

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

Audited Combined Financial Statements
and Supplementary Information

For the years ended December 31, 2020 and 2019

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying combined financial statements of Center for Biological Diversity, Inc. and its affiliate, Center Action Fund (nonprofit organizations), which comprise the combined statements of financial position as of December 31, 2020 and 2019, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Center for Biological Diversity, Inc. and its affiliate as of December 31, 2020 and 2019, 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.



INDEPENDENT AUDITOR'S REPORT, Continued

Report on Supplementary Information

Our audit was conducted for the purposes of forming an opinion on the combined financial statements as a whole. The schedules on pages 22 and 23 are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

LUONIA KUONAR + KUONAR PLLC

April 14, 2021

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

COMBINED STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

ASSETS

	2020	2019
Current assets:		
Cash and cash equivalents	\$ 12,256,526	\$ 5,196,825
Grants and contributions receivable	653,706	2,060,883
Prepaid expenses	259,006	231,271
Investments - other, current portion	412,975	1,380,049
Notes receivable, current portion	30,691	20,886
Total current assets	13,612,904	8,889,914
Investments - other, non-current portion	1,725,411	1,677,834
Notes receivable, non-current portion	351,930	73,938
Investments - deferred compensation	438,646	365,200
Investments	8,375,724	6,701,805
Property and equipment, net	6,347,717	6,384,041
Deposits	153,473	154,268
Total assets	\$ 31,005,805	\$ 24,247,000

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 259,024	\$ 138,649
Accrued expenses	2,121,744	1,538,262
Total current liabilities	2,380,768	1,676,911
Deferred compensation liability	438,646	365,200
Total liabilities	2,819,414	2,042,111
Net assets:		
Without donor restrictions:		
Undesignated	12,622,222	6,364,536
Expended for property and equipment	6,347,717	6,384,041
Board-designated operating reserve	8,760,000	8,060,000
Total unrestricted net assets	27,729,939	20,808,577
With donor restrictions - purpose restrictions	456,452	1,396,312
Total net assets	28,186,391	22,204,889
Total liabilities and net assets	\$ 31,005,805	\$ 24,247,000

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

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

COMBINED STATEMENT OF ACTIVITIES

For the year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 14,472,353	\$ 2,379,763	\$ 16,852,116
Grants	911,100	3,492,423	4,403,523
Legal returns and settlements	720,750	2,227,894	2,948,644
SBA Grant - Paycheck Protection Program	2,907,079	-	2,907,079
Investment income	1,151,118	-	1,151,118
Other income	6,276	24,275	30,551
Loss on disposition of fixed assets	(1,052)	-	(1,052)
Rental income	250	-	250
Total revenue and support	20,167,874	8,124,355	28,292,229
Net assets released from restrictions	9,064,215	(9,064,215)	-
Total revenue, support, and reclassifications	29,232,089	(939,860)	28,292,229
Expenses:			
Program services	18,937,204	-	18,937,204
Supporting services:			
Fund-raising	1,790,331	-	1,790,331
General and administrative	1,583,192	-	1,583,192
Total expenses	22,310,727	-	22,310,727
Change in net assets	6,921,362	(939,860)	5,981,502
Net assets, beginning of year	20,808,577	1,396,312	22,204,889
Net assets, end of year	<u>\$ 27,729,939</u>	<u>\$ 456,452</u>	<u>\$ 28,186,391</u>

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

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

COMBINED STATEMENT OF ACTIVITIES

For the year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Contributions	\$ 8,254,798	\$ 6,732,695	\$ 14,987,493
Grants	965,015	4,770,574	5,735,589
Legal returns and settlements	751,546	668,565	1,420,111
Investment income	1,335,884	-	1,335,884
Other income	9,631	313	9,944
Rental income	8,650	-	8,650
Total revenue and support	<u>11,325,524</u>	<u>12,172,147</u>	<u>23,497,671</u>
Net assets released from restrictions	<u>11,498,599</u>	<u>(11,498,599)</u>	<u>-</u>
Total revenue, support, and reclassifications	22,824,123	673,548	23,497,671
Expenses:			
Program services	19,226,438	-	19,226,438
Supporting services:			
Fund-raising	1,726,432	-	1,726,432
General and administrative	1,380,058	-	1,380,058
Total expenses	<u>22,332,928</u>	<u>-</u>	<u>22,332,928</u>
Change in net assets	491,195	673,548	1,164,743
Net assets, beginning of year	<u>20,317,382</u>	<u>722,764</u>	<u>21,040,146</u>
Net assets, end of year	<u>\$ 20,808,577</u>	<u>\$ 1,396,312</u>	<u>\$ 22,204,889</u>

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

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2020

	Program								
	Endangered Species	Public Lands	Population and Sustainability	Environmental Health	Oceans	Climate	Urban Wildlands	International	Government Affairs
Payroll and related taxes and benefits	\$ 3,409,533	\$ 2,955,114	\$ 790,329	\$ 1,411,815	\$ 1,265,639	\$ 2,179,130	\$ 651,588	\$ 412,429	\$ 356,594
Rent and utilities	177,138	184,088	38,438	82,076	115,496	178,448	25,124	36,577	932
Professional services	47,727	127,368	8,292	23,452	24,135	265,408	22,361	69,661	1,805
Advertising	73,147	51,906	15,050	18,916	14,642	67,797	9,431	9,422	4,766
Depreciation	153,055	57,339	16,717	71,326	13,589	34,988	4,424	2,716	401
Legal	133,438	115,743	1,012	15,538	16,991	25,882	72,136	8,648	943
Office supplies	67,170	30,456	7,940	13,791	11,169	23,586	7,015	3,152	14,137
Contributions and grants	46,546	61,914	2,086	2,580	4,405	2,291	53,076	176	-
Printing	5,719	3,696	12,122	635	1,483	3,495	1,092	738	311
Internet organizing	20,702	20,582	20,408	20,425	20,408	20,549	20,340	20,322	20,088
Travel	35,511	52,345	9,014	16,566	17,780	20,353	6,606	11,104	3,933
Telephone and internet	41,411	36,105	8,777	16,458	14,300	25,736	5,576	6,333	1,665
Postage, mail service, labels	9,518	7,858	6,854	2,545	2,046	4,380	2,821	1,242	342
Merchant fees	-	-	-	-	-	-	-	-	-
Dues and subscriptions	21,444	12,616	2,862	11,378	8,286	17,254	3,307	28,757	1,352
Insurance	17,086	12,629	5,199	5,942	4,457	8,914	2,229	2,229	1,486
Miscellaneous	531	607	500	334	440	2,190	177	34	-
Staff development	9,223	1,546	203	3,252	1,910	2,835	634	61	71
Conferences and meetings	3,120	934	1,829	332	584	766	76	375	712
Education	-	45	5,600	180	-	-	-	-	45
Events and rallies	86	356	5,727	502	173	83	-	42	-
Total functional expenses	\$ 4,272,105	\$ 3,733,247	\$ 958,959	\$ 1,718,043	\$ 1,537,933	\$ 2,884,085	\$ 888,013	\$ 614,018	\$ 409,583

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

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE
 COMBINED STATEMENT OF FUNCTIONAL EXPENSES, Continued
 For the year ended December 31, 2020

	Program					Total Program	Fund-raising	General and Administrative	Total
	Ignite Change	Energy Justice	Digital	Social Welfare	Electioneering				
Payroll and related taxes and benefits	\$ 1,131,527	\$ 360,745	\$ -	\$ 333	\$ 21,690	\$ 14,946,466	\$ 841,689	\$ 1,030,498	\$ 16,818,652
Rent and utilities	90,442	562	-	1,089	51	930,461	26,920	24,211	981,592
Professional services	3,687	-	-	129	6	594,031	53,546	196,746	844,324
Advertising	75,237	95	-	-	-	340,409	141,770	12,919	495,098
Depreciation	35,729	82	-	-	-	390,366	27,394	49,906	467,666
Legal	8,397	7,355	-	6,564	305	412,952	3,454	49,308	465,714
Office supplies	52,475	946	6,745	1,546	572	240,700	92,363	19,706	352,769
Contributions and grants	1,502	-	-	-	-	174,576	130	119,120	293,826
Printing	4,456	1,424	187	79	4	35,441	248,517	473	284,430
Internet organizing	34,993	-	-	-	-	218,817	60,113	177	279,107
Travel	20,983	4,034	-	173	8	198,410	13,630	3,780	215,819
Telephone and internet	15,783	2,899	-	1,332	62	176,437	8,427	12,105	196,969
Postage, mail service, labels	2,198	644	-	51	2	40,501	114,894	2,094	157,489
Merchant fees	-	-	-	1	-	1	149,756	4,016	153,773
Dues and subscriptions	3,614	677	-	-	-	111,547	2,322	3,511	117,380
Insurance	5,200	-	-	9,491	441	75,303	4,786	5,263	85,351
Miscellaneous	299	-	-	-	-	5,112	40	37,651	42,803
Staff development	2,048	-	-	-	-	21,783	330	5,807	27,920
Conferences and meetings	767	687	-	-	-	10,182	250	555	10,987
Education	-	-	-	-	-	5,870	-	5,000	10,870
Events and rallies	702	125	-	41	2	7,839	1	346	8,186
Total functional expenses	\$ 1,490,039	\$ 380,275	\$ 6,932	\$ 20,829	\$ 23,143	\$ 18,937,204	\$ 1,790,331	\$ 1,583,192	\$ 22,310,727

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

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2019

	Program								
	Endangered Species	Public Lands	Population and Sustainability	Environmental Health	Oceans	Climate	Urban Wildlands	International	Government Affairs
Payroll and related taxes and benefits	\$ 3,389,160	\$ 2,784,939	\$ 971,593	\$ 1,275,655	\$ 1,226,820	\$ 2,256,330	\$ 575,519	\$ 343,672	\$ 325,335
Rent and utilities	166,198	177,773	40,823	74,476	105,168	168,794	22,415	25,410	252
Travel	201,462	163,711	56,471	51,274	67,836	129,219	29,762	36,947	17,735
Professional services	74,245	140,518	13,172	31,748	25,989	261,169	6,653	72,954	6,018
Advertising	95,185	69,642	21,053	26,113	22,410	40,262	11,982	11,724	5,726
Legal	203,835	55,592	3,928	20,930	37,700	99,247	30,549	6,519	5,164
Internet organizing	28,990	25,783	20,576	21,122	20,576	24,521	18,646	18,184	18,100
Depreciation	123,683	53,536	20,202	55,380	14,977	39,797	4,444	1,519	361
Office supplies	71,178	32,872	12,530	18,476	13,740	25,266	4,340	4,740	3,146
Printing	9,423	6,395	22,683	4,665	2,445	6,273	995	1,383	368
Telephone and internet	40,955	35,208	10,444	15,411	11,686	27,540	4,031	6,436	1,699
Postage, mail service, labels	17,363	11,073	17,255	2,811	2,450	7,306	3,553	1,485	331
Contributions and grants	46,426	57,988	28,173	5,391	8,384	10,795	6,001	4	701
Conferences and meetings	29,772	28,273	9,564	10,394	7,810	18,588	4,854	4,972	2,485
Merchant fees	-	-	-	-	-	-	-	-	-
Insurance	15,315	11,164	4,575	5,254	4,124	8,019	1,986	1,961	1,332
Dues and subscriptions	10,468	6,162	2,335	3,541	3,915	11,134	2,329	923	3,508
Events and rallies	4,616	3,482	1,675	938	1,937	29,260	352	627	322
Miscellaneous	4,741	1,008	61	2,369	843	1,756	1,971	5	-
Staff development	2,117	1,615	493	772	718	3,094	245	243	156
Education	-	-	11,500	-	-	30	-	-	-
Total functional expenses	<u>\$ 4,535,132</u>	<u>\$ 3,666,734</u>	<u>\$ 1,269,106</u>	<u>\$ 1,626,720</u>	<u>\$ 1,579,528</u>	<u>\$ 3,168,400</u>	<u>\$ 730,627</u>	<u>\$ 539,708</u>	<u>\$ 392,739</u>

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

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE
 COMBINED STATEMENT OF FUNCTIONAL EXPENSES, Continued
 For the year ended December 31, 2019

	Program				Fund-raising	General and Administrative	Total
	Ignite Change	Social Welfare	Electioneering	Total Program			
Payroll and related taxes and benefits	\$ 1,152,414	\$ 1,057	\$ 2,702	\$ 14,305,196	\$ 816,830	\$ 1,005,405	\$ 16,127,431
Rent and utilities	79,073	214	67	860,663	28,593	28,472	917,728
Travel	83,024	131	39	837,611	34,294	27,108	899,013
Professional services	13,653	41	7	646,167	19,005	144,240	809,412
Advertising	65,818	-	-	369,915	156,418	13,478	539,811
Legal	7,583	691	32	471,770	218	24,439	496,427
Internet organizing	130,065	-	-	326,563	83,865	4,613	415,041
Depreciation	21,239	-	-	335,138	25,994	38,458	399,590
Office supplies	38,950	72	21	225,331	82,054	22,636	330,021
Printing	49,314	24	10	103,978	212,934	1,796	318,708
Telephone and internet	14,522	714	91	168,737	14,465	9,599	192,801
Postage, mail service, labels	20,743	107	14	84,491	80,956	6,218	171,665
Contributions and grants	2,187	-	-	166,050	-	-	166,050
Conferences and meetings	20,261	-	-	136,973	8,330	10,887	156,190
Merchant fees	-	-	-	-	141,815	3,661	145,476
Insurance	4,401	-	-	58,131	3,847	13,689	75,667
Dues and subscriptions	1,933	-	-	46,248	10,191	3,370	59,809
Events and rallies	1,690	-	1,500	46,399	5,445	4,545	56,389
Miscellaneous	1,653	-	-	14,407	80	9,085	23,572
Staff development	1,687	-	-	11,140	1,098	8,359	20,597
Education	-	-	-	11,530	-	-	11,530
Total functional expenses	<u>\$ 1,710,210</u>	<u>\$ 3,051</u>	<u>\$ 4,483</u>	<u>\$ 19,226,438</u>	<u>\$ 1,726,432</u>	<u>\$ 1,380,058</u>	<u>\$ 22,332,928</u>

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

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

COMBINED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 5,981,502	\$ 1,164,743
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Depreciation	467,666	399,590
Loss on disposition of fixed assets	1,052	-
Net realized and unrealized loss on investments	(994,315)	(1,123,537)
Reinvested interest and dividends	(19,644)	(59,727)
Note receivable issued for contribution	(310,907)	-
Donated marketable securities	(24,701)	-
Change in investments - deferred compensation	(73,446)	79,714
Change in operating assets and liabilities:		
Grants and contributions receivable	1,407,177	(1,145,348)
Prepaid expenses	(27,735)	(90,291)
Deposits	795	(6,774)
Deferrals to deferred compensation plan	-	(79,714)
Accounts payable	120,375	(330,828)
Accrued expenses	583,482	230,744
Deferred compensation liability	73,446	79,714
Total adjustments	1,203,245	(2,046,457)
Net cash provided by (used in) operating activities	7,184,747	(881,714)
Cash flows from investing activities:		
Purchases of property and equipment	(432,394)	(1,655,029)
Proceeds from sales of investments	2,535,623	4,582,882
Purchases of investments	(3,126,091)	(2,770,636)
Purchases of investments - other	(2,445,294)	(1,405,790)
Proceeds from maturities of investments - other	3,320,000	265,000
Payments received on note receivable	23,110	20,068
Net cash used in investing activities	(125,046)	(963,505)
Cash flows from financing activities	-	-
Change in cash and cash equivalents	7,059,701	(1,845,219)
Cash and cash equivalents, beginning of year	5,196,825	7,042,044
Cash and cash equivalents, end of year	\$ 12,256,526	\$ 5,196,825
Supplemental schedule of cash flow information:		
Note receivable issued for contribution	\$ 310,907	\$ -
Supplemental disclosure of non-cash investing information:		
Donated marketable securities	\$ 24,701	\$ 1,692,715
Reinvested interest and dividends	\$ 19,644	\$ 59,727

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

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

1. Organization

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

Center Action Fund (CAF) was organized under the laws of the District of Columbia during February 2018. CAF was formed to promote social welfare within the meaning of section 501(c)(4) of the Internal Revenue Code, including but not limited to: advocating for stronger environmental laws and policies to protect wildlife, the environmental laws and threats to the integrity of those laws, and advocating for and against legislators and elected officials to further advance stronger environmental protections.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The combined financial statements include the accounts of Center for Biological Diversity and its commonly managed affiliate, Center Action Fund (collectively referred to as the Organization). The organizations share a common board of directors. All intercompany accounts and transactions have been eliminated in the combined financial statements.

The Organization reports information regarding its financial position and activities according to two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) based upon the existence or absence of donor-imposed restrictions.

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions include \$8,760,000 and \$8,060,000 at December 31, 2020 and 2019, respectively, designated by the Board of Directors as an operating reserve.
- Net assets with donor restrictions – 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained permanently. Generally, donors of these permit the Organization to use all of part of the income earned on any related investments for general or specific purposes.

Cash and Cash Equivalents

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

Grants and Contributions Receivable

Grants and contributions receivable consist principally of uncollateralized amounts due from other non-profit organizations and individual donors at year-end. No amounts included in the grants and contributions receivable balance are greater than ninety days past due. The Organization utilizes the allowance method to account for uncollectible amounts, and management believes all amounts are considered fully collectible. Therefore, no allowance for uncollectible accounts has been established at December 31, 2020 and 2019.

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

2. Summary of Significant Accounting Policies, Continued

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the combined 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 January 2021 and November 2030, have an annual fixed interest rates ranging from 1.00% to 3.00% and are recorded at cost which approximates fair market value.

Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as current, and certificates of deposit with remaining maturities greater than one year are classified as non-current.

Volunteer Services and Donated Goods

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

Property and Equipment

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

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

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

Support and Revenue

Grants and other contributions of cash and other assets are reported as support with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions.

Effective January 1, 2019, the Organization adopted FASB ASC 606, Revenue from Contracts with Customers. The Organization's adoption of this standard did not impact amounts previously recorded, and there was no material impact to the financial statements as of and for the year ended December 31, 2020.

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

2. Summary of Significant Accounting Policies, Continued

Settlement Income

Settlement income related to legal returns is classified as revenue with donor restrictions as required by law. When the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions. Settlement income received from the outcome of favorable legal settlements is reported as income without donor restrictions.

Functional Expenses

The combined financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Expenses are summarized and categorized based upon their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function.

These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated on a time-and-effort basis include payroll, related taxes and benefits, travel, conferences and meetings, dues and subscriptions, education, and staff development. In addition, rent and utilities, office supplies, depreciation, telephone and internet, and postage are allocated on a full-time equivalent basis.

Advertising Costs

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

Accounting Estimates

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

Income Taxes

The Center 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 Center 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, 2020 and 2019.

CAF is exempt from federal income tax under Internal Revenue Code (IRC) Section 501(c)(4) and from Arizona income tax under Arizona Revised Statutes Section 43-1201(4). CAF 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, 2020 and 2019.

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, 2020, 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.

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

3. Liquidity and Availability

Under the Organization's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments, certificates of deposit and other short-term investments.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the combined statement of financial position date, are comprised of the following at December 31, :

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 12,256,526	\$ 5,196,825
Grants and contributions receivable	653,706	2,060,883
Investments - other, current portion	412,975	1,380,049
Note receivable, current portion	<u>30,691</u>	<u>20,886</u>
Total financial assets available within one year	13,353,898	8,658,643
Less:		
Amounts unavailable for general expenditures within one year due to purpose restrictions	<u>(456,452)</u>	<u>(1,396,312)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 12,897,446</u>	<u>\$ 7,262,331</u>

The Organization also maintains a board designated operating reserve. The balance was \$8,760,000 and \$8,060,000 at December 31, 2020 and 2019, respectively. Although the Organization does not intend to spend from these funds, these funds can be made available by Board of Director approval if necessary.

4. Concentration Risk

Cash balances are maintained at various financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures cash accounts at banks up to \$250,000 per institution. Investments held by other institutions are covered up to \$500,000 under insurance provided by the Securities Investor Protection Corporation (SIPC). However, the SIPC does not protect against losses in market value. It is the opinion of management that the solvency of the referenced financial institutions is not of concern at this time. The Organization had cash and investments of \$19,897,209 and \$13,014,931 as of December 31, 2020 and 2019, respectively at various banks and institutions in excess of FDIC and SIPC limitations.

5. Investments

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

	<u>2020</u>	<u>2019</u>
Common stock	\$ 5,904,887	\$ 4,331,203
US Treasury bills	327,855	564,440
Corporate bonds	812,872	882,803
Municipal bonds	1,325,091	922,736
Guaranteed annuity	222,993	-
Mutual funds	<u>220,672</u>	<u>365,823</u>
Total investments	<u>\$ 8,814,370</u>	<u>\$ 7,067,005</u>

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

For the year ended December 31, 2020 and 2019

5. Investments, Continued

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

	2020	2019
Interest and dividends	\$ 233,830	\$ 285,466
Net realized and unrealized gain (loss)	994,315	1,123,537
Investment expense	(77,027)	(73,119)
Investment income, net	\$ 1,151,118	\$ 1,335,884

6. Notes Receivable

Notes receivable consists of the following at December 31,:

	2020	2019
Note receivable due in monthly installments of \$2,025 including interest at 4.0% through March 2024.	\$ 73,938	\$ 94,824
Note receivable due in monthly installments of \$1,000 including interest at 1.0% through September 2050.	308,682	-
Total notes receivable	382,620	94,824
Less current portion	(30,691)	(20,886)
Non-current portion	\$ 351,929	\$ 73,938

Future maturities of the notes receivable at December 31, 2020 are:

Year ended December 31,

2021	\$ 30,691
2022	31,666
2023	32,679
2024	15,262
2025	9,319
Thereafter	263,003
Total notes receivable	\$ 382,620

7. Property and Equipment

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

	2020	2019
Land	\$ 150,000	\$ 150,000
Building and improvements	6,803,142	6,803,142
Furniture and equipment	893,772	845,932
Vehicles	35,920	35,920
Construction in process	389,158	5,711
Total property and equipment, at cost or donated value	8,271,992	7,840,705
Less accumulated depreciation	(1,924,275)	(1,456,664)
Property and equipment, net	\$ 6,347,717	\$ 6,384,041

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

7. Property and Equipment, Continued

Construction in process of \$389,158 and \$5,711 at December 31, 2020 and 2019, respectively, includes renovations on a building in Tucson, Arizona that is expected to be completed in March 2022 at a total estimated cost of \$689,158.

8. Fair Value Measurements

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

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

- *Common stock, treasury bills, mutual funds, corporate bonds, municipal bonds:* Valued at fair value based on national trade listing.
- *Guaranteed annuity:* Valued at contract value which approximates fair value.

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

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CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

8. Fair Value Measurements, Continued

Fair values of investment assets, including investments – deferred compensation, measured on a recurring basis at December 31, 2020 are:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 5,904,887	\$ -	\$ -	\$ 5,904,887
US Treasury bills	327,855	-	-	327,855
Corporate bonds	812,872	-	-	812,872
Municipal bonds	1,325,091	-	-	1,325,091
Guaranteed annuity	-	222,993	-	222,993
Mutual funds	220,672	-	-	220,672
Total	<u>\$ 8,591,377</u>	<u>\$ 222,993</u>	<u>\$ -</u>	<u>\$ 8,814,370</u>

Fair values of investment assets, including investments – deferred compensation, measured on a recurring basis at December 31, 2019 are:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 4,331,203	\$ -	\$ -	\$ 4,331,203
U.S. Treasury bills	564,440	-	-	564,440
Corporate bonds	882,803	-	-	882,803
Municipal bonds	922,736	-	-	922,736
Mutual funds	365,823	-	-	365,823
Total	<u>\$ 7,067,005</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,067,005</u>

9. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31,:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Urban wildlands	\$ 183,517	\$ 58,029
Oceans	147,953	70,324
Electioneering	94,871	-
Climate	30,111	103,469
Endangered species	-	661,095
Public lands	-	503,395
Total net assets with donor restrictions	<u>\$ 456,452</u>	<u>\$ 1,396,312</u>

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

9. Net Assets With Donor Restrictions, Continued

Activity in net assets with donor restrictions is comprised of the following for the year ended December 31, 2020:

	<u>Contributions</u>	<u>Releases</u>
Subject to expenditure for specified purpose:		
Endangered species	\$ 2,030,242	\$ (2,691,337)
Climate	1,840,658	(1,914,016)
Public lands	912,251	(1,415,646)
Oceans	1,243,678	(1,166,049)
Urban wildlands	1,014,573	(889,085)
Population and sustainability	161,458	(161,458)
Environmental health	331,744	(331,744)
Ignite change	80,994	(80,994)
International	94,754	(94,754)
Government affairs	20,494	(20,494)
Energy justice	275,495	(275,495)
Electioneering	118,014	(23,143)
Total net assets with donor restrictions	<u>\$ 8,124,355</u>	<u>\$ (9,064,215)</u>

Activity in net assets with donor restrictions is comprised of the following for the year ended December 31, 2019:

	<u>Contributions</u>	<u>Releases</u>
Subject to expenditure for specified purpose:		
Endangered species	\$ 4,689,280	\$ (4,535,129)
Climate	2,141,458	(2,125,987)
Public lands	1,864,340	(1,373,448)
Oceans	1,068,795	(1,113,790)
Urban wildlands	788,657	(730,627)
Population and sustainability	542,188	(542,188)
Environmental health	435,494	(435,494)
Ignite change	320,425	(320,426)
International	231,345	(231,345)
Government affairs	90,165	(90,165)
Total net assets with donor restrictions	<u>\$ 12,172,147</u>	<u>\$ (11,498,599)</u>

10. Commitments

Lease Commitments

The Organization leases office space for administration and branch operations under operating leases with expiration dates ranging from May 2019 to January 2025. Total rent expense during the years ended December 31, 2020 and 2019 was \$900,833 and \$820,618, respectively.

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

10. Commitments, Continued

Minimum future lease payments as of December 31, 2020 under the operating leases are:

<u>Year ended December 31,</u>	
2021	551,046
2022	433,096
2023	319,425
2024	316,061
Thereafter	26,400
Total minimum lease payments	<u>\$ 1,646,028</u>

Compensation Commitment

During the year ended December 31, 2013, the Board of Directors approved a proposal for payment of up to \$1,796,000 in deferred compensation payable to the founders of the Organization and a select number of long-term employees. Compensation can be paid out as a bonus or as contributions to a 457(b) annuity account. Management intends to disperse all funds within five to seven years. At December 31, 2020 and 2019, the balance of the compensation commitment totaled \$0- and \$1,500, respectively.

11. Retirement Plans

403(b) Defined Contribution Plan

The Organization sponsors a salary deferral plan under Section 403(b) of the IRC. The plan allows eligible employees to defer a portion of their compensation on a tax-deferred basis until the employee withdraws the funds. Employees are eligible to make elective deferral contributions on their date of hire and are eligible to receive employer contributions on their date of hire after one consecutive year of service as long as they have reached 21 years of age. The Organization may also make contributions to the 403(b) plan. Total expense related to this plan for the years ended December 31, 2020 and 2019 was \$770,024 and \$711,273, respectively, and is included with payroll and related taxes and benefits in the combined statements of functional expenses.

457(b) Eligible Deferred Compensation Plan

The Organization has a 457(b) eligible deferred compensation plan (457(b) Plan) that allows eligible employees to defer pretax annual compensation up to certain limitations imposed by the IRS. The 457(b) Plan covers employees of the Organization whose annual salary is in excess of limits imposed by the IRS. The Organization reports assets and liabilities of equal amounts attributable to the amount deferred and the related investment earnings. The balance of the deferred compensation liability and related assets at December 31, 2020 and 2019 are \$438,646 and \$365,200, respectively.

12. Joint Costs

During the years ended December 31, 2020 and 2019, the Organization incurred joint costs of \$1,342,265 and \$1,098,578, respectively, for informational materials, payroll and benefits, outside services and activities that included fund-raising appeals. The Organization allocated \$206,401 and \$232,830, respectively, to program expense, \$3,081 and \$11,284, respectively, to administrative expense and \$1,132,783 and \$854,464, respectively, to fund-raising expense for the years ended December 31, 2020 and 2019, respectively.

See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

13. Forgivable Loan – Paycheck Protection Program

On April 29, 2020, the Center was granted a loan from Beneficial State Bank (“Lender”) in the amount of \$2,907,079 pursuant to the Paycheck Protection Program (“PPP”) under the federal Cares Act. The PPP loan, which is in the form of a note dated April 29, 2020, matures on April 29, 2022, bears interest at a rate of 1.0% per annum, and is payable monthly beginning on November 29, 2020. The Center may prepay the note at any time prior to maturity with no prepayment penalty. The Company may be eligible for forgiveness of all or a portion of the loan amount, including accrued interest on the forgiven portion, by providing evidence that the loan proceeds were used to fund eligible costs, during either an eight or twenty-four week period, and that additional criteria for forgiveness have been met. Any amount not forgiven will be payable, in full and including interest, on April 29, 2022; however, the Center may negotiate with the lender to extend the maturity date to April 29, 2025.

The Center is accounting for the proceeds as a conditional contribution under FASB ASC 958-605 *Not-for-Profit Entities – Revenue Recognition*. Under this guidance, the loan forgiveness is recognized as contribution revenue as the conditions of forgiveness are substantially met. As of December 31, 2020, the Center has expended 100% of the proceeds for eligible expenses during the covered period of the loan and fulfilled the additional forgiveness criteria under the Program, including FTE and wage reduction requirements and exceptions. The Center submitted the loan forgiveness application to the Lender on March 22, 2020. As a result, the Center has recognized grant revenue in the amount of \$2,907,079 for the year ended December 31, 2020.

14. Subsequent Events

The Organization was unaware of any additional subsequent events as of April 14, 2021, the date the combined financial statements were available to be issued.

See independent auditor's report.

SUPPLEMENTARY INFORMATION

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2020

	Center for Biological Diversity	Center Action Fund	Combining Entries	Combined Total
Current assets:				
Cash and cash equivalents	\$ 12,158,531	\$ 97,995	\$ -	\$ 12,256,526
Grants and contributions receivable	597,525	56,181	-	653,706
Prepaid expenses	259,006	-	-	259,006
Investments - other, current portion	412,975	-	-	412,975
Note receivable, current portion	30,691	-	-	30,691
Total current assets	13,458,728	154,176	-	13,612,904
Investments - other, non-current portion	1,725,411	-	-	1,725,411
Note receivable, non-current portion	351,930	-	-	351,930
Investments - deferred compensation	438,646	-	-	438,646
Investments	8,375,724	-	-	8,375,724
Property and equipment, net	6,347,717	-	-	6,347,717
Due from Center for Biological Diversity	-	1,679	(1,679)	-
Due from Center Action Fund	11,863	-	(11,863)	-
Deposits	153,473	-	-	153,473
Total assets	\$ 30,863,492	\$ 155,855	\$ (13,542)	\$ 31,005,805
Current liabilities:				
Accounts payable	\$ 260,703	\$ 11,863	\$ (13,542)	\$ 259,024
Accrued expenses	2,121,744	-	-	2,121,744
Total current liabilities	2,382,447	11,863	(13,542)	2,380,768
Deferred compensation liability	438,646	-	-	438,646
Total liabilities	2,821,093	11,863	(13,542)	2,819,414
Net assets				
Without donor restrictions:				
Undesignated	12,573,101	49,121	-	12,622,222
Expended for property and equipment	6,347,717	-	-	6,347,717
Board-designated operating reserve	8,760,000	-	-	8,760,000
Total net assets without donor restrictions	27,680,818	49,121	-	27,729,939
With donor restrictions:				
Purpose restrictions	361,581	94,871	-	456,452
Total net assets	28,042,399	143,992	-	28,186,391
Total liabilities and net assets	\$ 30,863,492	\$ 155,855	\$ (13,542)	\$ 31,005,805

Supplementary Information.
See independent auditor's report.

CENTER FOR BIOLOGICAL DIVERSITY, INC. AND AFFILIATE

COMBINING STATEMENT OF ACTIVITIES
For the year ended December 31, 2020

	Center for Biological Diversity			Center Action Fund			Combining Entries	Combined Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:										
Contributions	\$ 14,472,353	\$ 2,362,890	\$ 16,835,243	\$ -	\$ 16,873	\$ 16,873	\$ -	\$ 14,472,353	\$ 2,379,763	\$ 16,852,116
Grants	836,100	3,391,282	4,227,382	75,000	101,141	176,141	-	911,100	3,492,423	4,403,523
Legal returns and settlements	720,750	2,227,894	2,948,644	-	-	-	-	720,750	2,227,894	2,948,644
SBA Grant - Paycheck Protection Program	2,907,079	-	2,907,079	-	-	-	-	2,907,079	-	2,907,079
Investment income, net	1,151,118	-	1,151,118	-	-	-	-	1,151,118	-	1,151,118
Other income	6,276	24,275	30,551	-	-	-	-	6,276	24,275	30,551
Loss on disposition of fixed assets	(1,052)	-	(1,052)	-	-	-	-	(1,052)	-	(1,052)
Rent income	250	-	250	-	-	-	-	250	-	250
Total revenue and support	20,092,874	8,006,341	28,099,215	75,000	118,014	193,014	-	20,167,874	8,124,355	28,292,229
Net assets released from restrictions	9,041,072	(9,041,072)	-	23,143	(23,143)	-	-	9,064,215	(9,064,215)	-
Total revenue, support, and reclassifications	29,133,946	(1,034,731)	28,099,215	98,143	94,871	193,014	-	29,232,089	(939,860)	28,292,229
Expenses:										
Program services	18,893,233	-	18,893,233	43,971	-	43,971	-	18,937,204	-	18,937,204
Supporting services:										
Fund-raising	1,789,506	-	1,789,506	825	-	825	-	1,790,331	-	1,790,331
General and administrative	1,580,959	-	1,580,959	2,233	-	2,233	-	1,583,192	-	1,583,192
Total expenses	22,263,698	-	22,263,698	47,029	-	47,029	-	22,310,727	-	22,310,727
Change in net assets	6,870,248	(1,034,731)	5,835,517	51,114	94,871	145,985	-	6,921,362	(939,860)	5,981,502
Net assets, beginning of year	20,810,570	1,396,312	22,206,882	(1,993)	-	(1,993)	-	20,808,577	1,396,312	22,204,889
Net assets, end of year	\$ 27,680,818	\$ 361,581	\$ 28,042,399	\$ 49,121	\$ 94,871	\$ 143,992	\$ -	\$ 27,729,939	\$ 456,452	\$ 28,186,391

Supplementary Information.
See independent auditor's report.

