Defenders of Wildlife

Financial Statements
and Independent Auditors' Report

September 30, 2015 and 2014

Defenders of Wildlife

Financial Statements
September 30, 2015 and 2014

Contents

Rogers & Company PLLC
Certified Public Accountants

8300 Boone Boulevard
Suite 600
Vienna, Virginia 22182

703.893.0300 voice
703.893.4070 facsimile
www.rogerspllc.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Defenders of Wildlife

We have audited the accompanying financial statements of Defenders of Wildlife ("Defenders"), which comprise the statement of financial position as of September 30, 2015, the related statements of activities and cash flows for the year 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 audit 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.

ROGERS & COMPANY

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Defenders as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on page 29 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Defenders' September 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 20, 2015. In our opinion, the summarized comparative information presented herein, as of and for the year ended September 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rogers + Company PLLC

Vienna, Virginia
February 16, 2016

Defenders of Wildlife

Statements of Financial Position
September 30, 2015 and 2014

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	$ 6,487,547	$ 6,337,440
Short-term investments	1,832,059	1,392,916
Investments – annuity reserve fund	3,547,686	3,663,146
Certificates of deposit	552,445	884,863
Bequests and trusts receivable	1,369,712	1,129,906
Grants and pledges receivable	615,096	1,760,999
Accounts receivable	226,013	248,552
Prepaid expenses	735,031	765,226
Accrued interest and dividends	1,642	3,154
Inventory	811,925	588,131
Total current assets	16,179,156	16,774,333
Long-term investments	6,522,301	6,880,860
Grants and pledges receivable, long-term	30,000	426,111
Charitable remainder and other trusts	2,773,626	2,811,642
Property and equipment, net	10,028,056	10,255,545
Deferred compensation	22,806	-
Other assets	56,078	67,681
Total assets	$ 35,612,023	$ 37,216,172
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,588,611	$ 2,416,802
Annuity and other split-interest obligations	326,185	317,843
Loan payable	239,369	232,988
Capital lease obligation, net	27,540	10,402
Deferred revenue	85,030	-
Total current liabilities	2,266,735	2,978,035
Loan payable, net of current portion	5,592,490	5,830,454
Annuity and other split-interest obligations, long-term	2,013,009	2,040,189
Deferred compensation	22,806	-
Capital lease obligation, net of current portion	64,415	46,378
Total liabilities	9,959,455	10,895,056
Net Assets		
Unrestricted	17,693,415	17,753,900
Temporarily restricted	6,573,442	7,069,508
Permanently restricted	1,385,711	1,497,708
Total net assets	25,652,568	26,321,116
Total liabilities and net assets	$ 35,612,023	$ 37,216,172

See accompanying notes.

Defenders of Wildlife

Statement of Activities
For the Year Ended September 30, 2015
(With Comparative Totals for the Year Ended September 30, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Totals
Revenue and Support					
Grants and contributions	$ 20,539,051	$ 2,156,025	$ -	$ 22,695,076	$ 23,127,030
Contributed goods and services	2,857,184	-	-	2,857,184	1,876,604
Bequests	5,568,715	794,280	-	6,362,995	5,611,659
Royalties	637,533	-	-	637,533	633,001
Investment (loss) income	(302,629)	-	1,785	(300,844)	280,512
Split-interest contributions	-	110,458	-	110,458	124,242
Change in value of split interests	34,375	(131,316)	(113,782)	(210,723)	108,116
Mailing list royalties	186,930	-	-	186,930	90,877
Other income	324,798	-	-	324,798	406,945
Released from restrictions	3,425,513	(3,425,513)	-	-	-
Total revenue and support	33,271,470	(496,066)	(111,997)	32,663,407	32,258,986
Expenses					
Program services:					
ESA	8,843,259	-	-	8,843,259	8,104,508
Key Species	11,965,608	-	-	11,965,608	12,386,682
Habitat	7,778,929	-	-	7,778,929	7,215,078
Total program services	28,587,796	-	-	28,587,796	27,706,268
Supporting services:					
Management and general	3,666,111	-	-	3,666,111	3,027,498
Fundraising	1,078,048	-	-	1,078,048	903,424
Total supporting services	4,744,159	-	-	4,744,159	3,930,922
Total expenses	33,331,955	-	-	33,331,955	31,637,190
Change in Net Assets	(60,485)	(496,066)	(111,997)	(668,548)	621,796
Net Assets, beginning of year	17,753,900	7,069,508	1,497,708	26,321,116	25,699,320
Net Assets, end of year	$ 17,693,415	$ 6,573,442	$ 1,385,711	$ 25,652,568	$ 26,321,116

See accompanying notes.

Defenders of Wildlife

Statements of Cash Flows
For the Years Ended September 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	$ (668,548)	$ 621,796
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	645,716	572,562
Equipment acquired under capital lease	55,222	-
Discount on grants and pledges receivable	(2,429)	(1,734)
Amortization of cost of issuing debt	11,603	11,605
Net realized and unrealized loss (gain) on investments	471,240	(112,755)
Change in annuity reserve fund	115,460	(179,239)
Change in value of charitable remainder and other trusts	38,016	524,815
Change in operating assets and liabilities:		
(Increase) decrease in:		
Bequests and trusts receivable	(239,806)	(349,201)
Grants and pledges receivable	1,544,443	883,402
Accounts receivable	22,539	360,748
Prepaid expenses	30,195	(347,760)
Accrued interest and dividends	1,512	1,322
Inventory	(223,794)	160
Deferred compensation	(22,806)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(828,191)	840,408
Annuity and other split-interest obligations	(18,838)	144,600
Deferred revenue	85,030	(2,940)
Deferred compensation	22,806	-
Net cash provided by operating activities	1,039,370	2,967,789
Cash Flows from Investing Activities		
Proceeds from sale of investments	5,815,822	78,645
Proceeds from maturity of certificates of deposit	332,418	429,800
Purchase of investments	(6,367,646)	(1,013,898)
Purchase of property and equipment	(418,227)	(312,440)
Net cash used in investing activities	(637,633)	(817,893)
Cash Flows from Financing Activities		
Payments on loan principal	(231,583)	(224,899)
Payments under capital lease	(20,047)	(12,187)
Net cash used in financing activities	(251,630)	(237,086)
Net Increase in Cash and Cash Equivalents	150,107	1,912,810
Cash and Cash Equivalents, beginning of year	6,337,440	4,424,630
Cash and Cash Equivalents, end of year	$ 6,487,547	$ 6,337,440

See accompanying notes.

1. Nature of Operations

Defenders of Wildlife ("Defenders") is a District of Columbia nonprofit corporation founded in 1947. Its mission is to conserve the natural abundance and diversity of native wild animals and plants, and the habitats on which they depend. As one of the country's leaders in science-based, results-oriented wildlife conservation, Defenders works to educate and mobilize the public to protect and restore America's native wildlife. Programs are primarily funded through grants and contributions.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

Defenders' 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:

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of Defenders' operations. During 2014, pursuant to a change in Defenders' bylaws, all amounts became undesignated.

- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of Defenders or the passage of time.

- *Permanently restricted net assets* represent funds in which the principal must be held in perpetuity, while the earnings may be available for general operations or a restricted purpose imposed by the donors.

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 on the statements of financial position approximate fair value because of the short-term maturities of the instruments.

2. Summary of Significant Accounting Policies (continued)

Investments

Investments are recorded at fair value based on quoted market prices. 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.

Certificates of Deposit

At September 30, 2015 and 2014, Defenders held certificates of deposit with original maturity dates greater than a period of ninety days that are carried at amortized cost. Interest earned on the certificates of deposit is included in investment income in the accompanying statement of activities. These certificates of deposit do not qualify as securities, as defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 320, *Investments – Debt and Equity Securities.* Therefore, these investments are not included in the fair value disclosures required by FASB ASC 820, *Fair Value Measurements and Disclosures.*

Grants and Pledges Receivable

All grants and pledges receivable are deemed to be fully collectible and 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 fiscal years 2015 and 2014 were discounted at an average annual rate of 2.5% and 3.57%, respectively, using a rate that considers market and credit risk. No discount was recorded on grants and pledges receivable during the year ended September 30, 2015 due to immateriality.

Accounts Receivable

Accounts receivable consist of royalty and other receivables, and 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, 2015 and 2014, 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.

2. Summary of Significant Accounting Policies (continued)

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 5 to 25 years, with no salvage value. All depreciation is computed using the straight-line method. Donated items are recorded at fair market value.

Revenue Recognition

All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Defenders reports grants and contributions as temporarily restricted support if they are received with donor or grantor 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.

Permanently restricted contributions are invested in perpetuity by or on Defenders' behalf. The principal of the gift is never expended, while the investment income is spent on current temporarily restricted or unrestricted programs as specified by the donor.

Defenders will receive communications indicating that it has been named as a beneficiary in an individual's will. These promises to give are recognized 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.

Deferred revenue consists of payments received in advance for events held in subsequent fiscal periods. Deferred revenue is recognized as earned in the period corresponding to the services performed or activity conducted. All other revenues are recognized when earned.

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 termed split-interest agreements, which include perpetual trusts, charitable remainder trusts, charitable gift annuities, and a pooled income fund.

2. Summary of Significant Accounting Policies (continued)

Split-Interest Agreements (continued)

Income is received from perpetual trusts, from which the assets held by the respective trustees will not revert to Defenders at any time and the income received is used according to donor stipulations. Defenders is also a remainderman to certain charitable remainder trusts. Upon the death of the beneficiaries of these remainder trusts, the assets will revert to Defenders to be used according to the donors' wishes. Assets held in trust by and for Defenders are valued at either fair-value or at the discounted present value of the estimated future receipts from the trusts. Where applicable, estimated future payments are discounted at a risk-free rate of return based on the expected term of the split-interest agreements at the time the agreements are created, ranging from 3% to 6%.

Defenders has entered into irrevocable agreements with donors whereby in exchange for the gift from the donor, Defenders is obligated to provide an annuity to the donor or other designated beneficiary over the life of the annuitant. A liability is recognized for the estimated present value of the annuity obligation, and the assets are recorded at their fair value. The discount rate and actuarial assumptions used in calculating the annuity are those provided in the Internal Revenue Service (IRS) guidelines and actuarial tables.

In accordance with certain state laws, the charitable gift annuity reserve fund is invested primarily in money market funds, bonds, mutual funds, and equities, and reserves for California donors are segregated.

In 1980, Defenders established a pooled income fund. The fund accepts gifts of cash or other property, while the donors retain a life interest in the income generated by the contributed assets. Upon the death of a donor or their designated beneficiaries, Defenders owns the remainder interest in the principal balance of the gift.

Contributed Services

Donated services meeting the criteria for recognition under FASB ASC 958, *Revenue Recognition – Contributions Received*, are recognized at fair value at the time of receipt. These services benefit the general programs and consist primarily of advertising, and legal and professional services. The value of these donated services is included in the financial statements as both revenue and expense in the amounts of $2,852,172 and $1,876,604 for the years ended September 30, 2015 and 2014, respectively.

2. Summary of Significant Accounting Policies (continued)

Donated Goods

Defenders receives contributions in the form of donated items, which are reflected in the accompanying statement of activities at estimated fair market value at the time of the donation. These items consist of commemorative coins celebrating the 20th anniversary of the re-introduction of gray wolves back into Yellowstone National Park. During the years ended September 30, 2015 and 2014, Defenders received donated items valued at $5,012 and $0, respectively.

Use of 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 amounts reported in the 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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Prior Year Information

Statement of Activities

The financial statements include 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' financial statements for the year ended September 30, 2014, from which the summarized information was derived.

2. Summary of Significant Accounting Policies (continued)

Prior Year Information (continued)

Program Classification

During the year ended September 30, 2013, Defenders implemented a new ten-year strategic plan that defines three main conservation goals that constitute the focal areas of Defenders' mission-driven work. These three conservation goals were translated into new program classifications for budgetary purposes, and are shown in the program services expense line items of the accompanying statement of activities.

The three conservation goals and related ten-year benchmarks of success are defined as follows:

Program Classification	10-Year Benchmark
Endangered Species Act (ESA)	More than half of the species presently listed under the ESA are stable or improving
Key Species	25 vulnerable species are secure in important ecosystems and focal landscapes
Habitat	Double the acreage of high priority wildlife habitat managed for ecological integrity

Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation. These reclassifications have no effect on the change in net assets previously reported.

Subsequent Events

In preparing these financial statements, Defenders has evaluated events and transactions for potential recognition or disclosure through February 16, 2016, the date the financial statements were available to be issued.

3. Concentration of Credit Risk

Financial instruments that potentially subject Defenders to significant concentrations of credit risk consist of cash and cash equivalents, investments, and certificates of deposit. Defenders maintains cash deposits and investments with various financial institutions that may, from time to time, exceed insurable limits under the Federal Depository Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). Defenders has not experienced any losses on its cash and cash equivalents, investments, and certificates of deposit 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.

4. Investments and Fair Value Measurements

Investment (loss) income consists of the following for the years ended September 30:

	2015	2014
Net realized and unrealized (loss) gain	$ (471,240)	$ 112,755
Interest and dividends	170,396	167,757
Total investment (loss) income	$ (300,844)	$ 280,512

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.

In addition, Defenders follows FASB ASC 2009-12, *Investments in Certain Entities That Calculate Net Assets Value per Share (or its Equivalent)*, which has amended the existing guidance in FASB ASC 820. This guidance permits, as a practical expedient, the fair value of investments that do not have a quoted market price to be estimated using net asset value (NAV) per share or its equivalent. At September 30, 2015 and 2014, Defenders' investments in pooled income funds were valued based on the NAV of each investment position, as provided by the respective fund manager.

4. Investments and Fair Value Measurements (continued)

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 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.

The following table presents Defenders' fair value hierarchy for those assets measured on a recurring basis as of September 30, 2015:

	Level 1	Level 2	Level 3	Total fair value
Investments:				
Money market funds	$ 2,257,957	$ -	$ -	$ 2,257,957
Mutual funds:				
Equity	3,725,421	-	-	3,725,421
Fixed income	1,205,491	-	-	1,205,491
Hedge funds	-	829,668	-	829,668
Real estate	-	335,823	-	335,823
Annuity reserve fund	3,547,686	-	-	3,547,686
Charitable remainder and other trusts:				
Charitable remainder trusts and pooled income fund	236,176	-	1,337,320	1,573,496
Interest in perpetual trusts	-	-	1,200,130	1,200,130
Deferred compensation:				
Mutual funds	22,806	-	-	22,806
Total assets at fair value	$ 10,995,537	$ 1,165,491	$ 2,537,450	$ 14,698,478

4. Investments and Fair Value Measurements (continued)

The following table presents Defenders' fair value hierarchy for those assets measured on a recurring basis as of September 30, 2014:

	Level 1	Level 2	Level 3	Total fair value
Investments:				
Money market funds	$ 2,524,136	$ -	$ -	$ 2,524,136
Mutual funds:				
Equity	3,622,225	-	-	3,622,225
Fixed income	2,127,415	-	-	2,127,415
Annuity reserve fund	3,663,146	-	-	3,663,146
Charitable remainder and other trusts:				
Charitable remainder trusts and pooled income fund	248,194	-	1,249,536	1,497,730
Interest in perpetual trusts	-	-	1,313,912	1,313,912
Total assets at fair value	$ 12,185,116	$ -	$ 2,563,448	$ 14,748,564

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

<u>Investments and Annuity Reserve Fund</u>

Level 1 Assets

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 and within the annuity reserve fund.

Level 2 Assets

When quoted market prices for similar assets are available in markets that are not active, securities are classified within Level 2 of the valuation hierarchy. Level 2 includes hedge funds and real estate funds held as investments. The hedge funds are comprised of tracker funds, debt funds, global credit securities, and research funds. The real estate funds are comprised of securities of real estate and real estate-related funds. The hedge funds and real estate funds are measured in quantifiable units at quoted market prices on a monthly basis by the broker, and the broker's pricing methodology is assessed when determining the fair value hierarchy. Due to the frequency of the availability of market quotations the hedge funds and real estate funds are categorized as Level 2 in the valuation hierarchy.

4. Investments and Fair Value Measurements (continued)

Charitable Remainder, Perpetual Trusts, and Pooled Income Fund

Level 1 Assets

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 3 Assets

Charitable trust assets also include the fair value of Defenders' interest in charitable remainder trusts receivable where Defenders is not a trustee. The fair value is measured upon the estimated net present value of amounts to be received. Distributions are to be made to the donor's designee (remainder trusts) during the terms of the agreements. At the end of the remainder trust terms, a portion of the remaining trust assets, as defined in the trust agreements, is to be distributed to Defenders. The expected future cash inflows from the trusts are based on the fair value of the investments, future expected investment returns, and life expectancy of the donor or donor's designee, and have been recorded at present value.

Expected future cash flows for a beneficial interest in a perpetual trust are estimated by fair valuing the underlying assets contributed to the trust.

Investments in the pooled income fund are valued based on the NAV of each investment position, as provided by the respective fund manager.

The value of these assets is based on unobservable inputs and Defenders' own assumptions and are therefore classified within Level 3.

4. Investments and Fair Value Measurements (continued)

The following table is a rollforward of the fair value measurements using unobservable inputs (Level 3) as of September 30, 2015:

	Fair value at September 30, 2014	Change in value	Fair value at September 30, 2015
Charitable remainder trusts and pooled income fund	$ 1,249,536	$ 87,784	$ 1,337,320
Interest in perpetual trusts	1,313,912	(113,782)	1,200,130
Total assets	$ 2,563,448	$ (25,998)	$ 2,537,450

The following table is a rollforward of the fair value measurements using unobservable inputs (Level 3) as of September 30, 2014:

	Fair value at September 30, 2013	Change in value	Fair value at September 30, 2014
Charitable remainder trusts and pooled income fund	$ 1,936,049	$ (686,513)	$ 1,249,536
Interest in perpetual trusts	1,264,296	49,616	1,313,912
Total assets	$ 3,200,345	$ (636,897)	$ 2,563,448

5. Grants and Pledges Receivable

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

	2015	2014
Due in less than one year	$ 615,096	$ 1,760,999
Due in one to five years	30,000	428,540
Total	645,096	2,189,539
Less: discount	-	(2,429)
Total grants and pledges receivable, net	$ 645,096	$ 2,187,110

6. Split-Interest Agreements

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

	2015	2014
Investments – annuity reserve fund	$ 3,547,686	$ 3,663,146
Charitable remainder and other trusts:		
Charitable remainder trusts	236,176	248,194
Receivables from charitable remainder and charitable lead trusts	1,259,827	1,171,223
Beneficial interest in perpetual trusts	1,200,130	1,313,912
Pooled income fund	77,493	78,313
Total charitable remainder and other trusts	2,773,626	2,811,642
Total split-interest agreements	$ 6,321,312	$ 6,474,788

Liabilities under split-interest agreements included in the accompanying statements of financial position were $2,339,194 and $2,358,032 at September 30, 2015 and 2014, respectively. Net contributions under split-interest agreements were approximately $110,458 and $124,242 for the years ended September 30, 2015 and 2014, respectively.

7. Property and Equipment

Defenders held the following property and equipment at September 30:

	2015	2014
Land	$ 4,585,586	$ 4,585,586
Buildings and improvements	8,688,289	8,681,319
Computer equipment	1,984,267	1,684,795
Furniture and equipment	1,039,095	934,021
Website	863,229	856,518
Total property and equipment	17,160,466	16,742,239
Less: accumulated depreciation	(7,132,410)	(6,486,694)
Property and equipment, net	$ 10,028,056	$ 10,255,545

8. Loan Payable

Defenders refinanced the mortgage on the building, executing a loan agreement in the amount of $6,306,672, which included redemption of the outstanding bond balance of $5,505,000 at the date of refinance of August 1, 2013. The new loan expires on August 1, 2020, and requires monthly payments of $35,898 with an interest rate of 3.29%. The outstanding principal balance on the loan at September 30, 2015 was $5,831,859.

Principal payments on the loan obligation are as follows for the years ending September 30:

2016	$	242,749
2017		250,857
2018		259,236
2019		267,894
2020		4,811,123
Total principal payments	$	5,831,859

There are a number of financial and operating covenants associated with the loan and with the Bank's participation in the project, including a requirement for maintaining $2,000,000 in unsecured liquid assets. Defenders was in compliance with all terms and conditions of the debt instruments at September 30, 2015 and 2014. Interest expense on the loan for the year ended September 30, 2015 was $213,285. Interest expense on the loan for the year ended September 30, 2014 was $171,858.

9. Line of Credit Payable

In 2004, Defenders arranged a line of credit with the Bank for cash flow management purposes. The total amount available was $1,000,000, with interest at the LIBOR daily floating rate and a fee of 0.4% applied quarterly to the unused loan amount. There was no outstanding balance on the line of credit at September 30, 2014. The line of credit was closed during the year ended September 30, 2015.

10. Net Assets

At September 30, 2015, the unrestricted, temporarily restricted, and permanently restricted net assets are dedicated to the following purposes:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Undesignated	$ 13,497,217	$ -	$ -	$ 13,497,217
Land and building	3,367,309	-	-	3,367,309
Property and equipment	828,889	-	-	828,889
Program grants	-	3,628,941	-	3,628,941
Charitable remainder and other trusts	-	1,370,922	-	1,370,922
Charitable gift annuities	-	1,333,574	-	1,333,574
Beneficial interest in perpetual trusts	-	-	1,200,130	1,200,130
Other endowment	-	-	148,094	148,094
Pooled income fund	-	77,493	-	77,493
Lloyd Symington Memorial Fund for Wildlife Education	-	162,512	37,487	199,999
Total net assets	$ 17,693,415	$ 6,573,442	$ 1,385,711	$ 25,652,568

10. Net Assets (continued)

At September 30, 2014, the unrestricted, temporarily restricted, and permanently restricted net assets are dedicated to the following purposes:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Undesignated	$ 13,555,078	$ -	$ -	$ 13,555,078
Land and building	3,475,490	-	-	3,475,490
Property and equipment	716,613	-	-	716,613
Program grants	6,719	4,104,150	-	4,110,869
Charitable remainder and other trusts	-	1,286,970	-	1,286,970
Charitable gift annuities	-	1,437,564	-	1,437,564
Beneficial interest in perpetual trusts	-	-	1,313,912	1,313,912
Other endowment	-	-	146,670	146,670
Pooled income fund	-	78,312	-	78,312
Lloyd Symington Memorial Fund for Wildlife Education	-	162,512	37,126	199,638
Total net assets	$ 17,753,900	$ 7,069,508	$ 1,497,708	$ 26,321,116

10. Net Assets (continued)

Program Grants

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 temporarily restricted net assets until appropriate expenses are incurred in accordance with the program restrictions.

Board-Designated Endowment

Prior to 2014, Defenders maintained a Board-designated endowment fund to provide for the long-term needs of the organization. Income from the fund may be used for operating costs and unrestricted Board-designated activities. During 2014, the Board of Directors resolved to discontinue the Board-designated endowment.

Split-Interest Agreements

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

Lloyd Symington Memorial Fund for Wildlife Education

The Board of Directors designated this separate fund to strengthen Defenders' ability to respond to requests for wildlife information from school children, teachers, and the general public, and to enable Defenders to expand its other educational activities. The balance was $199,999 at September 30, 2015, which included both temporarily and permanently restricted amounts of $162,512 and $37,487, respectively. The balance was $199,638 at September 30, 2014, which included both temporarily and permanently restricted amounts of $162,512 and $37,126, respectively.

10. Net Assets (continued)

Unrestricted Funds

Unrestricted funds represent amounts that have not been specifically set aside by the Board for an internally-designated purpose. These amounts are available for general operations. Certain amounts included in undesignated funds are tracked separately for purposes of future property and equipment needs.

11. Endowment

Defenders' endowment (permanently restricted net assets) has been funded by donor-restricted contributions to be held in perpetuity, the earnings of which can be used to fund either specific programs or general operations. In addition, Defenders maintained a Board-designated endowment fund prior to 2014 to provide for the long-term needs of the organization. During 2014, the Board of Directors resolved to discontinue the Board-designated endowment. 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 permanently restricted net assets (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.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Defenders in a manner consistent with the standard of prudence prescribed by UPMIFA.

11. Endowment (continued)

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.

Composition of Endowment Net Assets

Endowment net asset composition was as follows at September 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 1,385,711	$ 1,385,711
Total endowment funds	$ -	$ -	$ 1,385,711	$ 1,385,711

Endowment net asset composition was as follows at September 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 1,497,708	$ 1,497,708
Total endowment funds	$ -	$ -	$ 1,497,708	$ 1,497,708

11. Endowment (continued)

Changes in Endowment Net Assets

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2015:				
Endowment net assets, beginning	$ -	$ -	$ 1,497,708	$ 1,497,708
Investment return:				
Net appreciation	-	-	1,785	1,785
Change in value in split interest agreements	-	-	(113,782)	(113,782)
Total investment return	-	-	(111,997)	(111,997)
Endowment net assets, ending	$ -	$ -	$ 1,385,711	$ 1,385,711
2014:				
Endowment net assets, beginning	$ 6,283,534	$ -	$ 1,447,190	$ 7,730,724
Investment return:				
Net appreciation	-	-	901	901
Change in value in split interest agreements	-	-	49,617	49,617
Total investment return	-	-	50,518	50,518
Appropriations	(6,283,534)	-	-	(6,283,534)
Endowment net assets, ending	$ -	$ -	$ 1,497,708	$ 1,497,708

11. Endowment (continued)

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 the organization 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 unrestricted net assets. There were no fund deficiencies for the years ended September 30, 2015 and 2014.

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.

12. Related Parties

Defenders of Wildlife Action Fund (DAF) was a related 501(c)(4) organization. DAF was also a District of Columbia nonprofit and was incorporated in 2001 to carry on public policy, social welfare, and advocacy work. Its mission was to educate people of all ages about wildlife, habitats, and other environmental activities. Defenders and DAF had common staff, facilities, and overhead costs, with the appropriate shares of these expenses assigned to each organization under a formal cost-sharing agreement. The Board of Directors of DAF approved dissolution of the organization as of May 13, 2015, and DAF was dissolved on November 20, 2015.

DAF rented Defenders' membership list for educational and fundraising purposes. The total income to Defenders for these rentals was $0 and $405,844 for the years ended September 30, 2015 and 2014, respectively. In addition, Defenders rented DAF's e-subscriber list for education, advocacy, and fundraising purposes. The total income to DAF for these rentals was $0 and $301,740 for the years ended September 30, 2015 and 2014, respectively. Included in accounts payable is $4,032 due to DAF at September 30, 2014, and these payments were paid subsequent to year-end. Included in accounts receivable is $12,952 due from DAF at September 30, 2015, and these payments were received subsequent to year-end.

12. Related Parties (continued)

During the years ended September 30, 2015 and 2014, Defenders retained a public-service law firm affiliated with a member of Defenders' Board of Directors. The firm specializes in endangered species litigation and provides legal services at significantly discounted rates. The value of the work performed for Defenders in fiscal years 2015 and 2014 amounted to $91,666 and $121,842, respectively, of which $61,622 and $75,000 are represented as contributed services for the years then ended.

13. 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 $527,809 and $450,658 for the years ended September 30, 2015 and 2014, respectively.

14. 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 both the money purchase pension plan and the 457(b) plan. 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, 2015 and 2014, the deferred compensation assets and a corresponding liability were $22,806 and $0, respectively.

15. Commitments

<u>Operating Leases</u>

Defenders is obligated under the terms of noncancellable operating leases for the rental of office and storage space for several of its field locations. Rental expense for all leases for the years ended September 30, 2015 and 2014, using the straight-line method, amounted to $348,680 and $214,227, respectively.

15. Commitments (continued)

Operating Leases (continued)

Future minimum lease payments are as follows for the years ending September 30:

2016	$	218,267
2017		151,931
2018		157,902
2019		121,273
2020		5,999
Total future minimum lease payments	$	655,372

Capital Leases

Defenders leases office equipment under capital leases, which extend through 2018. The assets and liabilities under capital leases were recorded at the lower of their present value of the minimum lease payments or the fair value of the asset. The assets are being depreciated over the related lease terms. This leased equipment is included in property and equipment in the accompanying statements of financial position at a capitalized cost of $126,222 and $71,000 at September 30, 2015 and 2014, respectively, net of accumulated depreciation of $47,859 and $18,933 as of September 30, 2015 and 2014, respectively.

The interest expense associated with these leases for the year ended September 30, 2015 and 2014 was $26,352 and $21,185, respectively. Payments under the capital leases are due as follows for the years ending September 30:

2016	$	47,784
2017		47,784
2018		31,856
Total		127,424
Less: amounts representing interest		(35,469)
Total capital lease obligations	$	91,955

16. 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. In the years ended September 30, 2015 and 2014, Defenders incurred joint costs for its direct response programs of $5,152,288 and $5,081,547, respectively, including information materials and fundraising appeals.

These joint costs were allocated as follows for the years ended September 30:

	2015	2014
ESA	$ 298,499	$ 119,869
Key Species	2,868,246	3,224,656
Habitat	288,894	205,311
Management and general	832,788	723,646
Fundraising	863,861	808,065
Total allocated joint costs	$ 5,152,288	$ 5,081,547

17. Supplementary Disclosure of Cash Flow Information

Total cash payments for interest were $244,090 and $210,491 for the years ended September 30, 2015 and 2014, respectively.

Noncash investing and financing transactions were as follows for the years ended September 30:

	2015	2014
Lease of equipment:		
Equipment acquired	$ 55,222	$ -
Capital lease obligation	$ 91,955	$ -

18. Income Taxes

Under IRC §501(c)(3), Defenders is exempt from the payment of taxes on income other than net unrelated business income. Defenders 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 2015 and 2014. Defenders has elected to be subject to the lobbying limitations under IRC §501(h). Defenders had no significant uncertain tax positions at September 30, 2015 and 2014.

SUPPLEMENTARY INFORMATION

Defenders of Wildlife

Schedule of Functional Expenses
For the Year Ended September 30, 2015
(With Comparative Totals for the Year Ended September 30, 2014)

	Program Services				Supporting Services				
	ESA	Key Species	Habitat	Total Program Services	Management and General	Fundraising	Total Supporting Services	2015 Total	2014 Total
Salaries and wages	$ 3,102,157	$ 2,750,520	$ 2,642,038	$ 8,494,715	$ 1,074,648	$ 172,696	$ 1,247,344	$ 9,742,059	$ 9,286,628
Payroll taxes and benefits	822,423	730,477	700,178	2,253,078	281,076	46,324	327,400	2,580,478	2,499,702
Professional fundraising fees	288,324	941,143	277,254	1,506,721	118,775	108,148	226,923	1,733,644	1,876,016
Other professional fees	453,469	491,485	397,178	1,342,132	158,348	34,809	193,157	1,535,289	1,720,496
Grants and contributions	324,389	209,569	283,781	817,739	6,000	-	6,000	823,739	788,621
Computer services	213,570	432,199	193,714	839,483	210,936	42,127	253,063	1,092,546	1,077,972
Conference fees	7,650	7,749	6,482	21,881	4,182	508	4,690	26,571	43,001
Advertising	122,606	253,114	113,028	488,748	30,684	24,911	55,595	544,343	315,073
Membership incentives and fulfillment	143,092	472,413	137,042	752,547	61,848	57,057	118,905	871,452	858,675
Supplies	47,324	32,347	41,271	120,942	5,797	568	6,365	127,307	91,982
Telephone	54,180	39,170	46,981	140,331	73,911	826	74,737	215,068	149,523
Postage and shipping	691,438	2,234,289	658,689	3,584,416	308,486	260,295	568,781	4,153,197	4,319,770
Occupancy and other	253,957	188,833	220,340	663,130	131,994	4,742	136,736	799,866	766,517
Equipment rental and maintenance	10,667	9,515	9,178	29,360	5,413	485	5,898	35,258	30,283
Printing and publications	427,335	1,336,025	402,875	2,166,235	188,361	158,839	347,200	2,513,435	2,467,929
Travel	144,245	110,206	121,659	376,110	80,553	10,447	91,000	467,110	509,222
Conferences, conventions, and meetings	20,785	17,931	16,715	55,431	83,407	64,299	147,706	203,137	158,279
Training	2,937	3,118	2,582	8,637	6,287	167	6,454	15,091	11,897
Bond interest	74,195	64,297	63,704	202,196	38,762	3,132	41,894	244,090	210,491
Depreciation	196,275	170,092	168,522	534,889	102,542	8,285	110,827	645,716	572,562
Amortization of cost of issuing debt	3,527	3,056	3,028	9,611	1,843	149	1,992	11,603	11,606
Bad debt	-	-	-	-	-	-	-	-	1,136
Honoraria	196	238	135	569	132	31	163	732	3,254
Miscellaneous	37,392	19,751	32,929	90,072	15,761	-	15,761	105,833	97,575
List rentals	114,576	384,014	110,715	609,305	48,199	44,335	92,534	701,839	640,644
Insurance	25,607	22,185	21,985	69,777	13,372	1,080	14,452	84,229	89,574
Royalties	8,833	20,316	8,176	37,325	2,398	2,506	4,904	42,229	20,582
Taxes, fees, and licenses	86,334	74,875	74,065	235,274	56,072	3,675	59,747	295,021	263,929
Dues and subscriptions	33,978	26,973	29,432	90,383	9,045	890	9,935	100,318	104,772
Proactive projects	20,807	13,442	18,202	52,451	-	-	-	52,451	78,031
Compensation payments	-	-	-	-	-	-	-	-	11,804
DR transaction fees/bank fees	61,700	86,074	54,399	202,173	439,566	6,321	445,887	648,060	590,037
Temporary help	4,494	3,741	3,865	12,100	55,809	163	55,972	68,072	93,003
Contributed services	1,044,797	816,451	918,787	2,780,035	51,904	20,233	72,137	2,852,172	1,876,604
Total Expenses	$ 8,843,259	$ 11,965,608	$ 7,778,929	$ 28,587,796	$ 3,666,111	$ 1,078,048	$ 4,744,159	$ 33,331,955	$ 31,637,190