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 5,225,076	\$ 278,299	\$ -	\$ 5,503,375
Short-term investments	23,120	-	-	23,120
Investments – annuity reserve fund	3,108,401	-	-	3,108,401
Bequests and trusts receivable	1,352,859	-	-	1,352,859
Grants and contributions receivable, current portion	856,540	-	-	856,540
Accounts receivable	193,157	4,615	(4,560)	193,212
Prepaid expenses	775,056	-	-	775,056
Inventory	675,667	-	-	675,667
Total current assets	<u>12,209,876</u>	<u>282,914</u>	<u>(4,560)</u>	<u>12,488,230</u>
Long-term investments	26,477,260	-	-	26,477,260
Grants and contributions receivable, long-term, net	13,810	-	-	13,810
Beneficial interests in trusts	1,834,891	-	-	1,834,891
Property and equipment, net	7,937,048	-	-	7,937,048
Deferred compensation	157,606	-	-	157,606
Total assets	<u>\$ 48,630,491</u>	<u>\$ 282,914</u>	<u>\$ (4,560)</u>	<u>\$ 48,908,845</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 2,943,728	\$ 186	\$ (4,560)	\$ 2,939,354
Annuity and other split-interest obligations, current portion	303,030	-	-	303,030
Total current liabilities	<u>3,246,758</u>	<u>186</u>	<u>(4,560)</u>	<u>3,242,384</u>
Annuity and other split-interest obligations, long-term	1,793,315	-	-	1,793,315
Deferred compensation	157,606	-	-	157,606
Total liabilities	<u>5,197,679</u>	<u>186</u>	<u>(4,560)</u>	<u>5,193,305</u>
<b>Net Assets</b>				
Without donor restrictions	34,167,296	282,728	-	34,450,024
With donor restrictions	9,265,516	-	-	9,265,516
Total net assets	<u>43,432,812</u>	<u>282,728</u>	<u>-</u>	<u>43,715,540</u>
Total liabilities and net assets	<u>\$ 48,630,491</u>	<u>\$ 282,914</u>	<u>\$ (4,560)</u>	<u>\$ 48,908,845</u>

**Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund**

Consolidating Schedule of Activities  
For the Year Ended September 30, 2023

	DOW		Action Fund		Elimination	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions			
<b>Revenue and Support</b>						
Grants and contributions	\$ 22,351,821	\$ 4,150,644	\$ 5,000	\$ -	\$ -	\$ 26,507,465
Contributed goods and services	5,908,513	-	-	-	-	5,908,513
Bequests	8,436,965	706,337	-	-	-	9,143,302
Royalties	345,429	-	-	-	-	345,429
Investment return, net	3,315,148	7,036	1,969	-	-	3,324,153
Split-interest contributions	-	36,944	-	-	-	36,944
Change in value of split interests	97,286	64,844	-	-	-	162,130
Mailing list royalties	227,556	-	-	-	-	227,556
Other income	48,398	-	-	(176)	-	48,222
Released from restrictions – programs	5,612,721	(5,612,721)	-	-	-	-
<b>Total revenue and support</b>	<b>46,343,837</b>	<b>(646,916)</b>	<b>6,969</b>	<b>(176)</b>	<b>(176)</b>	<b>45,703,714</b>
<b>Expenses</b>						
Program services:						
Biodiversity conservation	18,360,266	-	-	-	-	18,360,266
Constituency mobilization	17,334,236	-	-	-	-	17,334,236
<b>Total program services</b>	<b>35,694,502</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,694,502</b>
Supporting services:						
Management and general	6,532,330	-	4,099	(176)	-	6,536,253
Fundraising	1,111,040	-	-	-	-	1,111,040
<b>Total supporting services</b>	<b>7,643,370</b>	<b>-</b>	<b>4,099</b>	<b>(176)</b>	<b>(176)</b>	<b>7,647,293</b>
<b>Total expenses</b>	<b>43,337,872</b>	<b>-</b>	<b>4,099</b>	<b>(176)</b>	<b>(176)</b>	<b>43,341,795</b>
<b>Change in Net Assets</b>	<b>3,005,965</b>	<b>(646,916)</b>	<b>2,870</b>	<b>-</b>	<b>-</b>	<b>2,361,919</b>
<b>Net Assets, beginning of year</b>	<b>34,167,296</b>	<b>9,265,516</b>	<b>282,728</b>	<b>-</b>	<b>-</b>	<b>43,715,540</b>
<b>Net Assets, end of year</b>	<b>\$ 37,173,261</b>	<b>\$ 8,618,600</b>	<b>\$ 285,598</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 46,077,459</b>

**Defenders of Wildlife and Affiliated Defenders of Wildlife Action Fund**

Consolidating Schedule of Activities  
For the Year Ended September 30, 2022

	DOW		Action Fund		Elimination	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions			
<b>Revenue and Support</b>						
Grants and contributions	\$ 24,464,373	\$ 4,481,498	\$ 5,000	\$ -	\$ -	\$ 28,950,871
Contributed goods and services	5,046,528	-	-	-	-	5,046,528
Bequests	13,876,255	3,000	-	-	-	13,879,255
Royalties	511,236	-	-	-	-	511,236
Investment return, net	(6,448,919)	(6,537)	555	-	-	(6,454,901)
Split-interest contributions	-	48,823	-	-	-	48,823
Change in value of split interests	154,708	(1,194,143)	-	-	-	(1,039,435)
Mailing list royalties	200,213	-	-	-	-	200,213
Other income	32,734	-	-	(172)	-	32,562
Released from restrictions – programs	6,768,013	(6,768,013)	-	-	-	-
<b>Total revenue and support</b>	<b>44,605,141</b>	<b>(3,435,372)</b>	<b>5,555</b>	<b>(172)</b>		<b>41,175,152</b>
<b>Expenses</b>						
Program services:						
Biodiversity conservation	18,969,725	-	-	-	-	18,969,725
Constituency mobilization	16,528,176	-	-	-	-	16,528,176
<b>Total program services</b>	<b>35,497,901</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,497,901</b>
Supporting services:						
Management and general	6,354,049	-	4,439	(172)	-	6,358,316
Fundraising	1,029,453	-	-	-	-	1,029,453
<b>Total supporting services</b>	<b>7,383,502</b>	<b>-</b>	<b>4,439</b>	<b>(172)</b>	<b>-</b>	<b>7,387,769</b>
<b>Total expenses</b>	<b>42,881,403</b>	<b>-</b>	<b>4,439</b>	<b>(172)</b>		<b>42,885,670</b>
<b>Change in Net Assets</b>	<b>1,723,738</b>	<b>(3,435,372)</b>	<b>1,116</b>	<b>-</b>		<b>(1,710,518)</b>
<b>Net Assets, beginning of year</b>	<b>32,443,558</b>	<b>12,700,888</b>	<b>281,612</b>	<b>-</b>		<b>45,426,058</b>
<b>Net Assets, end of year</b>	<b>\$ 34,167,296</b>	<b>\$ 9,265,516</b>	<b>\$ 282,728</b>	<b>\$ -</b>		<b>\$ 43,715,540</b>