DUCKS UNLIMITED, INC. AND AFFILIATE

Combined Financial Statements

June 30, 2013 and 2012

(With Independent Auditors’ Report Thereon)

DUCKS UNLIMITED, INC. AND AFFILIATE

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KPMG LLP
Suite 900
50 North Front Street
Memphis, TN 38103-1194

Independent Auditors' Report

The Board of Directors
Ducks Unlimited, Inc. and Affiliate:

Report on the Financial Statements

We have audited the accompanying combined balance sheets of Ducks Unlimited, Inc. and Affiliate as of June 30, 2013 and 2012, and the related combined statements of activities, unrestricted support and revenues and 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 audit to obtain reasonable assurance about whether the combined financial statements are free from 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 auditors' 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 Ducks Unlimited, Inc. and Affiliate as of June 30, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Memphis, Tennessee
October 24, 2013

DUCKS UNLIMITED, INC. AND AFFILIATE

Combined Balance Sheets

June 30, 2013 and 2012

Assets		**2013**	**2012**
Cash and cash equivalents	$	27,214,502	24,167,295
Events receivable, net		612,358	546,239
Pledges receivable, net		28,068,500	25,452,253
Habitat conservation and other receivables		25,305,209	19,880,161
Event merchandise inventory		2,861,818	3,331,888
Investments		40,824,852	35,264,781
Land held for conservation purposes		22,914,798	15,588,294
Land, buildings, and equipment, net		8,383,915	9,006,602
Other assets		3,257,262	2,552,314
Total assets	$	159,443,214	135,789,827
Liabilities and Net Assets			
Accounts payable and accrued expenses	$	11,985,738	11,335,416
Compensation and related accruals		6,833,854	6,408,068
Pension and deferred compensation accruals		6,288,143	21,371,982
Accrued postretirement benefits		1,950,812	2,618,336
Other liabilities		526,397	543,756
Total liabilities		27,584,944	42,277,558
Net assets:			
Unrestricted		41,771,105	15,516,162
Temporarily restricted		73,747,026	66,283,759
Permanently restricted		16,340,139	11,712,348
Total net assets		131,858,270	93,512,269
Total liabilities and net assets	$	159,443,214	135,789,827

See accompanying notes to combined financial statements.

DUCKS UNLIMITED, INC. AND AFFILIATE

Combined Statements of Activities

Years ended June 30, 2013 and 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total net assets
Net assets at June 30, 2011	$ 16,665,615	68,341,450	10,828,841	95,835,906
Support and revenues:				
Unrestricted support and revenues	137,686,063	—	—	137,686,063
Restricted support and revenues:				
Major conservation gifts	—	29,152,584	883,507	30,036,091
Investment return on permanent endowments, net	—	(260,991)	—	(260,991)
Habitat reimbursements	—	16,525,882	—	16,525,882
Other revenues	—	333,641	—	333,641
Net assets released from restrictions:				
Program restrictions satisfied	45,150,479	(45,150,479)	—	—
Expiration of time restrictions	985,600	(985,600)	—	—
Total support and revenues	183,822,142	(384,963)	883,507	184,320,686
Total expenses	171,641,027	—	—	171,641,027
Excess (deficit) of support and revenues over expenses	12,181,115	(384,963)	883,507	12,679,659
Other changes in net assets:				
Loss on uncollectible pledges	—	(1,672,728)	—	(1,672,728)
Pension and postretirement benefit liability adjustments other than net periodic costs	(13,330,568)	—	—	(13,330,568)
Total change in net assets	(1,149,453)	(2,057,691)	883,507	(2,323,637)
Net assets at June 30, 2012	15,516,162	66,283,759	11,712,348	93,512,269
Support and revenues:				
Unrestricted support and revenues	134,550,299	—	—	134,550,299
Restricted support and revenues:				
Major conservation gifts	—	23,499,378	4,627,791	28,127,169
Investment return on permanent endowments, net of appropriation for expenditure	—	1,673,326	—	1,673,326
Habitat reimbursements	—	22,829,180	—	22,829,180
Other revenues	—	1,005,583	—	1,005,583
Net assets released from restrictions:				
Program restrictions satisfied	38,287,551	(38,287,551)	—	—
Expiration of time restrictions	1,665,330	(1,665,330)	—	—
Total support and revenues	174,503,180	9,054,586	4,627,791	188,185,557
Total expenses	162,863,086	—	—	162,863,086
Excess of support and revenues over expenses	11,640,094	9,054,586	4,627,791	25,322,471
Other changes in net assets:				
Loss on uncollectible pledges	—	(1,591,319)	—	(1,591,319)
Pension and postretirement benefit liability adjustments other than net periodic costs	14,614,849	—	—	14,614,849
Total change in net assets	26,254,943	7,463,267	4,627,791	38,346,001
Net assets at June 30, 2013	$ 41,771,105	73,747,026	16,340,139	131,858,270

See accompanying notes to combined financial statements.

DUCKS UNLIMITED, INC. AND AFFILIATE

Combined Statements of Unrestricted Support and Revenues and Expenses

Years ended June 30, 2013 and 2012

	2013	2012
Operational revenue:		
Philanthropic sources:		
Net proceeds from committee events	$ 39,595,886	34,421,772
Direct response membership	11,731,311	10,541,175
Major gifts	24,718,244	28,346,920
Planned gift maturities	243,545	836,218
Royalties	1,910,460	3,990,675
Total philanthropic revenue	78,199,446	78,136,760
Other operational support and revenue:		
Federal and state habitat reimbursements	57,853,522	52,932,239
Nongovernmental partnerships	18,153,915	15,857,366
State grants	3,207,352	3,025,606
Donated conservation easements	8,396,228	23,664,265
Advertising revenue	2,963,770	2,736,279
Other revenues	19,583	308,978
Total operational support and revenue	168,793,816	176,661,493
Operational expense:		
Program service expense:		
Waterfowl conservation:		
U.S. habitat delivery	91,114,575	85,745,098
Conservation easements	8,396,228	23,664,265
Government relations	1,096,911	803,176
Ducks Unlimited Canada	13,487,892	14,935,768
Ducks Unlimited de Mexico	521,039	684,742
Conservation education:		
Magazine	3,615,385	3,281,337
Communications and conferences	3,340,136	3,534,187
Education delivery	7,807,460	7,359,076
Membership services	2,898,892	3,159,785
Total program service expenses	132,278,518	143,167,434
Fund-raising:		
Field operations	9,542,450	8,994,426
Direct response membership development	8,419,617	8,095,961
Major gift development and advertising	7,614,078	6,629,006
Total fund-raising expense	25,576,145	23,719,393
Administration	5,008,423	4,754,200
Total operational expense	162,863,086	171,641,027
Operational surplus	5,930,730	5,020,466
Nonoperational:		
Revolving land contributions	908,022	197,313
Gains on land sales	1,335,368	5,990,117
Planned gift maturities	243,544	836,218
Other quasi-endowment contributions	443,922	403,784
Net endowment and quasi-endowment investment income (loss)	2,778,508	(266,783)
Nonoperating surplus	5,709,364	7,160,649
Excess of unrestricted support and revenues over expenses	$ 11,640,094	12,181,115

See accompanying notes to combined financial statements.

DUCKS UNLIMITED, INC. AND AFFILIATE

Combined Statements of Cash Flows

Years ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 38,346,001	(2,323,637)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash contributions	(299,825)	(11,588)
Contributions restricted for investment in endowment	(4,627,791)	(883,507)
Depreciation	1,302,657	1,319,648
Gain on disposition of conservation lands	(1,335,368)	(5,990,117)
(Gain) loss on disposition of equipment	2,220	(146,230)
Net realized and unrealized (gain) loss on investments	(4,132,035)	1,243,757
Pension and postretirement benefit liability adjustments	(14,614,849)	13,330,568
Changes in operating assets and liabilities:		
Events receivable	(66,119)	9,267
Pledges receivable	(2,616,247)	(3,899,819)
Habitat conservation and other receivables	(5,425,048)	1,973,399
Event merchandise inventory	470,070	(168,303)
Other assets	(405,123)	217,488
Accounts payable and accrued expenses	650,322	(316,825)
Compensation and related accruals	425,786	886,699
Pension and deferred compensation accruals	(631,834)	1,747
Accrued postretirement benefits	(504,680)	(1,773,912)
Other liabilities	(17,359)	(29,232)
Net cash provided by operating activities	6,520,778	3,439,403
Cash flows from investing activities:		
Purchases of investments	(29,025,582)	(19,889,972)
Proceeds from sale of investments	27,597,546	15,186,482
Building and equipment purchases	(682,190)	(1,229,095)
Investments in conservation lands	(12,136,389)	(3,747,928)
Proceeds from sales of conservation lands	6,145,253	11,282,902
Net cash (used in) provided by investing activities	(8,101,362)	1,602,389
Cash flows from financing activities:		
Proceeds from contributions restricted for endowment	4,627,791	883,507
Proceeds from borrowings on operating line of credit	(8,000,000)	(4,000,000)
Repayments of borrowings on operating line of credit	8,000,000	4,000,000
Net cash provided by financing activities	4,627,791	883,507
Net increase in cash and cash equivalents	3,047,207	5,925,299
Cash and cash equivalents at beginning of year	24,167,295	18,241,996
Cash and cash equivalents at end of year	$ 27,214,502	24,167,295
Supplemental disclosures of cash flow information:		
Receivable for sale of land	$ —	70,000
Cash paid for interest	27,060	18,704

See accompanying notes to combined financial statements.

(1) Nature of Activities

Ducks Unlimited, Inc. (DUI) is an internationally supported, nonprofit conservation organization incorporated under the laws of the District of Columbia in 1937. DUI conserves, restores, and manages wetlands and associated habitats for North America's waterfowl. These habitats also benefit other wildlife and people.

Wetlands America Trust, Inc. (WAT) is a nonprofit organization formed in 1985 to support the mission of DUI in providing leadership in the protection of the natural balance of wetland ecosystems, ensuring the future viability of waterfowl and other wetland wildlife in the United States. WAT operates exclusively for the benefit of DUI and complements DUI's domestic habitat programs in harmony with DUI's conservation priorities. WAT is also a fiduciary for DUI and manages endowments and revolving funds. DUI is the sole member of WAT.

DUI and WAT's primary sources of revenue are contributions from the public, including gifts of land, investment income, and government grants. These resources are used to conserve portfolios of functional conservation areas across North America.

DUI and WAT are recognized as organizations exempt from federal income tax under 501(a) as entities described in Section 501(c)(3) of the U.S. Internal Revenue Code, except for taxes on income from activities unrelated to its exempt purposes. The organization does not have any material unrecognized tax positions that should be recognized in the financial statements for 2013 or 2012.

(2) Significant Accounting Policies

(a) Principles of Combination

The combined financial statements include the accounts of DUI and WAT, hereinafter referred to collectively as DU or the Organization. Significant accounts and transactions between DUI and WAT have been eliminated in combination.

(b) Cash Equivalents

Cash equivalents are highly liquid investments with a maturity of three months or less when purchased.

(c) Pledges Receivable

Pledges receivable represent promises from DU supporters to make contributions to DU in future periods under various major donor programs, which generally provide for payments over one to seven years. Pledges are reported at the net present value of the estimated future cash flows.

(d) Inventory

Event merchandise inventory is valued at the lower of cost or market, using the first-in, first-out method. Slow moving or potentially obsolete inventory items are written down to net realizable value.

(e) Investments and Fair Value Measurements

The carrying value of cash and cash equivalents, events receivable, habitat conservation and other receivables and accounts payable approximate fair value because of the short maturity of those instruments.

Investments with readily determinable market values are reported based on the last reported sales price at the end of the reporting period or, in the absence of a reported sale, on the average of the bid and ask price. Investments in private equity and hedge funds are reported at the proportionate share of the estimated fair values of the underlying investments. Those fair values, which are estimated by the general partners or investment managers, are evaluated for reasonableness by the Organization's management, and may differ from the values that would have been used had a ready market existed for those investments. Investment income from permanently restricted endowment funds is recognized as temporarily restricted net assets until appropriated for use. Investment income on all other investments is credited directly to unrestricted net assets unless otherwise restricted by the donor.

DU values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy that prioritizes the inputs to valuation techniques is used to measure fair value. The hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is broken down into the following three levels, based on the reliability of inputs:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are observable at the measurement date;

Level 2: Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; and

Level 3: Significant unobservable inputs for the asset or liability that reflect the reporting entity's own estimates about the assumptions that market participants would use in pricing the asset or liability.

(f) Land Held for Conservation Purposes

Land held for conservation purposes includes purchased or donated properties to be sold or transferred to governmental agencies or other conservation-minded individuals and organizations for conservation purposes. Purchased land and easements are stated at the lesser of cost or fair market value. Donated properties are initially recorded at their appraised values at the date of contribution, and are carried at the lower of this amount or fair market value.

(g) Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost. Expenditures for maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. When assets are

(Continued)

retired or sold, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss on retirement or disposal of the individual assets is recorded as revenue or expense.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings	10 – 40 years
Building improvements	5 – 15 years
Computer equipment	3 – 5 years
Furnishings and equipment	5 – 10 years

DU periodically reviews the recoverability of long-lived assets. If facts or circumstances indicate the possibility of impairment, DU will prepare a projection of the undiscounted future cash flows of the specific assets and determine if the recorded value is recoverable or if an adjustment to the carrying value of the assets is necessary. DU does not believe that there were any facts or circumstances that indicated an impairment of recorded land, buildings, or equipment as of June 30, 2013 or 2012.

(h) Charitable Gift Annuities

DU has received several gifts that, pursuant to the gift agreements, require DU to pay a fixed amount for a specified period of time to the donor or to individuals or organizations designated by the donor. The amount recorded as a contribution at the time the gift is made is the difference between the amount of the gift and the present value of the donor stipulated payments to be made by DU as of the date of the gift. DU’s liability under these arrangements, which is recorded as a component of other liabilities in the accompanying combined balance sheets, is recorded at the net present value of the remaining donor-stipulated payments and is adjusted annually.

(i) Net Assets

DU reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit their use. When a donor restriction is satisfied, that is, when a stipulated time restriction expires or program restriction is accomplished, temporarily restricted net assets are transferred to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions.

DU classifies donor-restricted contributions as unrestricted support if those restrictions are satisfied in the same reporting period. DU recognizes contributions of collectibles (for example, works of art or similar assets that are held for public exhibition or education) as unrestricted support, unless restricted by the donor.

Temporarily restricted net assets include pledges receivable that are restricted by time and/or purpose restrictions, habitat conservation gifts that are restricted by donor stipulation, and unappropriated appreciation on donor-restricted endowment funds.

Permanently restricted net assets represent endowments restricted by donors, the income from which is expendable for conservation efforts specific to donor stipulations.

(Continued)

(j) Conservation Easements

Conservation easements represent rights to restrict the use, access, and development of certain properties. Unrestricted support and expenses are recognized in equal amounts based upon the appraised value of the easement. DU is obligated to monitor easements to ensure that the restrictions are maintained. DU monitors these easements in the normal course of its operations and associated costs are expensed as incurred.

The estimated value of easements is not included in the combined balance sheets because the easements do not represent a future economic benefit to the Organization.

(k) Pension and Postretirement Benefit Plans

DU records the overfunded or underfunded status of benefit plans on its combined balance sheets. Changes in funded status other than net periodic cost are recognized as other changes in net assets in the year in which the change occurs. DU engages a third-party actuary to perform computations necessary to record its pension and postretirement plan-related balances.

(l) Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the combined statements of unrestricted support and revenues and expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(m) Grants and Cooperative Agreements

DU receives grants and contracts from federal and state agencies, as well as from private organizations, to be used for specific programs or land purchases. Any excess of reimbursable expenditures over cash receipts is included in habitat conservation receivables. For grants and contracts in which cash is received prior to the incurrence of related costs, such amounts are reflected in temporarily restricted net assets until the related costs are incurred.

DU’s costs incurred under its government grants and contracts are subject to audit by government agencies. Management believes that disallowed costs, if any, would not be material to the accompanying combined balance sheets or combined statements of activities of DU.

(n) 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 reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates. Estimates are used primarily in the recording of the allowance for uncollectible pledges receivable, the discounting of pledges receivable, determining the fair value of certain investments, estimates relating to the pension and other postretirement plans, and reserves for self-insurance.

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(o) Donor-Restricted Endowment Funds

Under the provisions of the State of Tennessee's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), organizations are required to maintain and report endowment funds based upon donor intent, whether explicit or implied. Based on its interpretation of the provisions of UPMIFA and a review of underlying endowment agreements, management has determined that reporting the historic dollar value of donor-restricted endowments as permanently restricted net assets is appropriate and consistent with the intent of DU's donors.

(p) Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.* ASU 2011-04 includes common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. ASU 2011-04 requires reporting entities to disclose the following information for fair value measurements categorized within Level 3 of the fair value hierarchy: quantitative information about the unobservable inputs used in the fair value measurement, the valuation processes used by the reporting entity and a narrative description of the sensitivity of the fair value measurements to changes in unobservable inputs and the interrelationships between those unobservable inputs. In addition, ASU 2011-04 requires reporting entities to make disclosures about amounts and reasons for all transfers in and out of Level 1 and Level 2 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2011. The adoption in 2013 resulted in additional disclosures to note 4, Investments and Fair Value Measurements.

(q) Subsequent Events

DU has evaluated events and transactions for potential recognition or disclosure through October 24, 2013, which is the date these combined financial statements were available to be issued.

(3) Fund-Raising Events

DU raises funds to support its conservation mission through fund-raising events in communities throughout the United States. During the years ended June 30, 2013 and 2012, DU volunteers hosted approximately 3,800 and 3,900, respectively, grassroots fund-raising events, such as member and sponsor banquets, shooting and fishing tournaments, and golf outings. Chapters are chartered by DU and operate as unincorporated associations to support DU in the local community. Local chapters remit proceeds of these events (net of direct expenses incurred by the chapter in sponsoring and conducting the event) to DU, and provide reports of receipts and direct expenses. Because the financial transactions of local committees are controlled by the volunteers, net amounts to be remitted to DU are recorded as event receivables in the combined balance sheets and net proceeds from committee events in the accompanying combined statements of unrestricted support and revenues and expenses.

The following unaudited gross proceeds and unaudited direct expenses incurred by DU chapters in conducting these events are based on reports provided by the host chapters for each event.

	Year ended June 30	
	2013	**2012**
Gross proceeds reported by DU chapters (unaudited)	$ 87,654,019	78,028,947
Expenses incurred by DU chapters (unaudited)	(30,958,644)	(28,203,741)
Proceeds of events remitted to DU	56,695,375	49,825,206
Less cost of event merchandise	(16,232,874)	(14,746,028)
Less state operation allowances	(866,615)	(657,406)
Net proceeds from committee events	$ 39,595,886	34,421,772

(4) Investments and Fair Value Measurements

The following tables set forth DU's investments by level within the fair value hierarchy, as of June 30, 2013 and 2012:

	2013			
	Fair value measurements using			
	Level 1	**Level 2**	**Level 3**	**Total**
Equities:				
Large-cap value	$ 6,287,785	—	—	6,287,785
Large-cap growth	8,110,403	—	—	8,110,403
Small and mid-cap value	33,646	—	—	33,646
Small and mid-cap growth	3,009,180	—	—	3,009,180
Small and mid-cap core	5,066,371	—	—	5,066,371
International	3,857,362	—	—	3,857,362
Real estate	913,723	—	—	913,723
Fixed income	6,753,223	267,499	—	7,020,722
Private equity	—	—	201,331	201,331
Hedge funds	—	—	6,324,329	6,324,329
Total investments at fair value	$ 34,031,693	267,499	6,525,660	40,824,852

	2012			
	Fair value measurements using			
	Level 1	**Level 2**	**Level 3**	**Total**
Equities:				
Large-cap value	$ 4,935,860	—	—	4,935,860
Large-cap growth	5,739,232	—	—	5,739,232
Small and mid-cap value	2,249,928	—	—	2,249,928
Small and mid-cap growth	3,095,798	—	—	3,095,798
Small and mid-cap core	1,791,472	—	—	1,791,472
International	4,038,198	—	—	4,038,198
Real estate	738,083	—	—	738,083
Fixed income	10,920,345	267,115	—	11,187,460
Private equity	—	—	201,802	201,802
Hedge funds	—	—	1,286,948	1,286,948
Total investments at fair value	$ 33,508,916	267,115	1,488,750	35,264,781

At June 30, 2013 and 2012, DU was committed to fund additional amounts to a private equity fund totaling approximately $130,000 and $88,000, respectively.

The composition of investment return is as follows for the years ended June 30, 2013 and 2012:

	2013	**2012**
Net realized and unrealized investment gains (losses):		
Unrestricted	$ 2,273,150	(799,099)
Temporarily restricted	1,858,885	(444,658)
	$ 4,132,035	(1,243,757)
Interest and dividend income:		
Unrestricted	$ 505,358	532,316
Temporarily restricted	298,105	183,667
	$ 803,463	715,983
Total activity:		
Unrestricted	$ 2,778,508	(266,783)
Temporarily restricted	2,156,990	(260,991)
	$ 4,935,498	(527,774)

The following table sets forth a summary of changes in the fair value of DU's Level 3 assets for the years ended June 30, 2012 and 2013:

		Private equity	Hedge funds
Beginning balance at June 30, 2011	$	180,381	1,721,654
Total net gains (losses) (realized and unrealized)		2,249	(220,903)
Net purchases (distributions)		19,172	(213,803)
Ending balance at June 30, 2012		201,802	1,286,948
Total net gains (realized and unrealized)		21,939	531,844
Purchases		12,776	6,739,618
Distributions		(35,186)	(2,234,081)
Ending balance at June 30, 2013	$	201,331	6,324,329

Investments in hedge funds consist primarily of funds which in turn invest in other hedge funds. Investments in private equity represent funds which invest in illiquid securities from private companies and have limited or no provisions for investor-driven redemption. The table below presents a summary of the fair value, redemption frequency, unfunded commitments, and average life of distribution of hedge fund and private equity investments as of June 30, 2013:

Investment		Fair value	Unfunded commitments	Redemption frequency (if eligible)	Redemption notice period	Expected life span of investment
Private equity	$	201,331	130,000	N/A	N/A	< 24 months
Hedge funds		6,324,329	—	Quarterly – Semiannually	90 days	Indefinite

(5) Pledges Receivable

Pledges receivable are summarized as follows at June 30:

		2013	2012
Amounts due:			
Less than 1 year	$	14,854,875	12,668,648
1 to 5 years		18,020,787	18,004,108
Greater than 5 years		1,022,819	1,162,288
		33,898,481	31,835,044
Less allowance for uncollectible pledges		(5,282,318)	(5,197,741)
Less unamortized present value discount		(547,663)	(1,185,050)
	$	28,068,500	25,452,253

Fair value of pledges receivable is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a rate commensurate with the duration of the donor's payment plan. Such rates ranged from 0.3% to 5.1% as of June 30, 2013 and 0.2% to 5.0% as of June 30, 2012. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance is recorded for uncollectible pledges based on management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

(6) Land Held for Conservation Purposes

Land held for conservation purposes is as follows at June 30, 2013:

Property	Acres protected	Location		Carrying value
Cosumnes River Preserve	242	California	$	—
Goebel Ranch	2,168	South Dakota		—
Long Lake Complex	946	South Dakota		1,213,615
Minden SW Complex	83	Nebraska		—
Prairie Marsh Complex	200	Nebraska		344,304
Ritterbush Complex	114	Nebraska		219,656
Verona Complex	1,155	Nebraska		1,154,192
Weil Tract	70	South Carolina		63,000
Bowdle Complex	320	South Dakota		677,713
Coteau Ranch (Peacock) Complex	3,120	North Dakota		1,649,076
Julesberg Complex	850	Colorado		654,030
Martin Complex	320	North Dakota		168,000
Little Sandy Complex	160	Nebraska		176,366
Lower Sangamon Complex	232	Illinois		250,782
North Bend Complex	168	Nebraska		570,000
Butler Complex	166	Nebraska		242,120
Phelps Complex	232	Nebraska		205,993
North Platt River Complex	952	Nebraska		2,460,294
Eureka Complex	481	South Dakota		404,102
LSOHC	190	Minnesota		1,154,243
NE WPA Roundouts	279	Nebraska		1,459,335
Kandiyohi County	40	Minnesota		37,769
Michigan Complex	18	Michigan		38,000
Indiana Complex	32	Indiana		140,377
Illinois Complex	473	Illinois		1,636,053
GFT Montana Complex	4,355	Montana		911,573
Clark County Complex	240	South Dakota		454,661
Market Lake Complex	825	Idaho		1,506,716
Central Platte River Complex	277	Nebraska		536,367
Talmo Marsh Wildlife Area Complex	160	Kansas		158,735
Rice Complex	794	South Dakota		1,923,737
Wisconsin Complex	86	Wisconsin		400,236
Wyoming Complex	24	Wyoming		28,000
Brown County Complex	318	South Dakota		1,099,278
Moody County Complex	154	South Dakota		976,475
	20,244		$	22,914,798

(7) Conservation Easements

In addition to holding land for conservation purposes, DU (through its affiliate WAT) also secures conservation easements, deed restrictions, and management agreements on properties. Easement values represent the difference in the appraised value of the property immediately before and after the conservation easements are imposed on the property.

Easement values have been determined by independent third-party appraisals at the time the easement is secured. As discussed in note 2, DU recognizes equal amounts of unrestricted revenues and program expense at the time the easement is secured.

Conservation easement activity during the years ended June 30, 2013 and 2012 was as follows:

	2013		2012	
	Acres	Value at date of easement	Acres	Value at date of easement
Conservation easements secured during the year ended June 30	6,025	$ 8,396,228	16,478	$ 23,664,265
Total conservation easements held as of June 30	368,585	585,730,505	362,560	577,334,277

(8) Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following at June 30:

	2013	2012
Land	$ 1,405,264	1,405,264
Buildings and improvements:		
Memphis Headquarters	9,343,335	9,333,462
Western Regional Office	964,140	964,140
Great Plains Regional Office	2,175,422	2,175,422
Furnishings and equipment	18,380,862	18,076,666
	32,269,023	31,954,954
Less allowances for depreciation	(23,885,108)	(22,948,352)
	$ 8,383,915	9,006,602

(9) Line of Credit

DU has an operating line of credit agreement (the Credit Agreement), which expires on December 31, 2013 and provides for seasonal borrowing needs, subject to borrowing base availability, up to the following maximum amounts:

	Amount	Time frame
$	15,000,000	January 1, 2013 to March 31, 2013
	12,000,000	April 1, 2013 to November 30, 2013
	15,000,000	December 1, 2013 to December 31, 2013

The borrowing rate on the Credit Agreement is the lesser of the lender's maximum variable rate of interest or a rate equal to the base commercial rate of interest. As of June 30, 2013, the borrowing rate was 2.41%. The Credit Agreement contains certain restrictions limiting DU's ability to incur additional indebtedness, enter into merger, consolidation, sale, or acquisition activities other than in the normal course of business. The Credit Agreement also prohibits DU from granting any security interest in its inventory, pledges, other receivables, investments, and fixed assets. There were no amounts outstanding under the Credit Agreement as of June 30, 2013 or 2012.

(10) Concentration of Credit Risk

DU had deposits with financial institutions that exceeded federal depository insurance limits by approximately $11,003,560 and $11,868,000 at June 30, 2013 and 2012, respectively. DU has not experienced any losses on cash deposits and management considers the risk of loss to be minimal. Additionally, DU's investment consultant monitors the credit rating of each of its financial institutions.

(11) Benefit Plans

DU has a defined benefit pension plan (the Pension Plan), which covers all full-time and certain eligible part-time employees. Prior to December 31, 2012, for employees hired prior to January 1, 1998, monthly retirement benefits were calculated as 2% of each employee's average monthly compensation for the highest consecutive 36 months of compensation out of the last 120 months of employment multiplied by their years of service, offset by a percentage of their primary social security benefits. Prior to December 31, 2012, for employees hired on January 1, 1998 through September 30, 2002, monthly retirement benefits were calculated as 1% of each employee's average monthly compensation for the highest consecutive 36 months of compensation out of the last 120 months of employment multiplied by their years of service up to a maximum of 25 years. Additionally, for employees hired on January 1, 1998 through September 30, 2002 the sum of their calculated retirement benefit and primary social security benefit cannot exceed 75% of their average monthly compensation. Employees hired on or subsequent to October 1, 2002, receive a cash balance benefit equal to 2% of their annual compensation plus interest based on the 10-year treasury yield. Employees are vested 100% in the plan after five years of service. DU contributes such amounts as are necessary to maintain the plan as a qualified pension plan under the Employee Retirement Income Security Act of 1974, as amended.

On September 15, 2012, the Board of Directors of the organization approved a plan for the suspension of future pension plan benefit accruals (freeze) after December 31, 2012. As a result of this decision to freeze the plan, a remeasurement of the plan was performed and a curtailment loss recognized within net periodic pension benefit cost and a curtailment gain reduced the recorded benefit obligation. A discount rate of 3.38% was used to measure obligations at the curtailment date. The organization adopted a replacement benefit under its existing defined contribution retirement plan that is based upon tenure in the frozen plan.

DU also sponsors unfunded defined benefit healthcare and life insurance plans (the Postretirement Medical and Life Plans) that provide postretirement benefits to full-time employees who have worked at least 10 years for DU. To qualify for benefits under the health and life insurance plans, employees must have attained ages of at least 62 and 55, respectively, while in service with DU. In April 2009, DU amended the Postretirement Medical and Life Plans to eliminate life insurance benefits provided to retirees; to eliminate retiree health coverage for all current, former, and future employees of DU, except for participants over the age of 58 as of May 1, 2009, or certain senior level management positions held as of May 1, 2009; and to require that retirees pay a portion of the monthly premium cost.

Information with respect to the plans was as follows at June 30:

	Pension		Postretirement medical and life	
	2013	**2012**	**2013**	**2012**
Change in benefit obligation:				
Benefit obligation at beginning of the year	$ 69,375,178	57,515,046	2,618,336	3,301,330
Service cost	1,746,511	2,329,956	35,544	52,962
Interest cost	2,200,970	2,805,420	43,873	86,157
Liability reduction due to curtailment	(8,342,523)	—	—	—
Actuarial (gain) loss	838,026	8,955,506	(251,899)	(225,079)
Benefits paid	(4,577,399)	(2,230,750)	(495,042)	(597,034)
Actual expenses paid	(243,885)	—	—	—
Benefit obligation at end of the year	60,996,878	69,375,178	1,950,812	2,618,336
Change in plan assets:				
Plan assets at fair value at beginning of the year	49,886,778	50,186,871	—	—
Actual return on plan assets	8,116,750	(1,069,343)	—	—
Employer contributions	3,250,000	3,000,000	495,042	597,034
Benefits paid	(4,577,399)	(2,230,750)	(495,042)	(597,034)
Actual expenses paid	(243,885)	—	—	—
Plan assets at fair value at end of the year	56,432,244	49,886,778	—	—
Funded status:				
Benefit obligation in excess of plan assets	$ (4,564,634)	(19,488,400)	(1,950,812)	(2,618,336)

Assumptions used in the actuarial determination of the projected benefit obligation were as follows at June 30:

	Pension		Postretirement medical and life	
	2013	2012	2013	2012
Discount rate	4.25%	3.75%	2.13%	1.88%
Expected long-term rate of return on plan assets	7.50	7.50	—	—
Rate of compensation increase	—	3.60	—	—
Healthcare cost trend rate	—	—	8.50	9.00

The expected long-term rate of return on plan assets reflects DU's expectations of long-term average rates of return on funds invested to provide benefits included in the projected benefit obligation. In developing the expected long-term rate of return assumption, DU evaluated input from its third-party actuarial and investment firms and considered other factors, including inflation, interest rates, peer data, and historical returns.

The weighted average annual assumed rate of increase in the per capita cost of covered benefits (healthcare cost trend rate) is assumed to decrease gradually to 5.50% for 2019 and remain level thereafter.

The Pension Plan's actual and target asset allocations were as follows:

	Actual asset allocation		
	June 30, 2013	June 30, 2012	Target allocation
Equities:			
Large-cap value	24%	18%	10% – 30%
Large-cap growth	16	20	10% – 30%
Small and mid-cap value	13	12	5% – 15%
Small and mid-cap growth	4	7	5% – 15%
International	10	10	5% – 20%
Real estate	4	4	0% – 5%
Fixed income	15	17	15% – 40%
Commodities	—	—	0% – 10%
Private equity and hedge funds	3	7	0% – 10%
Cash and cash equivalents	11	5	0% – 10%
Total	100%	100%	

DU invests in a diversified portfolio of equity and fixed income securities designed to maximize returns while minimizing risk associated with return volatility. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and in consultation with both DU's investment consultant and Finance Committee. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and periodic asset/liability studies. In addition, the target asset allocation is periodically reviewed and adjusted by the Finance Committee as appropriate. DU makes annual contributions to the plan, which are allocated to the asset categories based on the target allocations over a period of time. Accordingly, the actual asset allocation may vary from the target allocation.

The fair values of DU's pension plan assets at June 30, 2013 and 2012 by asset category are as follows:

	2013			
	Fair value measurements using			
	Level 1	Level 2	Level 3	Total
Equities:				
Large-cap value	$ 13,381,020	—	—	13,381,020
Large-cap growth	8,794,406	—	—	8,794,406
Small and mid-cap value	7,332,804	—	—	7,332,804
Small and mid-cap growth	2,483,872	—	—	2,483,872
International	5,441,016	—	—	5,441,016
Real estate	2,256,112	—	—	2,256,112
Fixed income	8,214,775	—	—	8,214,775
Private equity	—	—	148,043	148,043
Hedge funds	—	—	1,868,996	1,868,996
Cash and cash equivalents	6,511,200	—	—	6,511,200
	$ 54,415,205	—	2,017,039	56,432,244

	2012			
	Fair value measurements using			
	Level 1	Level 2	Level 3	Total
Equities:				
Large-cap value	$ 8,931,098	—	—	8,931,098
Large-cap growth	9,805,065	—	—	9,805,065
Small and mid-cap value	6,058,843	—	—	6,058,843
Small and mid-cap growth	3,549,776	—	—	3,549,776
International	5,071,204	—	—	5,071,204
Real estate	2,082,359	—	—	2,082,359
Fixed income	8,625,039	—	—	8,625,039
Private equity	—	—	148,391	148,391
Hedge funds	—	—	3,333,596	3,333,596
Cash and cash equivalents	2,281,407	—	—	2,281,407
	$ 46,404,791	—	3,481,987	49,886,778

The following table sets forth a summary of changes in the fair value of DU's pension plan Level 3 assets for the years ended June 30, 2012 and 2013:

	Private equity	Hedge funds
Beginning balance at June 30, 2011	$ 144,318	2,137,902
Total net gains (losses) (realized and unrealized)	1,344	(512,613)
Net contributions	2,729	1,708,307
Ending balance at June 30, 2012	148,391	3,333,596
Total net gains (losses) (realized and unrealized)	(9,742)	117,781
Net contributions (distributions)	9,394	(1,582,381)
Ending balance at June 30, 2013	$ 148,043	1,868,996

Net periodic pension and postretirement benefit cost, based on actuarial evaluations, was comprised of the following components for the years ended June 30:

	Pension		Postretirement medical and life	
	2013	2012	2013	2012
Service cost	$ 1,746,511	2,329,956	35,544	52,962
Interest cost	2,200,970	2,805,420	43,873	86,157
Expected return on plan assets	(3,934,260)	(3,849,367)		
Amortization of prior service cost (credit)	31,387	125,515	(514,332)	(1,870,690)
Amortization of net actuarial loss	2,306,431	1,509,051	425,277	554,693
Curtailment expense	427,200	—	—	—
	$ 2,778,239	2,920,575	(9,638)	(1,176,878)

At June 30, 2013, the items not yet recognized as a component of net periodic expense, but which have been recognized in the accompanying combined financial statements as a reduction to net assets, were as follows:

	Pension		Postretirement medical and life	
	2013	2012	2013	2012
Prior service cost (credit)	$ —	458,587	$ (73,269)	(587,601)
Net actuarial loss	21,353,043	35,346,461	282,104	959,280
	$ 21,353,043	35,805,048	$ 208,835	371,679

(Continued)

The June 30, 2013 balance of net prior service credit and net actuarial loss expected to be amortized in fiscal 2014 is approximately $37,777 and $2,034,717, respectively.

Certain employees of the Organization have announced their intentions to retire and elect lump sum distributions from the Pension Plan, which are expected to be paid primarily during the second quarter of fiscal year 2014. If these distributions are paid as anticipated, settlement costs associated with these distributions of approximately $4 million are expected to be recognized as additional amortization of net actuarial loss during fiscal year 2014.

Estimated future benefit payments, which have been adjusted to reflect the effect of future service costs, were as follows as of June 30, 2013:

		Pension	Postretirement medical and life
Year ending June 30:			
2014	$	7,683,000	473,000
2015		3,835,000	459,000
2016		3,820,000	338,000
2017		3,808,000	209,000
2018		3,911,000	168,000
2019 – 2023		18,206,000	359,000

DU anticipates contributing $3,000,000 to the Pension Plan and $473,000 to the Postretirement Medical and Life Plans during the fiscal year ending June 30, 2014.

Other Plans

On January 1, 2000, DU offered a defined contribution retirement plan (the 401(k) Plan) that covers all employees. Employer matching contributions to the 401(k) Plan were approximately $1,227,000 and $1,106,000 for the years ended June 30, 2013 and 2012, respectively. Enhanced benefits made to the 401(k) plan in conjunction with the pension plan freeze were $852,000 for the year ended June 30, 2013.

In addition to the retirement plans discussed above, DU has entered into other nonqualified retirement agreements that provide for increased benefits for certain individuals. DU accrues the expense for these agreements over the estimated service period based on the net present value of future benefits.

The components of the pension and deferred compensation accrual balance were as follows as of June 30, 2013 and 2012:

		2013	2012
Nonqualified retirement obligations	$	1,723,509	1,883,582
Unfunded Pension Plan liabilities		4,564,634	19,488,400
	$	6,288,143	21,371,982

(12) Commitments and Contingencies

(a) Leases

DU leases office space under various operating leases. Rent expense for all operating leases was approximately $809,000 and $755,000 for the years ended June 30, 2013 and 2012, respectively.

Future minimum payments, by year and in the aggregate, under noncancelable operating leases with terms of one year or more at June 30, 2013, approximate:

Year ending June 30:		
2014	$	688,000
2015		596,000
2016		393,000
2017		298,000
Thereafter		158,000
	$	2,133,000

The land upon which DU's headquarters building in Memphis, Tennessee is constructed is leased under a long-term agreement. Lease payments are $1 per year and the agreement has a maturity date of August 14, 2021. DU has the right to extend this agreement for up to two additional 10-year terms.

(b) Litigation

DU is a party to certain litigation and claims in the normal course of conducting its business. Management believes, based in part on consultation with legal counsel, that the ultimate resolution of these matters will not have a material effect on the accompanying combined financial statements.

(13) Allocation of Joint Costs

DU conducted events that included conservation education and appeals for contributions that incurred joint costs of approximately $17,350,000 and $16,354,000 for the years ended June 30, 2013 and 2012, respectively, which were allocated as follows:

		2013	2012
Fund-raising	$	9,543,000	8,995,000
Conservation education		7,807,000	7,359,000
Total	$	17,350,000	16,354,000

(14) Restricted Nets Assets

The components of restricted net assets were as follows at June 30:

	2013		2012	
	Temporarily restricted	**Permanently restricted**	**Temporarily restricted**	**Permanently restricted**
Pledges receivable, net	$ 28,068,500	—	25,452,253	—
Net assets restricted for conservation purposes	42,191,291	—	39,017,597	—
Unappropriated net endowment earnings	3,487,235	—	1,813,909	—
Endowments	—	16,340,139	—	11,712,348
	$ 73,747,026	16,340,139	66,283,759	11,712,348

Pledge receivables are subject to time and purpose restrictions. Net assets restricted for conservation purposes represent funds received for specific conservation projects for which the related conservation work has not yet been performed. Endowment corpus represents contributions subject to permanent purpose restrictions, the earnings from which are primarily to be used for a variety of conservation-related purposes.

(15) Endowment Funds

DU's endowment consists of numerous individual donor gifts, which are grouped into nine funds based on the donor restriction, and does not include any funds designated by the Board of Directors to function as endowments.

Based on the interpretation of UPMIFA by the Board of Directors of DU, and absent explicit donor stipulations to the contrary, DU classifies the original value of gifts donated to the permanent endowment, as well as accumulations to the permanent endowment made at the direction of the donor, as permanently restricted net assets.

The remaining portion of donor-restricted endowment funds not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by DU's Board of Directors in a manner consistent with the standard of prudence prescribed by UPMIFA.

DU has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. DU's current policy is to appropriate for distribution each year 3% of its endowment funds' fair value as of the calendar year end preceding the fiscal year in which the distribution is planned. Accordingly, endowment assets are invested in a manner that is intended to produce long-term growth sufficient to fund current targeted spending appropriation levels and to maintain the purchasing power of the endowment while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives for endowments, DU relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). DU targets a diversified asset allocation that places emphasis on investments in equities (approximately 75% weighting) and bond strategies (approximately 25% weighting) to achieve its long-term return objectives within prudent risk constraints.

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the fund's original value. Deficiencies of this nature are reported in unrestricted net assets. These deficiencies historically have resulted principally from unfavorable market fluctuations. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level are classified as an increase in unrestricted net assets. There were no endowment funds with deficiencies as of June 30, 2013 or 2012.

Endowment net assets and changes therein as of and for the years ended June 30, 2013 and 2012 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2011	$ —	2,361,701	10,828,841	13,190,542
Investment return:				
Interest and dividends	—	183,667	—	183,667
Net appreciation	—	(444,658)	—	(444,658)
Contributions	—	—	883,507	883,507
Appropriation for expenditure	—	(286,801)	—	(286,801)
Endowment net assets, June 30, 2012	—	1,813,909	11,712,348	13,526,257
Investment return:				
Interest and dividends	—	298,105	—	298,105
Net appreciation	—	1,858,885	—	1,858,885
Contributions	—	—	4,627,791	4,627,791
Appropriation for expenditure	—	(483,664)	—	(483,664)
Endowment net assets, June 30, 2013	$ —	3,487,235	16,340,139	19,827,374