



**DUCKS UNLIMITED, INC. AND AFFILIATE**

Combined Financial Statements

June 30, 2017 and 2016

(With Independent Auditors' Reports Thereon)

## DUCKS UNLIMITED, INC. AND AFFILIATE

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## 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, 2017 and 2016, 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, 2017 and 2016, 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  
December 12, 2017

**DUCKS UNLIMITED, INC. AND AFFILIATE**

Combined Balance Sheets

June 30, 2017 and 2016

<b>Assets</b>	<b>2017</b>	<b>2016</b>
Cash and cash equivalents	\$ 13,432,220	28,167,911
Restricted cash and investments	34,985,032	6,383,313
Events receivable, net	1,182,603	999,703
Pledges receivable, net	40,757,228	45,337,625
Habitat conservation and other receivables	26,704,206	22,249,858
Event merchandise inventory	3,477,598	3,660,859
Investments	70,161,284	59,516,820
Land held for conservation purposes	49,241,465	45,599,385
Land, buildings, and equipment, net	21,345,441	21,740,125
Other assets	13,106,388	5,474,264
	<hr/>	<hr/>
Total assets	\$ <u>274,393,465</u>	<u>239,129,863</u>
 <b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 13,545,372	12,359,191
Compensation and related accruals	8,219,715	7,801,746
Pension and deferred compensation accruals	10,353,437	16,597,661
Accrued postretirement benefits	645,340	675,853
Revolving land line of credit	6,600,000	4,500,000
Other liabilities	1,390,821	1,271,475
	<hr/>	<hr/>
Total liabilities	<u>40,754,685</u>	<u>43,205,926</u>
Net assets:		
Unrestricted	76,919,324	63,927,884
Temporarily restricted	127,464,798	103,245,318
Permanently restricted	29,254,658	28,750,735
	<hr/>	<hr/>
Total net assets	<u>233,638,780</u>	<u>195,923,937</u>
	<hr/>	<hr/>
Total liabilities and net assets	\$ <u>274,393,465</u>	<u>239,129,863</u>

See accompanying notes to combined financial statements.

**DUCKS UNLIMITED, INC. AND AFFILIATE**

Combined Statements of Activities

Years ended June 30, 2017 and 2016

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total net assets</u>
Net assets at June 30, 2015	\$ 67,220,750	90,218,589	19,164,905	176,604,244
Support and revenues:				
Unrestricted support and revenues	172,661,709	—	—	172,661,709
Restricted support and revenues:				
Major conservation gifts	—	39,529,478	9,585,830	49,115,308
Investment return on permanent endowments, net of appropriation for expenditure	—	(1,356,545)	—	(1,356,545)
Habitat reimbursements	—	27,554,497	—	27,554,497
Other revenues	—	220,278	—	220,278
Net assets released from restrictions:				
Program restrictions satisfied	46,717,046	(46,717,046)	—	—
Expiration of time restrictions	2,298,310	(2,298,310)	—	—
Total support and revenues	<u>221,677,065</u>	<u>16,932,352</u>	<u>9,585,830</u>	<u>248,195,247</u>
Total expenses	<u>217,656,833</u>	<u>—</u>	<u>—</u>	<u>217,656,833</u>
Excess of support and revenues over expenses	4,020,232	16,932,352	9,585,830	30,538,414
Other changes in net assets:				
Loss on uncollectible pledges	—	(3,905,623)	—	(3,905,623)
Pension and postretirement benefit liability adjustments other than net periodic costs	<u>(7,313,098)</u>	<u>—</u>	<u>—</u>	<u>(7,313,098)</u>
Total change in net assets	<u>(3,292,866)</u>	<u>13,026,729</u>	<u>9,585,830</u>	<u>19,319,693</u>
Net assets at June 30, 2016	63,927,884	103,245,318	28,750,735	195,923,937
Support and revenues:				
Unrestricted support and revenues	173,258,768	—	—	173,258,768
Restricted support and revenues:				
Major conservation gifts	—	55,462,156	503,923	55,966,079
Investment return on permanent endowments, net of appropriation for expenditure	—	2,666,248	—	2,666,248
Habitat reimbursements	—	21,893,547	—	21,893,547
Other revenues	—	516,271	—	516,271
Net assets released from restrictions:				
Program restrictions satisfied	47,530,012	(47,530,012)	—	—
Expiration of time restrictions	2,858,097	(2,858,097)	—	—
Total support and revenues	<u>223,646,877</u>	<u>30,150,113</u>	<u>503,923</u>	<u>254,300,913</u>
Total expenses	<u>217,605,363</u>	<u>—</u>	<u>—</u>	<u>217,605,363</u>
Excess of support and revenues over expenses	6,041,514	30,150,113	503,923	36,695,550
Other changes in net assets:				
Loss on uncollectible pledges	—	(5,930,633)	—	(5,930,633)
Pension and postretirement benefit liability adjustments other than net periodic costs	<u>6,949,926</u>	<u>—</u>	<u>—</u>	<u>6,949,926</u>
Total change in net assets	<u>12,991,440</u>	<u>24,219,480</u>	<u>503,923</u>	<u>37,714,843</u>
Net assets at June 30, 2017	\$ <u>76,919,324</u>	<u>127,464,798</u>	<u>29,254,658</u>	<u>233,638,780</u>

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operational revenue:		
Philanthropic sources:		
Net proceeds from committee events	\$ 44,464,535	43,482,102
Direct response membership	11,541,173	11,068,624
Major gifts	27,108,665	26,815,034
Planned gift maturities	807,787	412,607
Royalties	<u>2,510,912</u>	<u>2,859,713</u>
Total philanthropic revenue	86,433,072	84,638,080
Other operational support and revenue:		
Federal and state habitat reimbursements	60,016,072	64,527,313
Nongovernmental partnerships	22,840,368	24,116,945
State grants	3,405,307	2,863,142
Donated conservation easements	23,838,564	26,103,838
Advertising revenue	3,119,110	2,844,937
Donated educational programming	18,013,086	14,195,462
Appropriated endowment and quasi-endowment earnings	2,611,495	2,114,422
Other revenues	<u>295,577</u>	<u>240,048</u>
Total operational support and revenue	<u>220,572,651</u>	<u>221,644,187</u>
Operational expense:		
Program service expense:		
Waterfowl conservation:		
U.S. habitat delivery	100,393,264	104,635,349
Conservation easements	23,838,564	26,103,838
Government relations	3,063,150	2,600,586
Ducks Unlimited Canada	12,655,084	11,930,515
Ducks Unlimited de Mexico	985,599	1,249,893
Conservation education:		
Magazine	3,952,945	3,930,228
Communications and conferences	6,060,253	5,724,313
Donated educational programming	18,013,086	14,195,462
Education delivery	9,119,778	8,864,259
Membership services	<u>3,281,432</u>	<u>3,390,899</u>
Total program service expenses	<u>181,363,155</u>	<u>182,625,342</u>
Fund-raising:		
Field operations	11,146,405	10,834,095
Direct response membership development	8,906,108	8,516,301
Major gift development and advertising	<u>9,842,924</u>	<u>9,534,428</u>
Total fund-raising expense	29,895,437	28,884,824
Administration	<u>6,346,771</u>	<u>6,146,667</u>
Total operational expense	<u>217,605,363</u>	<u>217,656,833</u>
Operational surplus	<u>2,967,288</u>	<u>3,987,354</u>
Nonoperational:		
Revolving land contributions	1,288,689	314,426
(Losses) gains on land sales	(253,040)	1,126,296
Other quasi-endowment contributions	4,375	192,039
Unappropriated quasi-endowment earnings (losses)	<u>2,034,202</u>	<u>(1,599,883)</u>
Nonoperating surplus	<u>3,074,226</u>	<u>32,878</u>
Excess of unrestricted support and revenues over expenses	\$ <u>6,041,514</u>	<u>4,020,232</u>

See accompanying notes to combined financial statements.

**DUCKS UNLIMITED, INC. AND AFFILIATE**

Combined Statements of Cash Flows

Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 37,714,843	19,319,693
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash contributions	(6,288,000)	(1,546,198)
Contributions restricted for investment in endowment and capital items	(503,923)	(9,585,830)
Depreciation	2,960,080	2,582,598
Gain on disposition of conservation lands	253,040	(1,126,296)
Loss (gain) on disposition of equipment	2,888	12,268
Provision for uncollectible pledges	5,930,633	3,905,623
Net realized and unrealized (gains) losses on investments	(6,189,994)	1,975,613
Pension and postretirement benefit liability adjustments	(6,949,926)	7,313,098
Changes in operating assets and liabilities:		
Restricted cash	(28,601,719)	(566,332)
Events receivable	(182,900)	(77,481)
Pledges receivable	(1,350,236)	(16,664,072)
Habitat conservation and other receivables	(4,454,348)	3,519,772
Event merchandise inventory	183,261	1,321,345
Other assets	(1,424,124)	(505,909)
Accounts payable and accrued expenses	1,186,181	(770,254)
Compensation and related accruals	417,969	(236,790)
Pension and deferred compensation accruals	705,702	934,644
Accrued postretirement benefits	(30,513)	(214,334)
Other liabilities	119,346	799,509
Net cash (used in) provided by operating activities	<u>(6,501,740)</u>	<u>10,390,667</u>
Cash flows from investing activities:		
Purchases of investments	(26,572,319)	(38,150,656)
Proceeds from sale of investments	22,117,849	29,413,734
Building and equipment purchases	(2,568,284)	(1,927,454)
Investments in conservation lands	(16,980,802)	(16,071,326)
Proceeds from sales of conservation lands	<u>13,165,682</u>	<u>13,616,409</u>
Net cash used in investing activities	<u>(10,837,874)</u>	<u>(13,119,293)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted to endowment and capital items	503,923	9,585,830
Proceeds from borrowings on operating line of credit	8,000,000	2,000,000
Repayments of borrowings on operating line of credit	(8,000,000)	(2,000,000)
Repayments of borrowings on revolving land line of credit	(2,400,000)	—
Proceeds from borrowings on revolving land line of credit	<u>4,500,000</u>	<u>4,500,000</u>
Net cash provided by financing activities	<u>2,603,923</u>	<u>14,085,830</u>
Net (decrease) increase in cash and cash equivalents	(14,735,691)	11,357,204
Cash and cash equivalents at beginning of year	<u>28,167,911</u>	<u>16,810,707</u>
Cash and cash equivalents at end of year	\$ <u>13,432,220</u>	\$ <u>28,167,911</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 122,594	12,181

See accompanying notes to combined financial statements.



## DUCKS UNLIMITED, INC. AND AFFILIATE

Notes to Combined Financial Statements

June 30, 2017 and 2016

### (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 2017 or 2016.

### (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.

## DUCKS UNLIMITED, INC. AND AFFILIATE

### Notes to Combined Financial Statements

June 30, 2017 and 2016

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 observability 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 individuals and organizations for conservation purposes. Purchased land is stated at the lesser of cost or fair 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 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 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.

## DUCKS UNLIMITED, INC. AND AFFILIATE

### Notes to Combined Financial Statements

June 30, 2017 and 2016

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 and technology conversion costs	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, 2017 or 2016.

#### **(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.

## DUCKS UNLIMITED, INC. AND AFFILIATE

### Notes to Combined Financial Statements

June 30, 2017 and 2016

#### **(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.

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.

DU receives permanently restricted contributions to support donated conservation easements in order to provide funding for ongoing monitoring costs in perpetuity.

#### **(k) Donated Educational Programming**

DU recognizes the in-kind donation of television air time for public service announcements (PSAs) that provide education about DU's program and mission. Unrestricted support and expenses are recognized in equal amounts based upon the estimated value of media content and delivery by a third party.

#### **(l) 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.

#### **(m) 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.

#### **(n) 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 non-exchange agreements 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.

#### **(o) 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

## DUCKS UNLIMITED, INC. AND AFFILIATE

### Notes to Combined Financial Statements

June 30, 2017 and 2016

pledges receivable, the discounting of pledges receivable, determining the fair value of certain investments, determining the fair value of gifts-in-kind associated with donated educational programming, estimates relating to the pension and other postretirement plans, and reserves for self-insurance.

#### **(p) 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.

#### **(q) Recently Issued Accounting Standards**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-14 (ASU 2016-14), *Presentation of Financial Statements of Not for Profit Entities*. ASU 2016-14 will affect how not-for profit entities report net asset classes, expenses, investment return and liquidity in the financial statements. Adoption of ASU is required for fiscal years beginning after December 15, 2017 and early adoption is permitted. DU is required to adopt ASU 2016-14 on July 1, 2018, but is evaluating whether to early adopt the new standard. Additionally, DU is currently evaluating the effect that ASU 2016-14 will have on its combined financial statements.

In March 2017, the FASB issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Period Pension Postretirement Benefit Cost*, which requires companies to present the service cost component of net benefit cost in the income statement line items where they report compensation cost, and all other components of net benefit cost in the income statement separately from the service cost component and outside of operating income, if this subtotal is presented. Additionally, the service cost component will be the only component that can be capitalized. ASU 2017-07 is effective for DU in annual periods in fiscal years beginning after December 15, 2018. The standard requires retrospective application for the amendments related to the presentation of the service cost component and other components of net benefit cost, and prospective application for the amendments related to the capitalization requirements for the service cost components of net benefit cost. DU is evaluating whether to early adopt the new standard. Additionally, DU is currently evaluating the effect that ASU 2017-07 will have on its combined financial statements.

#### **(r) Subsequent Events**

DU has evaluated events and transactions for potential recognition or disclosure through December 12, 2017, 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, 2017 and 2016, DU volunteers hosted approximately 4,050 grassroots fund-raising events each year, 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

**DUCKS UNLIMITED, INC. AND AFFILIATE**

Notes to Combined Financial Statements

June 30, 2017 and 2016

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.

	<b>Year ended June 30</b>	
	<b>2017</b>	<b>2016</b>
Gross proceeds reported by DU chapters (unaudited)	\$ 103,301,975	99,734,984
Expenses incurred by DU chapters (unaudited)	<u>(39,396,772)</u>	<u>(36,095,025)</u>
Proceeds of events remitted to DU	63,905,203	63,639,959
Less:		
Cost of event merchandise	(18,571,795)	(19,173,308)
State operation allowances	<u>(868,873)</u>	<u>(984,549)</u>
Net proceeds from committee events	<u>\$ 44,464,535</u>	<u>43,482,102</u>

**DUCKS UNLIMITED, INC. AND AFFILIATE**

Notes to Combined Financial Statements

June 30, 2017 and 2016

**(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, 2017 and 2016:

	<b>2017</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Investments:				
Equities:				
Large-cap value	\$ 18,682,047	—	—	18,682,047
Large-cap growth	10,476,177	—	—	10,476,177
Small and mid-cap value	661,871	—	—	661,871
Small and mid-cap growth	4,133,530	—	—	4,133,530
Small and mid-cap core	9,031,885	—	—	9,031,885
International	8,414,115	—	—	8,414,115
Real estate	747,627	—	—	747,627
Fixed income	10,578,519	—	—	10,578,519
	<u>\$ 62,725,771</u>	<u>—</u>	<u>—</u>	<u>62,725,771</u>
Investments valued under NAV:				
Private equity				754,129
Hedge funds				<u>6,681,384</u>
Total investments at fair value				<u>\$ 70,161,284</u>

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	<b>2016</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Equities:				
Large-cap value	\$ 13,663,882	—	—	13,663,882
Large-cap growth	8,685,440	—	—	8,685,440
Small and mid-cap value	447,933	—	—	447,933
Small and mid-cap growth	4,691,034	—	—	4,691,034
Small and mid-cap core	6,880,454	—	—	6,880,454
International	7,789,657	—	—	7,789,657
Real estate	890,198	—	—	890,198
Fixed income	9,411,215	—	—	9,411,215
	<u>\$ 52,459,813</u>	<u>—</u>	<u>—</u>	<u>52,459,813</u>
Investments valued under NAV:				
Private equity				406,309
Hedge funds				6,650,698
				<u>6,650,698</u>
Total investments at fair value				<u>\$ 59,516,820</u>

In accordance with FASB ASC Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying combined balance sheet.

At June 30, 2017 and 2016, DU was committed to fund additional amounts to private equity funds totaling approximately \$832,827 and \$35,667, respectively.

The composition of investment return is as follows for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Net realized and unrealized investment gains (losses):		
Unrestricted	\$ 2,838,820	(1,040,984)
Temporarily restricted	3,351,174	(934,629)
	<u>\$ 6,189,994</u>	<u>(1,975,613)</u>
Interest and dividend income:		
Unrestricted	\$ 694,223	677,506
Temporarily restricted	648,064	456,101
	<u>\$ 1,342,287</u>	<u>1,133,607</u>



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	<u>2017</u>	<u>2016</u>
Total activity:		
Unrestricted	\$ 3,533,043	(363,478)
Temporarily restricted	<u>3,999,238</u>	<u>(478,528)</u>
	<u>\$ 7,532,281</u>	<u>(842,006)</u>

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, 2017:

<u>Investment</u>	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency (if eligible)</u>	<u>Redemption notice period</u>	<u>Expected life span of investment</u>
Private equity	\$ 754,129	832,827	N/A	N/A	< 10 years
Hedge funds	6,681,384	—	Quarterly – Semiannually	90 days	Indefinite

**(5) Pledges Receivable**

Pledges receivable are summarized as follows at June 30:

	<u>2017</u>	<u>2016</u>
Amounts due:		
Less than 1 year	\$ 22,111,624	18,879,112
1 to 5 years	28,384,376	33,453,691
Greater than 5 years	<u>590,487</u>	<u>1,403,968</u>
	51,086,487	53,736,771
Less:		
Allowance for uncollectible pledges	(9,308,792)	(7,041,937)
Unamortized present value discount	<u>(1,020,467)</u>	<u>(1,357,209)</u>
	<u>\$ 40,757,228</u>	<u>45,337,625</u>

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 0.4% to 4.5% as of June 30, 2017, and 0.4% to 4.5% as of June 30, 2016. 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

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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, 2017:

<u>Location</u>	<u>Acres protected</u>	<u>Carrying value</u>
California	242	\$ —
Colorado	100	325,421
Idaho	994	1,887,697
Illinois	1,522	2,997,787
Indiana	131	402,940
Kansas	320	747,786
Minnesota	139	522,197
Montana	3,241	937,397
Nebraska	4,459	16,055,407
New York	313	432,073
North Dakota	3,435	1,722,103
Ohio	50	314,781
Oklahoma	362	1,190,919
South Carolina	70	63,000
South Dakota	5,006	18,364,296
Tennessee	163	—
Vermont	136	258,599
Wisconsin	983	2,368,784
Wyoming	342	650,278
	<u>22,008</u>	<u>\$ 49,241,465</u>

**(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.

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Conservation easement activity during the years ended June 30, 2017 and 2016 was as follows:

	2017		2016	
	Acres	Value at date of easement	Acres	Value at date of easement
Conservation easements secured during the year ended June 30	7,228	\$ 23,838,564	15,146	\$ 26,103,838
Total conservation easements held as of June 30	404,018	657,144,455	396,790	633,305,891

**(8) Land, Buildings, and Equipment**

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

	2017	2016
Land	\$ 1,405,264	1,405,264
Buildings and improvements:		
Memphis Headquarters	10,155,301	9,741,255
Western Regional Office	1,085,380	952,025
Great Plains Regional Office	2,192,293	2,185,529
Heritage Center in Memphis	14,000,000	14,000,000
Computer and technology conversion costs	7,105,427	4,125,188
Furnishings and equipment	13,830,346	14,912,670
	49,774,011	47,321,931
Less allowances for depreciation	(28,428,570)	(25,581,806)
	\$ 21,345,441	21,740,125

During the year ended June 30, 2015, DU received a \$14 million cash gift restricted to use in the build-out of conservation education facilities in the Heritage Center. These funds were expended for the build-out of the Heritage Center during fiscal year 2015. The related capital assets were placed in service on May 1, 2015 and are being depreciated through Conservation education expenses, with a ratable release of restricted net assets, over the estimated 10-year useful life of the Heritage Center.

**(9) Line of Credit**

DU has an operating line of credit agreement (the Credit Agreement) for up to \$15,000,000, which expires on January 5, 2018. 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, 2017, the borrowing rate was 2.8%. 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

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### Notes to Combined Financial Statements

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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, 2017 or 2016.

DU also has two line of credit agreements to finance the acquisition of conservation properties in order to restore the habitat value of the properties and then to sell those properties, retaining conservation easements to be held for long-term conservation by DU or its transferees. Under the first arrangement, DU may borrow up to \$5,000,000 at a rate equal to the lesser of a) the lender's maximum variable rate of interest or b) a rate chosen by the lender. The lender may choose to charge a rate equal to the base commercial rate of interest or the Reserve Adjusted LIBOR Rate plus one and three quarters percent (1.75%). This agreement expires December 31, 2020. The agreement requires that minimum net unrestricted assets be at least \$50 million and 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 agreement also prohibits DU from granting any security interest in its inventory, pledges, other receivables, investments, and fixed assets. As of June 30, 2017, the borrowing rate was 2.8% and \$3,600,000 was outstanding under the agreement. As of June 30, 2016, the borrowing rate was 2.17% and \$2,750,000 was outstanding under the agreement.

Under the second arrangement, DU has a line of credit agreement for up to \$5,000,000 that expires in February 2019. The borrowing rate is fixed at 2.45%. The outstanding principal balance must remain at a minimum of \$500,000 at all times. As of June 30, 2017 and 2016, the outstanding balance under the agreement was \$3,000,000 and \$1,750,000, respectively.

#### **(10) Concentration of Credit Risk**

DU had deposits with financial institutions that exceeded federal depository insurance limits by \$12,768,135 and \$11,237,892 at June 30, 2017 and 2016, 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 prior to the suspension of future accruals, effective December 31, 2012, covered 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.

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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	
	2017	2016	2017	2016
Change in benefit obligation:				
Benefit obligation at beginning of the year	\$ 59,065,494	54,710,368	675,853	1,012,637
Service cost	250,000	300,000	1,674	6,637
Interest cost	1,765,713	2,108,091	1,611	19,464
Actuarial (gain) loss	(2,303,366)	4,764,771	21,700	(215,327)
Benefits paid	(1,183,083)	(2,584,276)	(65,498)	(147,558)
Actual expenses paid	<u>(274,882)</u>	<u>(233,460)</u>	<u>—</u>	<u>—</u>
Benefit obligation at end of the year	<u>57,319,876</u>	<u>59,065,494</u>	<u>635,340</u>	<u>675,853</u>
Change in plan assets:				
Plan assets at fair value at beginning of the year	44,132,316	48,126,630	—	—
Actual return on plan assets	5,829,800	(1,176,578)	—	—
Employer contributions	—	—	65,498	147,558
Benefits paid	(1,183,083)	(2,584,276)	(65,498)	(147,558)
Actual expenses paid	<u>(274,882)</u>	<u>(233,460)</u>	<u>—</u>	<u>—</u>
Plan assets at fair value at end of the year	<u>48,504,151</u>	<u>44,132,316</u>	<u>—</u>	<u>—</u>
Funded status:				
Benefit obligation in excess of plan assets	\$ <u><u>(8,815,725)</u></u>	<u><u>(14,933,178)</u></u>	<u><u>(635,340)</u></u>	<u><u>(675,853)</u></u>

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

	<b>Pension</b>		<b>Postretirement medical and life</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Discount rate	3.50 %	3.13 %	3.00 %	2.00 %
Expected long-term rate of return on plan assets	7.50	7.50	—	—
Rate of compensation increase	—	—	—	—
Healthcare cost trend rate	—	—	8.00	8.50

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 5.00% over ten years and remain level thereafter.

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

	<b>Actual asset allocation</b>		<b>Target allocation</b>
	<b>June 30, 2017</b>	<b>June 30, 2016</b>	
Equities:			
Large-cap	37 %	38 %	20%–60%
Small and mid-cap	12	14	10%–30%
International	17	17	5%–20%
Real estate	3	—	0%–5%
Fixed income	19	19	15%–40%
Alternatives	7	9	0%–20%
Cash and cash equivalents	5	3	0%–10%
Total	<u>100 %</u>	<u>100 %</u>	

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

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studies. In addition, the target asset allocation is periodically reviewed and adjusted by the Finance Committee as appropriate. DU may contribute to the plan; such contributions 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, 2017 and 2016 by asset category are as follows:

	<b>2017</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,269,793	—	—	2,269,793
Equities:				
Large-cap value	8,974,257	—	—	8,974,257
Large-cap growth	9,070,670	—	—	9,070,670
Small and mid-cap core	3,918,743	—	—	3,918,743
Small and mid-cap growth	2,021,476	—	—	2,021,476
International	7,968,282	—	—	7,968,282
Real estate	1,457,959	—	—	1,457,959
Fixed income	<u>9,312,809</u>	<u>—</u>	<u>—</u>	<u>9,312,809</u>
	\$ <u>44,993,989</u>	<u>—</u>	<u>—</u>	44,993,989
Investments valued under NAV:				
Private equity				148,009
Hedge funds				<u>3,362,153</u>
				\$ <u>48,504,151</u>
	<b>2016</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,435,412	—	—	1,435,412
Equities:				
Large-cap value	7,959,866	—	—	7,959,866
Large-cap growth	8,637,571	—	—	8,637,571
Small and mid-cap value	3,559,223	—	—	3,559,223
Small and mid-cap growth	2,441,428	—	—	2,441,428
International	7,620,306	—	—	7,620,306
Fixed income	<u>8,560,743</u>	<u>—</u>	<u>—</u>	<u>8,560,743</u>
	\$ <u>40,214,549</u>	<u>—</u>	<u>—</u>	40,214,549
Investments valued under NAV:				
Private equity				116,733
Hedge funds				<u>3,801,034</u>
				\$ <u>44,132,316</u>

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In accordance with FASB ASC Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying financial statements.

At June 30, 2017 and 2016, DU's pension plan was committed to fund additional amounts to private equity funds totaling approximately \$450,576 and \$26,626, respectively.

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

	<b>Pension</b>		<b>Postretirement medical and life</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Service cost	\$ 250,000	300,000	1,674	6,637
Interest cost	1,765,713	2,108,091	11,611	19,464
Expected return on plan assets	(3,213,590)	(3,241,832)	—	—
Amortization of prior service credit	—	—	—	—
Amortization of net actuarial loss	2,144,496	1,752,455	(97,268)	(92,877)
	<u>\$ 946,619</u>	<u>918,714</u>	<u>(83,983)</u>	<u>(66,776)</u>

At June 30, 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:

	<b>Pension</b>		<b>Postretirement medical and life</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Net actuarial loss (gain)	\$ 18,893,747	25,962,675	(197,623)	(316,591)

The June 30, 2017 balance of net actuarial loss/(gain) for the pension and the postretirement medical and life plans expected to be amortized in fiscal 2018 is approximately \$1,554,671 and \$(31,463), respectively.



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Estimated future benefit payments, which have been adjusted to reflect the effect of future service costs, were as follows as of June 30, 2017:

	<b>Pension</b>	<b>Postretirement medical and life</b>
Year(s) ending June 30:		
2018	\$ 4,234,543	146,000
2019	4,218,007	111,000
2020	3,836,314	80,000
2021	3,403,405	51,000
2022-2027	19,796,274	196,000

DU may contribute at its discretion to the Pension Plan or to the Postretirement Medical and Life Plans. During the fiscal year ended June 30, 2017 and 2016, DU did not contribute to the Pension Plan and contributed \$65,498 and \$147,558, respectively, to the Postretirement Medical and Life Plans.

*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 \$1,539,178 and \$1,435,000 for the years ended June 30, 2017 and 2016, respectively. Enhanced benefits made to the 401(k) plan in conjunction with the pension plan freeze in 2013 were \$1,937,740 and \$1,919,000 for the years ended June 30, 2017 and 2016, respectively.

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, 2017 and 2016:

	<b>2017</b>	<b>2016</b>
Deferred compensation	\$ 1,537,712	1,664,483
Unfunded pension plan liabilities	8,815,725	14,933,178
	\$ 10,353,437	16,597,661

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**(12) Commitments and Contingencies**

**(a) Leases**

DU leases office space under various operating leases. Rent expense for all operating leases was approximately \$1,081,000 and \$954,000 for the years ended June 30, 2017 and 2016, respectively.

Future minimum payments, by year and in the aggregate, under noncancelable operating leases with terms of one year or more at June 30, 2017, approximate:

Year ending June 30:		
2018	\$	944,000
2019		879,000
2020		753,000
2021		717,000
2022		568,000
Thereafter		<u>1,248,000</u>
	\$	<u>5,109,000</u>

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 \$20,266,183 and \$19,698,000 for the years ended June 30, 2017 and 2016, respectively, which were allocated as follows:

	<u>2017</u>	<u>2016</u>
Fund-raising	\$ 11,146,405	10,834,000
Conservation education	<u>9,119,778</u>	<u>8,864,000</u>
Total	<u>\$ 20,266,183</u>	<u>19,698,000</u>

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**(14) Restricted Nets Assets**

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

	2017		2016	
	Temporarily restricted	Permanently restricted	Temporarily restricted	Permanently restricted
Pledges receivable, net	\$ 40,757,228	—	45,337,625	—
Net assets restricted for conservation purposes	79,649,103	—	53,515,474	—
Unappropriated net endowment earnings	7,058,467	—	4,392,219	—
Endowments	<u>—</u>	<u>29,254,658</u>	<u>—</u>	<u>28,750,735</u>
	<u>\$ 127,464,798</u>	<u>29,254,658</u>	<u>103,245,318</u>	<u>28,750,735</u>

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 fund net earnings 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 4% 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.

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Notes to Combined Financial Statements

June 30, 2017 and 2016

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, 2017 or 2016.

Endowment net assets and changes therein as of and for the years ended June 30, 2017 and 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2015	\$ —	5,748,764	19,164,905	24,913,669
Investment return:				
Interest and dividends	—	456,101	—	456,101
Net depreciation	—	(934,629)	—	(934,629)
Contributions	—	—	9,585,830	9,585,830
Appropriation for expenditure	—	(878,017)	—	(878,017)
Endowment net assets, June 30, 2016	—	4,392,219	28,750,735	33,142,954
Investment return:				
Interest and dividends	—	648,064	—	648,064
Net appreciation	—	3,351,174	—	3,351,174
Contributions	—	—	503,923	503,923
Appropriation for expenditure	—	(1,332,990)	—	(1,332,990)
Endowment net assets, June 30, 2017	\$ <u>—</u>	<u>7,058,467</u>	<u>29,254,658</u>	<u>36,313,125</u>

## **SUPPLEMENTARY INFORMATION**



KPMG LLP  
Triad Centre III  
Suite 450  
6070 Poplar Avenue  
Memphis, TN 38119-3901

## Independent Auditors' Report on Supplementary Information

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

We have audited the combined financial statements of Ducks Unlimited, Inc. and Affiliate as of and for the year ended June 30, 2017, and have issued our report thereon dated December 12, 2017, which contained an unmodified opinion on those combined financial statements. Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole. The combining balance sheet, combining statement of unrestricted support and revenues and expenses, schedule of functional expenses, and schedule of donated conservation easements are presented for the 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.

*KPMG LLP*

Memphis, Tennessee  
December 12, 2017

**DUCKS UNLIMITED, INC. AND AFFILIATE**

Combining Balance Sheet

June 30, 2017

<b>Assets</b>	<b>Combined</b>	<b>Eliminations</b>	<b>Ducks Unlimited, Inc.</b>	<b>Wetlands America Trust, Inc.</b>
Cash and cash equivalents	\$ 13,432,220	—	11,440,243	1,991,977
Restricted cash and investments	34,985,032	—	34,985,032	—
Receivables:				
Events receivable, net	1,182,603	—	1,182,603	—
Pledges receivable, net	40,757,228	—	40,757,228	—
Habitat conservation and other receivables	26,704,206	—	26,704,206	—
Affiliate	—	(43,500,070)	43,500,070	—
Total receivables	68,644,037	(43,500,070)	112,144,107	—
Event merchandise inventory	3,477,598	—	3,477,598	—
Investments	70,161,284	—	11,338,320	58,822,964
Land held for conservation purposes	49,241,465	—	—	49,241,465
Land, buildings, and equipment, net	21,345,441	—	21,345,441	—
Other assets	13,106,388	—	3,943,563	9,162,825
Total assets	\$ 274,393,465	(43,500,070)	198,674,304	119,219,231
<b>Liabilities and Net Assets</b>				
Accounts payable and accrued expenses	\$ 13,545,372	—	13,125,372	420,000
Compensation and related accruals	8,219,715	—	8,219,715	—
Pension and deferred compensation accruals	10,353,437	—	10,353,437	—
Accrued postretirement benefits	645,340	—	645,340	—
Revolving land line of credit	6,600,000	—	—	6,600,000
Other liabilities	1,390,821	—	1,390,821	—
Due to affiliate	—	(43,500,070)	—	43,500,070
Total liabilities	40,754,685	(43,500,070)	33,734,685	50,520,070
Net assets:				
Unrestricted	76,919,324	—	23,528,343	53,390,981
Temporarily restricted	127,464,798	—	116,580,163	10,884,635
Permanently restricted	29,254,658	—	24,831,113	4,423,545
Total net assets	233,638,780	—	164,939,619	68,699,161
Total liabilities and net assets	\$ 274,393,465	(43,500,070)	198,674,304	119,219,231

See accompanying independent auditors' report on supplementary information.

**DUCKS UNLIMITED, INC. AND AFFILIATE**

Combining Statements of Unrestricted Support and Revenues and Expenses

Year ended June 30, 2017

	<u>Combined</u>	<u>Eliminations and reclassifications</u>	<u>Ducks Unlimited, Inc.</u>	<u>Wetlands America Trust</u>
Operational revenue:				
Philanthropic sources:				
Net proceeds from committee events	\$ 44,464,535	—	44,464,535	—
Direct response membership	11,541,173	—	11,541,173	—
Major gifts	27,108,665	—	26,039,373	1,069,292
Planned gift maturities	807,787	—	807,787	—
Royalties	2,510,912	—	2,510,912	—
Total philanthropic revenue	<u>86,433,072</u>	<u>—</u>	<u>85,363,780</u>	<u>1,069,292</u>
Other operational support and revenue:				
Federal and state habitat reimbursements	60,016,072	—	60,016,072	—
Nongovernmental partnerships	22,840,368	—	22,840,368	—
State grants	3,405,307	—	3,405,307	—
Donated conservation easements	23,838,564	—	—	23,838,564
Advertising revenue	3,119,110	—	3,119,110	—
Donated educational programming	18,013,086	—	18,013,086	—
Services contributed by affiliate	—	(895,592)	—	895,592
Appropriated endowment and quasi-endowment earnings	2,611,495	(247,509)	2,611,495	247,509
Other revenues	295,577	—	295,577	—
Total operational support and revenue	<u>220,572,651</u>	<u>(1,143,101)</u>	<u>195,664,795</u>	<u>26,050,957</u>
Operational expense:				
Program service expenses:				
Waterfowl conservation:				
U.S. habitat delivery	100,393,264	(1,526,015)	100,322,611	1,596,668
Conservation easements	23,838,564	—	—	23,838,564
Government relations	3,063,150	—	3,063,150	—
Ducks Unlimited Canada	12,655,084	—	12,655,084	—
Ducks Unlimited de Mexico	985,599	—	985,599	—
Conservation education:				
Magazine	3,952,945	—	3,952,945	—
Communications and conferences	6,060,253	—	6,060,253	—
Donated educational programming	18,013,086	—	18,013,086	—
Education delivery	9,119,778	—	9,119,778	—
Membership services	3,281,432	—	3,281,432	—
Total program service expenses	<u>181,363,155</u>	<u>(1,526,015)</u>	<u>157,453,938</u>	<u>25,435,232</u>
Fund-raising:				
Field operations	11,146,405	—	11,146,405	—
Direct response membership development	8,906,108	—	8,906,108	—
Major gift development and advertising	9,842,924	—	9,842,924	—
Total fund-raising expense	<u>29,895,437</u>	<u>—</u>	<u>29,895,437</u>	<u>—</u>
Administration	6,346,771	—	6,189,453	157,318
Services received from affiliate	—	(895,592)	—	895,592
Total operational expense	<u>217,605,363</u>	<u>(2,421,607)</u>	<u>193,538,828</u>	<u>26,488,142</u>
Operational surplus	<u>2,967,288</u>	<u>1,278,506</u>	<u>2,125,967</u>	<u>(437,185)</u>
Nonoperational:				
Revolving land contributions	1,288,689	—	—	1,288,689
Losses on land sales	(253,040)	—	—	(253,040)
Other quasi-endowment contributions	4,375	—	4,375	—
Unappropriated endowment and quasi-endowment (losses) earnings	2,034,202	(1,278,506)	2,242,530	1,070,178
Nonoperating surplus	<u>3,074,226</u>	<u>(1,278,506)</u>	<u>2,246,905</u>	<u>2,105,827</u>
Excess of unrestricted support and revenues over expenses	\$ <u>6,041,514</u>	<u>—</u>	<u>4,372,872</u>	<u>1,668,642</u>

See accompanying independent auditors' report on supplementary information.



**DUCKS UNLIMITED, INC. AND AFFILIATE**

Schedule of Functional Expenses

Year ended June 30, 2017 (with comparative totals for 2016)

<b>Program service expenses</b>							
	<b>Transfers to affiliated organizations</b>	<b>U.S. habitat delivery</b>	<b>Conservation easements</b>	<b>Conservation education</b>	<b>Membership services</b>	<b>Government relations</b>	<b>Total program service expenses</b>
Compensation	\$ —	20,015,134	—	8,164,803	1,059,645	1,642,917	30,882,499
Pension and 401(k) plans	—	2,144,276	—	891,112	121,263	180,972	3,337,623
Other employee benefits	—	2,759,240	—	1,134,930	171,318	141,659	4,207,147
Payroll taxes	—	1,409,875	—	556,170	55,742	96,956	2,118,743
Legal fees	—	1,392	—	4,847	3,691	—	9,930
Accounting and consulting	—	—	—	—	—	—	—
Professional fundraising	—	—	—	—	—	—	—
Other fees	—	271,789	—	607,452	445,297	143,374	1,467,912
Advertising and promo	—	2,547	—	204,187	13,990	7,554	228,278
Office expenses	—	1,037,991	—	623,368	392,194	106,100	2,159,653
Information technology	—	1,506,902	—	465,024	72,037	9,572	2,053,535
Occupancy	—	1,064,109	—	363,864	123,652	343,838	1,895,463
Travel	—	335,201	—	1,279,077	49,798	285,841	1,949,917
Conferences, conventions and meetings	—	—	—	278,000	—	—	278,000
Interest	—	122,535	—	—	—	—	122,535
Depreciation	—	880,654	—	1,430,752	—	21,282	2,332,688
Insurance	—	336,802	—	105,621	6,268	—	448,691
Membership enrollment premiums	—	—	—	—	—	—	—
Mailing list rental	—	—	—	—	—	—	—
Postage and shipping	—	56,485	—	1,405,124	763,207	4,842	2,229,658
Printing and publication	—	18,066	—	1,618,645	3,330	5,779	1,645,820
Donated public service announcements	—	—	—	18,013,086	—	—	18,013,086
Waterfowl conservation:							
Ducks Unlimited Canada	12,655,084	—	—	—	—	—	12,655,084
Ducks Unlimited de Mexico	985,599	—	—	—	—	—	985,599
Habitat development	—	68,397,200	—	—	—	—	68,397,200
Conservation easements	—	—	23,838,564	—	—	—	23,838,564
Other conservation	—	33,066	—	—	—	72,464	105,530
	<u>\$ 13,640,683</u>	<u>100,393,264</u>	<u>23,838,564</u>	<u>37,146,062</u>	<u>3,281,432</u>	<u>3,063,150</u>	<u>181,363,155</u>

**DUCKS UNLIMITED, INC. AND AFFILIATE**

Schedule of Functional Expenses

Year ended June 30, 2017 (with comparative totals for 2016)

	Supporting service expenses					Total expenses	
	Fundraising			Administration	Total supporting service expenses	June 30, 2017	June 30, 2016
	Field operations and development	Direct response membership development	Total fundraising				
Compensation	\$ 10,930,107	404,957	11,335,064	3,492,788	14,827,852	45,710,351	42,985,193
Pension and 401(k) plans	1,241,678	45,648	1,287,326	399,830	1,687,156	5,024,779	4,477,420
Other employee benefits	1,496,521	46,951	1,543,472	276,264	1,819,736	6,026,883	7,664,552
Payroll taxes	743,781	26,551	770,332	136,975	907,307	3,026,050	2,924,088
Legal fees	18,999	—	18,999	357,125	376,124	386,054	259,591
Accounting and consulting	—	—	—	230,906	230,906	230,906	218,772
Professional fundraising	181,432	218,303	399,735	—	399,735	399,735	450,286
Other fees	322,974	1,330,027	1,653,001	149,980	1,802,981	3,270,893	2,496,050
Advertising and promo	718,468	—	718,468	2,298	720,766	949,044	1,015,324
Office expenses	1,245,489	19,855	1,265,344	36,627	1,301,971	3,461,624	3,624,898
Information technology	581,643	1,891	583,534	248,446	831,980	2,885,515	3,383,596
Occupancy	442,046	23,755	465,801	269,612	735,413	2,630,876	2,432,691
Travel	2,385,114	15,393	2,400,507	314,460	2,714,967	4,664,884	4,593,154
Conferences, conventions and meetings	—	—	—	13,568	13,568	291,568	15,251
Interest	—	—	—	53,311	53,311	175,846	131,304
Depreciation	32,531	—	32,531	206,107	238,638	2,571,326	2,229,760
Insurance	162,864	—	162,864	94,939	257,803	706,494	596,317
Membership enrollment premiums	—	2,932,674	2,932,674	—	2,932,674	2,932,674	3,634,916
Mailing list rental	—	308,779	308,779	—	308,779	308,779	287,577
Postage and shipping	305,247	1,986,824	2,292,071	26,832	2,318,903	4,548,561	4,692,312
Printing and publication	180,435	1,544,500	1,724,935	36,703	1,761,638	3,407,458	2,109,826
Donated public service announcements	—	—	—	—	—	18,013,086	14,195,462
Waterfowl conservation:							
Ducks Unlimited Canada	—	—	—	—	—	12,655,084	11,930,515
Ducks Unlimited de Mexico	—	—	—	—	—	985,599	1,249,893
Habitat development	—	—	—	—	—	68,397,200	73,813,012
Conservation easements	—	—	—	—	—	23,838,564	26,103,838
Other conservation	—	—	—	—	—	105,530	141,235
	<u>\$ 20,989,329</u>	<u>8,906,108</u>	<u>29,895,437</u>	<u>6,346,771</u>	<u>36,242,208</u>	<u>217,605,363</u>	<u>217,656,833</u>

See accompanying independent auditors' report on supplementary information.

**DUCKS UNLIMITED, INC. AND AFFILIATE**

Schedule of Donated Conservation Easements

June 30, 2017

Property	Acres protected	Location	Estimated value at time of gift
Current year:			
Holly Bend Limited Partnership	126	Mississippi	\$ 105,000
Lori Durand	99	New York	11,000
Durand's East Edge Ranch	89	New York	14,000
Arcadia Plantation	374	South Carolina	5,512,000
Flyway Club	209	Missouri	1,225,000
Nagasaki Gun Club	247	Mississippi	500,000
The Honey Hole	85	Mississippi	2,076,000
BelAir, 2nd amendment	—	South Carolina	235,000
Special K Membership Company	1,690	Mississippi	3,350,000
Robinson Crusoe	1,233	Tennessee/Mississippi	6,800,000
Myrtle Grove-Marvin Tracts B & C	358	South Carolina	491,814
Sonnenberg	164	Nebraska	194,500
Sandy Bayou Farm	400	Mississippi	930,000
Shane Roth	298	Nebraska	221,500
Nemours-Greenpoint	1,856	South Carolina	2,172,750
	<u>7,228</u>		<u>23,838,564</u>
Prior years:			
Glover Plantation	2,027	South Carolina	1,630,672
Harmony Farm	500	Nebraska	928,000
Warhawk Land Company	527	Mississippi	1,230,000
True Luck	289	Missouri	1,360,000
True Luck 2	326	Missouri	1,550,000
Diamond Land Membership Company	2,108	Louisiana	4,500,000
Grayson	1,200	Texas	4,800,000
Myrtle Grove Plantation	1,715	South Carolina	2,385,732
Patriots Plantation	1,868	South Carolina	1,666,550
Reinhardt	71	Nebraska	9,000
Kastner Family Property	1,126	Mississippi	2,250,000
Summers II	292	Nebraska	445,000
Marianna Farms	1,919	Mississippi	2,400,000
Nemours-Neiuport Tract	1,178	South Carolina	948,884
Paradox Wildlife	1,430	Mississippi	861,900
Rivers Run, Amendment	172	Mississippi	810,000
Sanders Farm	418	South Carolina	297,978
Thorntree Swamp	483	South Carolina	460,000
Sumners	702	Nebraska	760,000
Grandview II, LLC	48	Nebraska	20,000
Coca Cola Woods	1,042	Arkansas	4,850,000
Twin Rivers Farm, LLE	425	Missouri	1,979,200
366/Brasher CE	366	Arkansas	1,165,000
Severin Slough CE	245	Nebraska	186,000
Moore Ranch Amendment 2	35	Texas	33,720
Woods of Bayou Deview (Joel Kaye)	603	Arkansas	478,400
Woods of Bayou Deview (Barry Properties LLC)	603	Arkansas	478,400
Double Dog Ranch	530	Nebraska	124,500
Wauford	72	Ohio	21,400
Cartensen	72	Ohio	36,400

**DUCKS UNLIMITED, INC. AND AFFILIATE**

Schedule of Donated Conservation Easements

June 30, 2017

<b>Property</b>	<b>Acres protected</b>	<b>Location</b>	<b>Estimated value at time of gift</b>
Triple K Ranch	92	Nebraska	\$ 11,000
Wilson Farm	128	Colorado	2,300,000
Smith Doering	269	Nebraska	129,500
Smith Doering	269	Nebraska	129,500
Black River Preserve	1,472	South Carolina	701,320
Duck Factory, LLC	55	Nebraska	40,000
Foster	222	New York	67,350
Kosman Investments, LLC	460	Nebraska	555,000
Pheasant Land	242	Nebraska	207,000
Ranbay	862	Arkansas	800,000
The Bend	303	Missouri	1,164,000
Over and Under	397	Missouri	1,612,300
Rhodes Kinsey	1,042	South Carolina	1,191,680
Mallard Pointe	1,383	Arkansas	1,522,000
Chenoa Farm	478	Mississippi	1,077,000
Free State Plantation	933	Mississippi	533,000
North Conservation Farm	85	Washington	671,336
Willow Edge	133	Mississippi	139,500
Falling Run	84	North Carolina	250,000
Pringle Tract	478	South Carolina	450,000
Presidents Duck Club	83	Missouri	410,000
Golden Eagle Wildlife Preserve, Inc.	127	Illinois	390,000
Bulow Retreat	123	South Carolina	426,000
Lessard	36	Washington	1,000
Springer Meadows	121	Wyoming	12,320
Greentree Hunting Club	628	Arkansas	1,760,000
Mallard Farms	946	Arkansas	624,072
Eagle'sNest GC	198	Colorado	120,000
Tealbrook Farms Ag	189	California	10,000
Rosenau Conservation Easement	317	Washington	18,000
O'Brien Conservation Easement	95	Nebraska	74,700
River Edge Farm	965	Arkansas	1,588,550
Raney West	572	Mississippi	472,000
Savannah Oaks	700	Texas	100,000
Barnhill Farm	626	North Carolina	2,219,000
Ring Slough	442	Arkansas	868,000
Cronin Tract	75	Missouri	58,820
Seven Oaks Farm	56	Missouri	100,105
Herrod Conservation Easement	889	Nebraska	115,000
Waccamaw River Tract	2,255	North Carolina	1,090,000
Baldwin Conservation Easement	700	Missouri	3,263,000
The Limit Club	62	Missouri	250,190
Cypress Creek Preserve	919	Mississippi	1,425,000
Monument Conservation Easement	541	Arkansas	2,488,900
Davis Island	6,090	Mississippi	8,500,000
Free State Plantation	933	Mississippi	533,000
Bayou DeView Farm and Hunt Club	241	Arkansas	500,000
Longfield Plantation	610	South Carolina	945,500
Pigweed Plantation	164	South Carolina	410,000

**DUCKS UNLIMITED, INC. AND AFFILIATE**

Schedule of Donated Conservation Easements

June 30, 2017

<b>Property</b>	<b>Acres protected</b>	<b>Location</b>	<b>Estimated value at time of gift</b>
The Swamp	329	South Carolina	\$ 310,000
North Island	5	Michigan	162,000
Schafer	413	Nebraska	380,000
Birdlands	2,135	Mississippi	2,621,000
Klotz Tract	427	Arkansas	521,875
Rothermich	19	Missouri	31,130
Westchester Plantation	455	Virginia	891,000
Schlenke Conservation Easement	19	Missouri	32,645
DT Ranch II Conservation Easement	1,189	Colorado	300,000
Kleager	427	Nebraska	490,000
Anderson	21	Missouri	32,305
Poor Boy	29	Missouri	56,002
Green Wing Farms	59	Missouri	184,000
Backwater Farms	32	Missouri	230,000
The Ford Tract	476	South Carolina	414,000
Dyer Moore	30	Texas	29,000
Rural Hall Plantation	178	South Carolina	536,000
Salt Marsh Plantation	206	South Carolina	495,000
Naples Plantation	721	Louisiana	406,000
Raccoon Ranch	1,200	Missouri	5,084,100
Decoy Inn, LLC	96	Missouri	246,000
Barnett/Stimpson	310	Tennessee	237,900
Quantico Creek	69	Virginia	920,000
Lawton-Boggy Tract	295	South Carolina	516,000
River House Plantation	427	South Carolina	811,000
The Bullet Hole	79	Arkansas	150,000
Pintail Farms	331	Missouri	774,000
Orchard Farm Hunting Club	171	Missouri	746,000
Carlson-Cunz	180	Minnesota	180,000
Kittle Property	445	Mississippi	634,000
Whistling Wings	784	Missouri	5,024,300
Peeples Place	443	South Carolina	540,460
Bird Point Farm	86	South Carolina	590,000
Hermitage Plantation	1,087	South Carolina	2,049,970
Anderson Property	364	Nebraska	546,500
Kauller-Kaith Tract	183	Minnesota	73,000
Como Tract	362	Mississippi	438,500
Middleton Place LLC	5,800	South Carolina	8,105,001
Crab Orchard Plantation	2,819	South Carolina	4,900,000
Main Pass LLC	13,952	Louisiana and Mississippi	14,728,500
Main Pass LLC	10,291	Louisiana	10,481,000
LLOG Exploration Company LLC	3,446	Mississippi	3,830,500
LLOG Exploration Offshore, Inc.	194	Mississippi	356,500
Thomas S. Lenort	39	Minnesota	196,808
Buyck's Bluff	722	South Carolina	5,152,600
Indian Properties (Haskell & Huchi Plantation)	110	South Carolina	212,000
Mingo Plantation IV	257	South Carolina	492,000
Toheda	247	Louisiana	404,700
Pintail Alley	1,600	Louisiana	480,000

**DUCKS UNLIMITED, INC. AND AFFILIATE**

Schedule of Donated Conservation Easements

June 30, 2017

<b>Property</b>	<b>Acres protected</b>	<b>Location</b>	<b>Estimated value at time of gift</b>
Rowan Tract	717	Mississippi	\$ 1,056,934
Chris von Gontard Property	199	Texas	253,984
River Valley Ranch I	585	Colorado	1,826,200
Prairie Ridge Partners LLC	869	Nebraska	561,000
Alligator Bayou Properties LLC	819	Louisiana	748,000
The Baradhi Farm	157	Texas	60,000
Waterfowl Habitat, LLC	85	Maryland	170,000
Drake Land Farms, LLC	866	Colorado	200,000
Bayou Haha	385	Louisiana	167,000
Diamond Lake and Land Co, LLC	1,295	Louisiana and Mississippi	2,401,660
Carey Boone Trace	1,257	Louisiana	588,000
Mount Pleasant Plantation	3,685	South Carolina	10,600,000
Tanglewood 2nd amendment	25	South Carolina	50,000
Wing Tips Plantation	1,009	South Carolina	1,134,000
Bayou Meto Farm's LLC	240	Arkansas	790,000
Bear Bayou, LLC	640	Arkansas	2,300,000
Davies/Shepard	128	Arkansas	217,000
The Brake	479	Arkansas	559,000
White Lake Waterfowl, LLC	225	Tennessee	495,000
Golden Eagle Ranch II	2,074	Colorado	520,000
The Pineland – First Amendment	222	South Carolina	440,000
Hunter's Paradise	70	Kentucky	420,500
Cedar Lane Farm, LLC	422	Mississippi	1,264,800
Cedar Lane Farm, LLC	405	Tennessee	1,215,200
Delta Duck & Game Club	450	Mississippi	222,948
Neal Hansen	1,448	Nebraska	1,014,000
Mingo Hunt Club III	488	South Carolina	712,800
Pigweed Plantation	869	South Carolina	1,443,000
Lusero Ranch	205	Colorado	337,500
Donahue Company, Inc.	371	Arkansas	500,000
Lester Ranch	476	Colorado	735,000
Cache Slough Timber Farms	274	Arkansas	681,000
Kaye Farms, LLC	675	Arkansas	902,344
Crenshaw Property	1,011	Mississippi	1,064,650
Pine, LLC	150	Missouri	216,000
Tanglewood First Amendment	34	South Carolina	81,000
Muddy Creek Farms	707	Tennessee	965,000
Barber Property	262	Texas	218,750
Batten-Boggy Tract	315	South Carolina	681,000
Young Farms (Todd Young)	116	Arkansas	211,760
Young Farms (Vern and Phyllis Young)	209	Arkansas	388,000
Highlands Plantation Hunting Club, LLC	1,300	Mississippi	1,581,000
Dardenne Realty Co.	559	Missouri	1,400,000
Big Cypress Duck Hole	552	Arkansas	805,000
Lake Hill Farm	225	New York	802,100
Arcadia Plantation	3,612	South Carolina	54,416,350
Cougar Bay First Amendment	79	South Carolina	160,000
Ivanhoe Plantation, Inc.	932	South Carolina	1,309,000
Holifield Farms	478	Arkansas	888,000

**DUCKS UNLIMITED, INC. AND AFFILIATE**

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June 30, 2017

<b>Property</b>	<b>Acres protected</b>	<b>Location</b>	<b>Estimated value at time of gift</b>
Pin Oak Club, LLC	720	Arkansas	\$ 1,090,000
Teal-Denmon Tract	460	Louisiana	138,000
Duty Ferry Farms, Inc.	1,384	Louisiana	689,000
The Teal Partnership	1,392	Louisiana	693,000
Horseshoe Hill, LP	216	Mississippi	312,000
Decoy Lakes First Amendment	131	North Carolina	432,500
Millbrook, LLC	1,176	South Carolina	4,258,800
Millbrook Hanahan (Grayson Hanahan)	137	South Carolina	320,400
Millbrook Hanahan (Grayson Hanahan)	539	South Carolina	794,221
Millbrook Hanahan (Roger Hanahan)	697	South Carolina	1,027,179
Esperanze Plantation	1,192	Louisiana	972,000
Robinson Tract	190	Louisiana	638,000
Minasian Ranch	660	California	1,145,000
Roseland Plantation, LLC	3,412	Louisiana	2,772,126
Point Pleasant, LLC	1,180	Louisiana	960,872
Gumwood, LLC	660	Arkansas	198,000
Como Tract Amendment	400	Mississippi	409,000
Martin-Rimini Tract	148	South Carolina	260,000
Batten Black Swamp	2,031	South Carolina	3,818,000
Beaver Dam Tract First Amendment	26	South Carolina	181,000
Blackfish Farms, LLC	1,400	Arkansas	1,125,000
Cocoa Slough, LLC	842	Arkansas	725,000
Belleau Farm	1,550	Missouri	13,521,500
West Creek	99	Virginia	14,369,500
York Woods Amendment	1,204	Mississippi	1,265,000
Higel II Amendment	555	Colorado	518,925
Crowther	420	Colorado	491,500
Willis Wharf	125	Virginia	836,000
Twin Bayous	52	Arkansas	106,000
Deadwood Duck Club	160	Arkansas	400,000
Behring Ranch	810	California	975,000
Cross/Sheehy Ranch	316	Colorado	555,000
Little Bijou Ranch	440	Colorado	253,000
Davey Land	320	Colorado	131,200
Flink Property	52	Minnesota	65,200
Irby Woods	497	Mississippi	1,556,000
Old Rivers	295	Mississippi	286,450
Batten-Carswell	291	South Carolina	560,000
The Oaks Plantation	112	South Carolina	186,000
Uxbridge Plantation	232	South Carolina	1,999,000
Burke Farm	1,360	Texas	560,000
East Bernard	247	Texas	170,000
Matagorda	384	Texas	170,000
Barber-Long Beaverdam Creek	144	Texas	86,400
The Big Woods on the Trinity	2,363	Texas	1,198,000
Dover Plantation	821	South Carolina	30,800,000
Tanglewood	82	South Carolina	212,000
McNeil III	1,080	Colorado	1,475,000
Monteray Delta Plantation	127	Louisiana	4,205,000

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<b>Property</b>	<b>Acres protected</b>	<b>Location</b>	<b>Estimated value at time of gift</b>
Mary's Island	970	South Carolina	\$ 207,800
Cheeha-Combahee	12,524	South Carolina	2,742,200
Godfrey Tract	155	South Carolina	32,500
McMillian	20	South Carolina	20,000
Medway	7,225	South Carolina	4,435,500
Ashepoo-Fenwick	9,423	South Carolina	2,592,700
Hasty Point Plantation	762	South Carolina	443,900
Kinloch Plantation	5,801	South Carolina	2,685,000
Hartwell Farms	591	Georgia	438,400
Oak Grove Plantation	995	South Carolina	524,000
Salt Marsh Plantation	349	South Carolina	460,000
Muskelboro Island	962	South Carolina	1,325,600
Clermont Plantation	435	South Carolina	477,500
Commander Island	385	South Carolina	259,800
Weymouth	187	South Carolina	480,000
Dunavant	12,160	Montana	3,610,000
Kennedy-Trailsend Ranch	3,142	Montana	3,710,000
Nightingale Hall Plantation	617	South Carolina	406,481
Quail Hollow	1,850	Mississippi	1,360,000
Buford's Brake	732	Mississippi	630,000
Becks Bay	6,626	Mississippi	5,080,000
Bolder's Island	1,649	South Carolina	365,400
Easterly/Penn	2,175	Mississippi	545,000
Hartwell Farms II	58	Georgia	52,800
Hicks Farm	130	Georgia	106,100
Indian Hut Tree Farm	1,642	South Carolina	656,700
Raccoon Island	1,743	South Carolina	377,500
Roanoke Plantation	200	Alabama	216,000
Rosebank Plantation	260	South Carolina	410,000
Rural Hall	176	South Carolina	330,000
South Fenwick Island	322	South Carolina	303,000
Dead Buffalo Ranch	3,573	North Dakota	270,000
Crow Hill Plantation	274	South Carolina	365,600
Huspah Plantation	319	South Carolina	1,650,000
Lonely Hearts Hunt Club	133	South Carolina	160,000
Oak Forest Plantation	286	South Carolina	4,818,000
Springfield Plantation	250	South Carolina	263,100
Beaver Dam Tract	84	South Carolina	113,000
South Fenwick Island Amendment	6	South Carolina	5,800
Claypool Reservoir	1,355	Arkansas	1,082,500
Pon-Pon	3,249	South Carolina	—
Delhomme Reserve	2,253	Texas	—
Hill River Tract	424	South Carolina	827,200
Augusta Plantation	942	South Carolina	250,000
Ben Knott Tract	371	South Carolina	165,000
Pitts Tracts A-F	9,101	Louisiana	3,255,000
Pitts Hurricane Lake Tract	1,214	Louisiana	687,200
Exchange Plantation	690	South Carolina	930,000
Kennedy-Trailsend Amend 1-3	474	Montana	228,000



**DUCKS UNLIMITED, INC. AND AFFILIATE**

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<b>Property</b>	<b>Acres protected</b>	<b>Location</b>	<b>Estimated value at time of gift</b>
Prescott Plantation	317	South Carolina	\$ 123,100
North Pasture	380	South Carolina	313,500
Ward Lake	3,250	Mississippi	2,725,000
Old Dominion Plantation	718	South Carolina	870,000
Chicahominy	281	Virginia	563,000
Pinchback Plantation	1,890	Mississippi	330,000
Pintail Club	95	Washington	1,330,000
Maurene Plantation	2,653	South Carolina	1,895,000
Terry Pasture	500	South Carolina	1,032,000
Rose Hill Plantation	1,200	South Carolina	840,000
Wando Farms	558	South Carolina	2,150,000
Bear Island	151	South Carolina	39,200,000
Beaver Creek Crossing	821	Mississippi	1,110,000
Becks Bay Amendment	640	Mississippi	365,000
Bobo Brake	751	Mississippi	600,000
Walters Farm	551	Colorado	340,100
Rio Ranch	360	Colorado	415,000
Two Rivers	2,585	Arkansas	1,660,000
Big Black Farms	434	Mississippi	390,600
Kitterlin Creek	2,974	Louisiana	1,695,000
O'Connor	102	Virginia	491,500
Redfish Point	73	Texas	44,000
Duck Lake	2,922	Mississippi	2,530,000
Lamps Woodard	354	North Carolina	218,000
Caduceus Farms	1,802	Louisiana	586,000
713 Club, LLC	1,272	Arkansas	1,815,000
Lea Farm	25	Oregon	25,800
Leshar Farm	29	Oregon	27,000
Ward Lake Amendment	1,177	Mississippi	625,000
River Property	89	Colorado	68,800
Beaver Creek Crossing Amendment	175	Mississippi	332,500
Corzine Ranch	2,488	Colorado	520,000
Generostee Creek	477	South Carolina	1,610,000
Caeli Farms, LLC	406	Virginia	1,555,000
Bear Island Hunt Club	505	South Carolina	350,000
Cheeha-Combahee Amendment	20	South Carolina	58,400
Wheeler Island 40	1,658	Arkansas	1,470,000
Dacus Lake Partners	1,953	Arkansas/TN	815,000
Danikow Tract	623	Tennessee	410,000
Mill Creek Property	950	South Carolina	3,206,500
Oaks Plantation	208	South Carolina	481,250
Muddy Waters LLC	3,159	Mississippi	3,350,000
Nightingale Hall Amendment	105	South Carolina	189,540
Tara Wildlife	4,688	Mississippi	4,200,000
Montana	1,234	California	172,000
David Young	142	Mississippi	238,050
Ellis Lake	1,813	Mississippi	1,167,400
Willtown Crossing Farms	220	South Carolina	300,000
Chaplin Farms	700	South Carolina	328,000

**DUCKS UNLIMITED, INC. AND AFFILIATE**

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<b>Property</b>	<b>Acres protected</b>	<b>Location</b>	<b>Estimated value at time of gift</b>
Dyer Moore	97	Texas	\$ 69,355
Stringfield Nursery	22	South Carolina	136,000
Kennedy B.C. – Tuplagum	2,653	Mississippi	1,500,000
Kennedy – York Woods	3,832	Mississippi	3,095,000
Kennedy-Trailsend 5th Amendment	544	Montana	779,000
Duncan Hunt Club	49	North Carolina	98,600
Black Oak Farm	310	Arkansas	260,000
Weymouth Plantation Amendment	212	South Carolina	432,000
Rainey Acres	240	South Carolina	254,400
Sewee Plantation	374	South Carolina	5,877,700
Kensington Plantation	344	South Carolina	2,590,000
David Martin	310	Mississippi	145,000
Clifton Farms	1,755	Mississippi	1,310,000
Mallard Creek Farms	250	North Carolina	209,000
Everett-Driver	140	Mississippi	65,000
Mudlake	2,145	Arkansas	2,135,000
Section 13 Farms	735	Arkansas	836,000
Dunavant – Lewiston	475	Montana	343,000
Deer Yard Farms	750	Illinois	1,558,500
Wildwood Acres	167	South Carolina	234,000
Dawhoo Plantation	716	South Carolina	1,971,200
Texas Plantation	785	North Carolina	1,232,500
Ritter-Black River	334	South Carolina	293,700
Malphrus Tract	929	South Carolina	1,162,500
Braxton Farms	212	Virginia	817,000
Harrison Ranch	884	Mississippi	400,000
McNeil Ranch	520	Colorado	624,000
Decoy Lakes	331	North Carolina	720,000
Meadow Ranch	5,440	Colorado	723,520
Dixie Farms	2,100	Mississippi	787,000
Circle T	1,507	Arkansas	3,680,000
Nagasaki Gun Club	137	Mississippi	231,000
Getz Ranch	320	Colorado	240,000
Lester Ranch	783	Colorado	501,200
TPC Farm	1,213	Mississippi	1,905,000
Buzzard Corner	375	North Carolina	1,771,000
Pamlico Farms I	619	North Carolina	1,612,000
Willow Bend Plantation	670	South Carolina	4,306,000
Rice Hope Plantation	237	South Carolina	1,108,525
Marais Temp Clair Duck Club	635	Missouri	1,561,500
Ware Creek Preserve	1,039	Virginia	18,111,000
Texas Plantation II	668	North Carolina	1,224,000
Tibshrary Farm	311	South Carolina	257,500
Annandale Plantation	3,458	South Carolina	5,400,000
Gilmore Property	138	Arkansas	120,987
Heth Property	480	Arkansas	240,747
Bel Air Farms	45	South Carolina	482,000
Cache River Property	240	Arkansas	162,000
Golden Eagle Ranch	1,107	Colorado	1,045,000

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<b>Property</b>	<b>Acres protected</b>	<b>Location</b>	<b>Estimated value at time of gift</b>
Moreland Club	293	South Carolina	\$ 275,000
Mark Wheeler	65	Washington	190,000
Winea Plantation	348	South Carolina	900,000
Feliciana Land Co.	1,400	Mississippi	1,583,000
MacLean Tract	24	South Carolina	61,250
Bulow Land I	49	South Carolina	1,205,000
Bulow Land II	305	South Carolina	981,750
Blackfish Island	380	Arkansas	547,400
Mud Lake Bottoms	138	Arkansas	193,200
Running Bayou	1,036	Mississippi	837,200
Kase	101	New York	61,000
John Lindquist Property	170	Minnesota	548,520
Young Property	240	Mississippi	293,836
Willows Bend Amendment	604	South Carolina	5,846,600
DT Ranch	808	Colorado	610,000
Lohr Property	52	Missouri	109,000
Bobo Brake Amendment	548	Mississippi	490,000
Verser Farms	359	Arkansas	262,500
Pamilco Farms II	446	North Carolina	3,477,000
Seminole Plantation	350	South Carolina	618,500
Black Swamp Plantation	538	South Carolina	840,000
Cook's Mountain	1,200	South Carolina	5,496,000
Wurster Tract	490	Louisiana	220,500
Timmerman Property	320	Missouri	742,950
Old Rivers Farm	581	Mississippi	455,100
Cougar Bay/Notyacht	521	South Carolina	900,000
Getz Ranch Amendment	640	Colorado	452,500
Blue House Plantation	382	South Carolina	2,780,000
Bulow Plantation III	178	South Carolina	4,044,000
Springsteen Plantation	818	South Carolina	1,514,000
Ward Lake – McGehee	275	Mississippi	137,500
Windfall Point	105	South Carolina	827,100
Pig Pen/Windsor Plantation	169	South Carolina	310,050
Poplar Grove	3,100	South Carolina	11,750,000
Mingo Plantation	593	South Carolina	534,000
Haralson Tract	669	Arkansas	1,116,600
Holified Farms	320	Arkansas	525,000
Bivens Bayou	648	Arkansas	907,200
McNeil II & III	230	Colorado	242,000
Jensen	159	Minnesota	208,463
Lester II	825	Colorado	536,250
Alligator Bayou	560	Arkansas	784,000
Higel Ranch	298	Colorado	238,400
Walters/Chadwell	304	Colorado	297,200
Spring Hope	348	South Carolina	450,000
Mingo Plantation II	398	South Carolina	450,000
The Bridge Farm	80	Colorado	97,000
Potato Hill	1,336	Mississippi	564,400
The Pineland	577	South Carolina	490,000

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<u>Property</u>	<u>Acres protected</u>	<u>Location</u>	<u>Estimated value at time of gift</u>
Bel-Air Farm, Wilson Tract	68	South Carolina	\$ 343,500
Birdeye Farm	180	Arkansas	218,000
Togo Farm	809	Arkansas	626,042
Mulberry Plantation, Inc.	3,174	South Carolina	3,018,697
Arundel Plantation Properties, LLC	1,138	South Carolina	4,220,000
Deed restrictions:			
Springfield Marsh	696	South Carolina	74,000
Hanahan	33	South Carolina	—
Management agreements:			
Mary's Island	3,740	South Carolina	—
Cosumnes-Crane Ranch (Fitzgerald)	368	California	—
	<u>396,790</u>		<u>633,305,891</u>
	<u>404,018</u>		\$ <u>657,144,455</u>

See accompanying independent auditors' report.