

CENTER FOR BIOLOGICAL DIVERSITY, INC.

Audited Financial Statements

For the years ended December 31, 2014 and 2013

CENTER FOR BIOLOGICAL DIVERSITY, INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3 - 4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 14



LUDWIG KLEWER & CO. PLLC

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Center for Biological Diversity, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Biological Diversity, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Ludwig Klewer & Co. PLLC

November 18, 2015

INDEPENDENT AUDITORS' REPORT

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Luoma Kluwer & Co. PLLC

November 18, 2015

CENTER FOR BIOLOGICAL DIVERSITY, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 7,823,891	\$ 9,739,185
Grants receivable	203,801	190,000
Prepaid expenses and other current assets	187,591	422,886
Investments - other	7,000,000	2,429,677
Note receivable, current portion	21,276	-
Total current assets	<u>15,236,559</u>	<u>12,781,748</u>
Property and equipment, net	1,767,003	820,893
Investments	346,230	101,244
Deposits	115,988	52,888
Note receivable, non-current portion	170,506	-
Total assets	<u>\$ 17,636,286</u>	<u>\$ 13,756,773</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 146,072	\$ 140,798
Accrued expenses	337,172	249,962
Loan payable	15,000	15,000
Deferred revenue	2,272	10,000
Total liabilities	<u>500,516</u>	<u>415,760</u>
Net assets:		
Unrestricted:		
Undesignated and available for operations	5,761,611	4,566,097
Expended for property and equipment	1,767,003	820,893
Board designated	4,560,000	3,860,000
Total unrestricted net assets	<u>12,088,614</u>	<u>9,246,990</u>
Temporarily restricted	5,047,156	4,094,023
Total net assets	<u>17,135,770</u>	<u>13,341,013</u>
Total liabilities and net assets	<u>\$ 17,636,286</u>	<u>\$ 13,756,773</u>

See independent auditors' report and accompanying notes to financial statements.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

STATEMENT OF ACTIVITIES
For the year ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Contributions	\$ 5,243,068	\$ 5,534,530	\$ 10,777,598
Grants	242,573	1,891,500	2,134,073
Legal returns and settlements	397,028	863,726	1,260,754
Contract revenue	100,203	-	100,203
Investment income	17,173	-	17,173
Other income	15,869	-	15,869
Loss on sale of property and equipment	<u>(268,918)</u>	<u>-</u>	<u>(268,918)</u>
Total revenue and support	5,746,996	8,289,756	14,036,752
Net assets released from restrictions	<u>7,336,623</u>	<u>(7,336,623)</u>	<u>-</u>
Total revenue, support, and reclassifications	13,083,619	953,133	14,036,752
Expenses:			
Program services	8,481,802	-	8,481,802
Supporting services:			
Fund-raising	932,121	-	932,121
General and administrative	<u>828,072</u>	<u>-</u>	<u>828,072</u>
Total expenses	<u>10,241,995</u>	<u>-</u>	<u>10,241,995</u>
Change in net assets	2,841,624	953,133	3,794,757
Net assets, beginning of year	<u>9,246,990</u>	<u>4,094,023</u>	<u>13,341,013</u>
Net assets, end of year	<u>\$ 12,088,614</u>	<u>\$ 5,047,156</u>	<u>\$ 17,135,770</u>

See independent auditors' report and accompanying notes to financial statements.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

STATEMENT OF ACTIVITIES
For the year ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Contributions	\$ 2,773,554	\$ 3,955,392	\$ 6,728,946
Grants	46,000	1,587,300	1,633,300
Legal returns and settlements	83,250	565,869	649,119
Contributions - marketable securities	224,805	46,456	271,261
Investment income	27,335	-	27,335
Contract revenue	18,340	-	18,340
Other income	18	-	18
Total revenue and support	<u>3,173,302</u>	<u>6,155,017</u>	<u>9,328,319</u>
Net assets released from restrictions	<u>5,725,661</u>	<u>(5,725,661)</u>	<u>-</u>
Total revenue, support, and reclassifications	8,898,963	429,356	9,328,319
Expenses:			
Program services	6,831,002	-	6,831,002
Supporting services:			
Fund-raising	556,359	-	556,359
General and administrative	540,583	-	540,583
Total expenses	<u>7,927,944</u>	<u>-</u>	<u>7,927,944</u>
Change in net assets	971,019	429,356	1,400,375
Net assets, beginning of year	<u>8,275,971</u>	<u>3,664,667</u>	<u>11,940,638</u>
Net assets, end of year	<u>\$ 9,246,990</u>	<u>\$ 4,094,023</u>	<u>\$ 13,341,013</u>

See independent auditors' report and
accompanying notes to financial statements.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2014

	Program										Total
	Endangered Species	Public Lands	Population and Sustainability	Oceans	Climate	Urban Wetlands	International	Strategic Litigation	Fund-raising	General and Administrative	
Payroll and related taxes and benefits	\$ 1,567,841	\$ 1,321,535	\$ 324,085	\$ 769,478	\$ 1,162,535	\$ 511,114	\$ 57,575	\$ 317,490	\$ 456,039	\$ 403,663	\$ 6,891,355
Internet organizing	158,917	120,777	28,605	69,923	114,420	38,140	5,669	29,293	69,923	-	635,667
Travel	116,262	91,657	23,163	33,720	87,594	19,010	6,616	25,287	40,292	24,618	468,219
Professional services	123,163	37,973	1,413	4,815	45,536	6,766	57	115	68,659	107,101	395,598
Rent and utilities	115,717	66,040	9,196	48,611	66,171	34,721	1,423	7,925	14,746	10,718	377,268
Legal	84,094	105,712	51	15,847	45,010	36,241	755	4,841	-	62,177	354,728
Conferences and meetings	20,316	12,904	3,428	8,648	53,651	6,778	666	1,453	14,638	22,856	145,338
Printing	4,456	1,875	12,149	929	4,538	1,578	29	59	117,713	391	143,717
Postage, mail services, labels	6,588	2,868	32,050	1,850	4,119	1,779	241	464	71,908	1,114	122,981
Office supplies	28,938	15,582	7,480	11,056	15,416	13,815	926	2,690	10,370	14,037	120,310
Merchant fees	-	-	-	-	-	-	-	-	49,828	54,540	104,368
Contributions and grants	58,195	20,149	-	1,450	24,025	-	-	-	-	-	103,819
Telephone and internet	27,955	21,373	3,528	9,344	17,265	6,484	672	4,906	4,242	3,556	99,325
Depreciation	10,254	10,705	4,278	7,541	9,206	3,940	344	1,510	8,121	11,322	67,221
Miscellaneous	4,704	-	-	100	10,002	-	-	-	-	41,941	56,747
Repairs and maintenance	1,346	130	-	17	4,388	11	-	-	-	49,189	55,081
Dues and subscriptions	22,433	2,650	427	1,048	11,051	641	235	630	3,458	717	43,290
Insurance	5,312	3,455	880	2,879	3,804	1,714	148	850	1,526	17,742	38,310
Advertising	14,475	225	-	205	25	-	-	-	658	2,390	17,978
Education	-	-	-	-	675	-	-	-	-	-	675
Total functional expenses	\$ 2,370,966	\$ 1,835,610	\$ 450,733	\$ 987,461	\$ 1,681,431	\$ 682,732	\$ 75,356	\$ 397,513	\$ 932,121	\$ 828,072	\$ 10,241,995

See independent auditors' report and accompanying notes to financial statements.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2013

	Program										Total
	Endangered Species	Public Lands	Population and Sustainability	Oceans	Climate	Urban Wildlands	International	Strategic Litigation	Fund-raising	General and Administrative	
Payroll and related taxes and benefits	\$ 1,416,889	\$ 1,235,450	\$ 190,392	\$ 708,562	\$ 1,035,218	\$ 451,110	\$ 28,049	\$ 161,360	\$ 350,266	\$ 252,422	\$ 5,829,708
Travel	100,086	107,378	22,290	27,501	67,642	27,046	5,884	12,301	11,011	6,616	387,755
Professional services	117,520	21,804	9,554	1,661	31,497	1,118	57	191	74,694	89,314	347,410
Rent and utilities	92,202	41,608	2,850	50,243	65,022	35,881	268	3,819	4,777	3,908	300,578
Legal	52,050	37,446	53	14,862	26,643	25,417	1,531	2,618	-	8,649	169,269
Postage, mail service, labels	19,904	14,295	10,691	8,126	12,784	5,117	360	1,512	49,067	2,603	124,459
Merchant fees	-	-	-	-	-	-	-	-	-	110,017	110,017
Internet organizing	31,869	24,441	4,061	13,557	20,808	9,113	613	3,005	-	-	107,467
Telephone and internet	29,801	21,803	3,217	10,951	18,436	6,116	482	2,987	3,794	8,152	105,739
Printing	13,276	9,532	1,543	5,030	9,639	3,374	210	1,070	43,830	1,928	89,432
Conferences and meetings	25,150	11,926	5,104	7,927	9,048	6,076	860	583	6,266	6,241	79,181
Office supplies	22,238	8,763	1,545	5,344	9,559	3,914	347	1,120	3,329	1,991	58,150
Dues and subscriptions	26,244	9,474	432	2,983	7,660	1,288	168	502	2,987	73	51,811
Depreciation	9,453	7,965	2,941	6,378	7,779	3,184	283	1,292	5,113	4,181	48,569
Insurance	4,971	3,902	678	2,516	3,446	1,865	44	254	1,148	12,816	31,640
Advertising	20,521	500	-	-	1,450	-	-	-	-	-	25,266
Repairs and maintenance	952	139	60	269	519	265	-	-	-	20,682	22,886
Contributions and grants	8,775	5,700	1,000	-	75	-	-	-	-	-	15,550
Miscellaneous	3,373	-	200	-	182	-	-	-	-	-	11,965
Education	3,125	2,162	4,841	154	738	-	-	-	72	-	11,092
Total functional expenses	\$ 1,998,399	\$ 1,564,288	\$ 261,452	\$ 866,064	\$ 1,328,145	\$ 580,884	\$ 39,156	\$ 192,614	\$ 556,359	\$ 540,563	\$ 7,927,944

See independent auditors' report and accompanying notes to financial statements.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

STATEMENTS OF CASH FLOWS
For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,794,757	\$ 1,400,375
Reconciliation of change in net assets to net cash provided by operating activities:		
Depreciation	67,221	48,569
Net realized and unrealized loss (gain) on investments	166	(2,391)
Loss on sale of property and equipment	268,918	-
Donated marketable securities	-	(271,261)
Change in operating assets and liabilities:		
Grants receivable	(13,796)	596,717
Prepaid expenses and other current assets	235,290	(369,944)
Deposits	(63,100)	(29,693)
Accounts payable	5,274	20,413
Accrued expenses	87,210	43,650
Deferred revenue	(7,728)	10,000
Total adjustments	<u>579,455</u>	<u>46,060</u>
Net cash provided by operating activities	4,374,212	1,446,435
Cash flows from investing activities:		
Purchases of property and equipment	(1,632,249)	(201,810)
Proceeds from the sale of property and equipment	350,000	-
Proceeds from sales of investments	31,270	295,285
Purchases of investments	(276,745)	(102,912)
Proceeds from maturities of investments - other	2,430,000	11,609,000
Purchases of investments - other	(7,000,000)	(7,150,000)
Advance on note receivable	(200,000)	-
Payments received on note receivable	8,218	-
Net cash (used in) provided by investing activities	<u>(6,289,506)</u>	<u>4,449,563</u>
Cash flows from financing activities	-	-
Change in cash and cash equivalents	(1,915,294)	5,895,998
Cash and cash equivalents, beginning of year	9,739,185	3,843,187
Cash and cash equivalents, end of year	<u>\$ 7,823,891</u>	<u>\$ 9,739,185</u>
Supplemental disclosure of non-cash investing information:		
Donated marketable securities	<u>\$ -</u>	<u>\$ 271,261</u>

See independent auditors' report and accompanying notes to financial statements.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

1. Organization

Center for Biological Diversity, Inc. (the Organization) was organized under the laws of the State of New Mexico as a nonprofit corporation. In May 2013, the Organization was reincorporated under the laws of the State of California. The Center for Biological Diversity works through science, law and creative media to secure a future for all species, great or small, hovering on the brink of extinction.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization does not have permanently restricted net assets.

Cash and Cash Equivalents

The Organization considers cash and highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of demand deposits with financial institutions and money market accounts.

Grants Receivable

Grants receivable consist principally of uncollateralized amounts due from other non-profit organizations. No amounts included in the grants receivable balance are greater than ninety days past due. The Organization utilizes the allowance method to account for uncollectible amounts, and management believes all amounts are considered fully collectible. Therefore, no allowance for uncollectible accounts has been established at December 31, 2014 and 2013.

Investments

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

Investments – Other

Investments - other is comprised of various certificates of deposit held for investment that are not debt securities. The certificates of deposit mature between March and June 2015, have an annual fixed interest rate of 0.08% and are recorded at cost which approximates fair market value. The certificates of deposit were renewed and matured between November 2015 and March 2016 and have annual fixed interest rates between 0.15% and 0.31%.

Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as current, and certificates of deposit with remaining maturities greater than one year are classified as non-current. The balance of investments – other at December 31, 2014 and 2013 is \$7,000,000 and \$2,429,677, respectively.

See independent auditors' report.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

2. Summary of Significant Accounting Policies, Continued

Volunteer Services and Donated Goods

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

Note Receivable

During the year ended December 31, 2014, the Organization sold the Tucson office building to a private party. The buyer provided a \$150,000 cash payment and a \$200,000 note payable to the Organization. The note bears interest at 4.0% and is due in monthly installments of \$2,025. The note matures in March 2024. At December 31, 2014, the outstanding balance on the note receivable was \$191,782.

Property and Equipment

Property and equipment purchased with a cost of greater than \$500 and a useful life of greater than one year is recorded at cost. Donated property is recorded at estimated fair market value on the date of the donation. Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets:

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

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

Support and Revenue

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

Settlement Income

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

See independent auditors' report.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

2. Summary of Significant Accounting Policies, Continued

Functional Expenses

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

Advertising Costs

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

Deferred Revenue

Deferred revenue represents amounts collected in advance for the costs related to a year-long internship agreement. Revenue is recognized in the financial statements during the month earned.

Accounting Estimates

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

Income Taxes

The Organization is exempt from federal income tax under Internal Revenue Code (IRC) Section 501(c)(3) and from Arizona income tax under Arizona Revised Statutes Section 43-1201(4). The Organization is classified as other than a private foundation under IRC 509(a)(1). There were no income taxes paid during the years ended December 31, 2014 and 2013.

The Organization's policy is to disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax positions. As of December 31, 2014, management is not aware of any uncertain tax positions that are potentially material. In addition, management is not aware of any matters that would cause the Organization to lose its tax-exempt status.

The Organization's federal Form 990, *Return of Organization Exempt from Income Tax*, is generally subject to examination by the Internal Revenue Service for three years after the date it is filed. The Organization's Form 99, *Arizona Exempt Organization Annual Information Return*, and the Organization's Form 199, *California Exempt Organization Annual Information Return*, are generally subject to examination by the Arizona Department of Revenue and the California Franchise Tax Board, respectively, for four years after the date they are filed.

Reclassifications

Certain items from the 2013 financial statements have been reclassified for comparative purposes to conform to the presentation in the 2014 financial statements.

See independent auditors' report.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

3. Concentration Risk

Cash balances are maintained at various financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures cash accounts at banks up to \$250,000 per institution. Investments held by other institutions are covered up to \$500,000 under insurance provided by the Securities Investor Protection Corporation (SIPC). However, SIPC does not protect against losses in market value. It is the opinion of management that the solvency of the referenced financial institutions is not of concern at this time. At December 31, 2014 and 2013, the Organization had cash and investments of \$6,625,165 and \$8,771,883, respectively, at various banks and institutions in excess of FDIC and SIPC limitations.

4. Property and Equipment

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

	2014	2013
Land	\$ 150,000	\$ 120,000
Building and improvements	1,602,689	740,611
Furniture and equipment	391,753	447,926
Vehicles	16,601	16,601
Total property and equipment, at cost or donated value	2,161,043	1,325,138
Less accumulated depreciation	(394,040)	(504,245)
Property and equipment, net	<u>\$ 1,767,003</u>	<u>\$ 820,893</u>

5. Investments

Investments are stated at market value and consist of the following at December 31,:

	2014	2013
Mutual funds	\$ 170,187	\$ -
U.S. Treasury bills and other bond securities	100,117	100,211
Common stock	75,926	1,033
Total investments	<u>\$ 346,230</u>	<u>\$ 101,244</u>

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

	2014	2013
Interest and dividends	\$ 17,339	\$ 24,944
Net realized and unrealized gain (loss)	(166)	2,391
Investment income	<u>\$ 17,173</u>	<u>\$ 27,335</u>

See independent auditors' report.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

6. Fair Value Measurements

The Financial Accounting Standards Board has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
 - If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at December 31, 2014 and 2013.

- *Common stock, mutual funds, U.S. Treasury bills:* Valued at fair value based on national trade listing.

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

Fair values of Level 1 assets measured on a recurring basis at December 31, are:

	<u>2014</u>	<u>2013</u>
Mutual funds - Large blend	\$ 170,187	\$ -
U.S. Treasury bills and other bond securities	100,117	100,211
Common stock	<u>75,926</u>	<u>1,033</u>
Total investments	<u>\$ 346,230</u>	<u>\$ 101,244</u>

See independent auditors' report.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

7. Loan Payable

During the year ended December 31, 2012, the Organization entered into a loan agreement with a business in the amount of \$15,000. The loan is unsecured, due on demand and does not bear interest. The balance at December 31, 2014 and 2013 is \$15,000.

8. Line of Credit

The Organization has a \$300,000 line of credit with a financial institution. The line of credit matured during February 2015 and has not been renewed. At December 31, 2014 and 2013, there was no outstanding balance on the line of credit.

9. Commitments

Lease Commitments

The Organization leases office space for administration and branch operations under operating leases with expiration dates ranging from January 2016 to January 2025. Total rent expense during the years ended December 31, 2014 and 2013 was \$267,071 and \$181,767, respectively. Minimum future lease payments as of December 31, 2014 under the operating leases are:

2015	\$ 461,405
2016	534,965
2017	476,894
2018	329,504
2019	327,758
Thereafter	<u>1,528,047</u>
Total minimum lease payments	<u>\$ 3,658,573</u>

Compensation Commitment

During the year ended December 31, 2013, the Board of Directors approved a proposal for payment of up to \$1,600,000 in deferred compensation payable to the founders of the Organization and a select number of long-term employees.

During the year ended December 31, 2014, funds were paid out to select individuals upon their request in an annual amount not to exceed the Board's directive. Compensation can be paid out as a bonus, contributions to a 403(b) annuity account or contributions to a 457(b) annuity account. Management intends to disperse all funds within five to seven years.

10. Retirement Plan

The Organization sponsors a salary deferral plan under Section 403(b) of the IRC. The plan allows eligible employees to defer a portion of their compensation on a tax-deferred basis until the employee withdraws the funds. Total expense related to this plan for the years ended December 31, 2014 and 2013 was \$296,434 and \$247,175, respectively, and is included with payroll and related taxes and benefits in the statements of functional expenses.

11. Joint Costs

During the year ended December 31, 2014, the Organization incurred joint costs of \$534,353 for informational materials, payroll and benefits, outside services and activities that included fund-raising appeals. The Organization allocated \$213,277 to program expense and \$321,076 to fund-raising expense.

See independent auditors' report.

CENTER FOR BIOLOGICAL DIVERSITY, INC.

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

11. Joint Costs, Continued

During the year ended December 31, 2013, the Organization incurred joint costs of \$336,380 for informational materials, payroll and benefits, outside services and activities that included fund-raising appeals. The Organization allocated \$102,948 to program expense, \$9,985 to general and administrative expense, and \$223,447 to fund-raising expense.

12. Subsequent Events

The Organization was unaware of any subsequent events as of November 18, 2015, the date the financial statements were available to be issued.

See independent auditors' report.