



# **THE NATIONAL WILDLIFE FEDERATION**

## **Financial Statements**

*For the Years Ended August 31, 2017 and 2016*



**and  
Report Thereon**



**Reports Required in Accordance with  
the Uniform Guidance**

*For the Year Ended August 31, 2017*



THE NATIONAL WILDLIFE FEDERATION

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For the Years Ended August 31, 2017 and 2016

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*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
The National Wildlife Federation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The National Wildlife Federation, which comprise the statements of financial position as of August 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. We have audited the accompanying consolidated financial statements of The National Wildlife Federation (NWF) and its affiliate, The National Wildlife Federation Endowment, Inc. (the Endowment), which comprise the consolidated statements of financial position as of August 31, 2016, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Continued**

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The National Wildlife Federation as of August 31, 2017 and The National Wildlife Federation and Affiliate as of August 31, 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017, on our consideration of The National Wildlife Federation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The National Wildlife Federation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The National Wildlife Federation's internal control over financial reporting and compliance.

*Raffa, P.C.*

**Raffa, P.C.**

Washington, DC  
November 28, 2017

**THE NATIONAL WILDLIFE FEDERATION**

**STATEMENTS OF FINANCIAL POSITION**

As of August 31, 2017 and 2016

(in thousands)

	2017	2016 (Consolidated)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,092	\$ 1,316
Investments	59,512	54,264
Grants and other restricted receivables, net	13,234	9,983
Bequests and other contributions receivable, net	2,271	4,534
Accounts receivable, net of allowance for doubtful accounts of \$11 and \$36, respectively	784	826
Inventory, nature education materials	730	745
Prepaid expenses	2,988	2,846
Charitable gift annuities and other trusts	11,536	11,034
Property, plant and equipment, net	17,065	15,927
Other assets	511	438
Permanently restricted investments	5,484	5,474
	<u>\$ 118,207</u>	<u>\$ 107,387</u>
<b>TOTAL ASSETS</b>		
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 4,914	\$ 4,487
Accrued payroll and related costs	2,462	2,329
Line of credit	-	248
Deferred revenue	8,611	8,773
Deferred rent and lease incentives	1,093	-
Notes payable, net of unamortized financing fees	12,232	12,920
Accrued pension and post-retirement benefits	18,213	20,966
Charitable gift annuities and other trust obligations	3,812	3,953
	<u>51,337</u>	<u>53,676</u>
<b>TOTAL LIABILITIES</b>		
<b>Net Assets</b>		
<b>Unrestricted</b>		
Undesignated	16,687	7,213
Designated	8,764	8,607
	<u>25,451</u>	<u>15,820</u>
<b>Total Unrestricted</b>		
Temporarily restricted	31,763	28,439
Permanently restricted	9,656	9,452
	<u>66,870</u>	<u>53,711</u>
<b>TOTAL NET ASSETS</b>		
<b>TOTAL LIABILITIES AND NET ASSETS</b>		
	<u>\$ 118,207</u>	<u>\$ 107,387</u>

The accompanying notes are an integral part of these financial statements.

**THE NATIONAL WILDLIFE FEDERATION**

**STATEMENTS OF ACTIVITIES**  
**For the Years Ended August 31, 2017 and 2016**  
**(in thousands)**

	2017				2016 (Consolidated)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>OPERATING REVENUE AND SUPPORT</b>								
Contributions from individuals	\$ 24,185	\$ 11,819	\$ 10	\$ 36,014	\$ 27,747	\$ 6,117	\$ 10	\$ 33,874
Contributions from governments, foundations and corporations	9,730	22,100	-	31,830	1,870	20,078	-	21,948
Publications	11,352	-	-	11,352	11,202	-	-	11,202
Nature education materials	8,922	-	-	8,922	8,955	-	-	8,955
Investment income appropriated for operations	2,079	94	-	2,173	2,309	46	-	2,355
Royalties	745	-	-	745	513	-	-	513
Other	1,941	158	194	2,293	474	285	58	817
Net assets released from restrictions:								
Satisfaction of program restrictions	25,397	(25,397)	-	-	19,738	(19,738)	-	-
Expiration of time restrictions	5,450	(5,450)	-	-	7,146	(7,146)	-	-
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<b>89,801</b>	<b>3,324</b>	<b>204</b>	<b>93,329</b>	<b>79,954</b>	<b>(358)</b>	<b>68</b>	<b>79,664</b>
<b>OPERATING EXPENSES</b>								
Program Services:								
Conservation advocacy programs	34,039	-	-	34,039	27,872	-	-	27,872
Education outreach and publications	20,725	-	-	20,725	16,706	-	-	16,706
Other nature education programs	12,212	-	-	12,212	11,778	-	-	11,778
Membership education programs	7,451	-	-	7,451	8,045	-	-	8,045
Total Program Services	<u>74,427</u>	<u>-</u>	<u>-</u>	<u>74,427</u>	<u>64,401</u>	<u>-</u>	<u>-</u>	<u>64,401</u>
Supporting Services:								
Fundraising	8,674	-	-	8,674	7,371	-	-	7,371
General and administrative	5,130	-	-	5,130	4,798	-	-	4,798
Total Supporting Services	<u>13,804</u>	<u>-</u>	<u>-</u>	<u>13,804</u>	<u>12,169</u>	<u>-</u>	<u>-</u>	<u>12,169</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>88,231</b>	<b>-</b>	<b>-</b>	<b>88,231</b>	<b>76,570</b>	<b>-</b>	<b>-</b>	<b>76,570</b>
Change in net assets from operations	1,570	3,324	204	5,098	3,384	(358)	68	3,094
Nonoperating activities:								
Investment income in excess of earnings appropriated for operations	5,796	-	-	5,796	2,238	-	-	2,238
Pension and post-retirement related changes other than net periodic benefit cost	2,265	-	-	2,265	2,051	-	-	2,051
<b>CHANGE IN NET ASSETS</b>	<b>9,631</b>	<b>3,324</b>	<b>204</b>	<b>13,159</b>	<b>7,673</b>	<b>(358)</b>	<b>68</b>	<b>7,383</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>15,820</b>	<b>28,439</b>	<b>9,452</b>	<b>53,711</b>	<b>8,147</b>	<b>28,797</b>	<b>9,384</b>	<b>46,328</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 25,451</b>	<b>\$ 31,763</b>	<b>\$ 9,656</b>	<b>\$ 66,870</b>	<b>\$ 15,820</b>	<b>\$ 28,439</b>	<b>\$ 9,452</b>	<b>\$ 53,711</b>

The accompanying notes are an integral part of these financial statements.

**THE NATIONAL WILDLIFE FEDERATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended August 31, 2017**

**(in thousands)**

	Program Services				Supporting Services				Total Expenses
	Conservation Advocacy Programs	Education Outreach and Publications	Other Nature Education Programs	Membership Education Programs	Total Program Services	Fundraising	General and Administrative	Total Supporting Services	
Salaries and benefits	\$ 15,477	\$ 6,626	\$ 2,651	\$ 549	\$ 25,303	\$ 1,365	\$ 2,743	\$ 4,108	\$ 29,411
Consultants and contractors	7,565	2,325	2,892	1,219	14,001	1,365	587	1,952	15,953
Printing and production	179	3,740	1,356	2,776	8,051	2,718	458	3,176	11,227
Postage, mailing and shipping	32	3,310	1,275	2,066	6,683	2,168	359	2,527	9,210
Other	2,113	811	867	465	4,256	581	259	840	5,096
Conservation assistance	4,649	113	19	-	4,781	5	-	5	4,786
Information systems	1,432	872	514	314	3,132	365	216	581	3,713
Cost of goods sold	6	98	2,344	-	2,448	-	15	15	2,463
Occupancy and depreciation	1,343	369	159	25	1,896	53	433	486	2,382
Donated advertising and other services	19	2,229	-	36	2,284	-	-	-	2,284
Travel	1,224	232	135	1	1,592	54	60	114	1,706
<b>TOTAL EXPENSES</b>	<b>\$ 34,039</b>	<b>\$ 20,725</b>	<b>\$ 12,212</b>	<b>\$ 7,451</b>	<b>\$ 74,427</b>	<b>\$ 8,674</b>	<b>\$ 5,130</b>	<b>\$ 13,804</b>	<b>\$ 88,231</b>

The accompanying notes are an integral part of these financial statements.

**THE NATIONAL WILDLIFE FEDERATION**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended August 31, 2016  
(in thousands)

	Program Services					Supporting Services			
	Conservation Advocacy Programs	Education Outreach and Publications	Other Nature Education Programs	Membership Education Programs	Total Program Services	Fundraising	General and Administrative	Total Supporting Services	Total Expenses
Salaries and benefits	\$ 14,706	\$ 5,708	\$ 2,222	\$ 696	\$ 23,332	\$ 1,472	\$ 2,448	\$ 3,920	\$ 27,252
Consultants and contractors	5,383	1,626	2,844	1,291	11,144	1,166	477	1,643	12,787
Printing and production	138	3,491	1,381	2,741	7,751	1,861	505	2,366	10,117
Postage, mailing and shipping	31	3,263	1,279	2,281	6,854	1,794	433	2,227	9,081
Other	1,322	709	1,114	620	3,765	594	380	974	4,739
Information systems	1,307	787	557	382	3,033	349	231	580	3,613
Conservation assistance	2,869	102	-	-	2,971	-	-	-	2,971
Cost of goods sold	-	291	2,130	-	2,421	-	-	-	2,421
Occupancy and depreciation	1,233	393	144	32	1,802	63	278	341	2,143
Travel	883	336	107	2	1,328	72	46	118	1,446
<b>TOTAL EXPENSES</b>	<b>\$ 27,872</b>	<b>\$ 16,706</b>	<b>\$ 11,778</b>	<b>\$ 8,045</b>	<b>\$ 64,401</b>	<b>\$ 7,371</b>	<b>\$ 4,798</b>	<b>\$ 12,169</b>	<b>\$ 76,570</b>

The accompanying notes are an integral part of these financial statements.

**THE NATIONAL WILDLIFE FEDERATION**

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended August 31, 2017 and 2016**  
**Increase (Decrease) in Cash and Cash Equivalents**  
**(in thousands)**

	2017	2016 (Consolidated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 13,159	\$ 7,383
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	121	386
Depreciation and amortization	1,014	1,036
Realized and unrealized gains on investments and annuities	(7,314)	(3,934)
Loss on sale of property	36	-
Unrecognized gain on pension and post-retirement plans	(2,265)	(2,051)
Changes in assets and liabilities:		
Grants and other restricted receivables	(3,251)	(321)
Bequests and other contributions receivable	2,263	1,800
Accounts receivable	(79)	(108)
Inventory, nature education materials	15	-
Prepaid expenses	(142)	(918)
Charitable gift annuities and other trusts	(502)	816
Other assets	(73)	172
Accounts payable and accrued expenses	(515)	(471)
Accrued payroll and related costs	133	62
Deferred revenue	(162)	496
Deferred rent and lease incentives	1,093	-
Accrued pension and post-retirement benefits	(488)	1,040
Charitable gift annuities and other trust obligations	(141)	550
Other liabilities	-	(15)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,902</b>	<b>5,923</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(1,246)	(417)
Purchases of investments	(15,599)	(10,245)
Sales and maturities of investments	17,655	7,905
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>810</b>	<b>(2,757)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on notes payable and line of credit	(9,952)	(13,617)
Borrowings under notes payable and line of credit	9,016	11,563
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(936)</b>	<b>(2,054)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>2,776</b>	<b>1,112</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,316</b>	<b>204</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 4,092</b>	<b>\$ 1,316</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<b>\$ 280</b>	<b>\$ 289</b>
<b>NONCASH FINANCING AND INVESTING ACTIVITIES</b>		
Leasehold improvements	\$ (942)	\$ -
Deferred lease incentive	942	-
	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes are an integral part of these financial statements.

# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2017 and 2016 (in thousands)

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### 1. Organization, Purpose and Summary of Significant Accounting Policies

#### **Organization**

The National Wildlife Federation (NWF) and its affiliate, The National Wildlife Federation Endowment, Inc. (the Endowment) (collectively referred to as the Federation), are not-for-profit organizations that were formed in the District of Columbia for the purpose of promoting the wise use and proper management of our natural resources. Founded in 1936, NWF, its member supporters and a national network of affiliated organizations work to inspire Americans to protect wildlife for our children's future. Support is provided primarily by individuals, foundations and corporations, along with some federal and state grants. Other major revenue sources are memberships, subscriptions to magazines published by NWF, sales of nature educational materials and royalties. The Endowment provides long-term stability by investing and preserving NWF assets. By investing in a manner consistent with NWF's mission and values, the Endowment returns a stream of income to NWF to support conservation education programs.

In February 2017, the Board of Directors of the Endowment approved the transfer of all assets and liabilities of the Endowment to NWF, and the dissolution of the entity as of April 1, 2017. NWF recognized the assets and liabilities transferred at their carrying amounts in the Endowment's accounts at the date of transfer, March 31, 2017.

#### **Basis of Presentation**

For the year ended August 31, 2017, the accompanying financial statements include the financial activities of the Endowment from September 1, 2016 through March 31, 2017. Effective April 1, 2017, with the dissolution of the Endowment as a separate entity, the revenue and expenses derived from these assets and liabilities transferred from the Endowment are included in the Federation's accompanying financial statements for the last five months of the fiscal year ended August 31, 2017. For the year ended August 31, 2016, the accompanying consolidated financial statements include the assets, liabilities, net assets and financial activities of NWF and the Endowment. All significant inter-entity balances and transactions have been eliminated in the accompanying financial statements.

State affiliates, who are members of NWF, are independent and autonomous organizations. As NWF has no economic interest in or control of state affiliates, their financial activities are not included in the accompanying financial statements of the Federation.

The Federation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Temporarily restricted net assets consist of contributions where the use by the Federation is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Federation related to those stipulations. Permanently restricted net assets consist of contributions where the use by the Federation is limited by donor-imposed stipulations that the assets be maintained permanently.

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2017 and 2016**  
**(in thousands)**

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1. Organization, Purpose and Summary of Significant Accounting Policies (continued)

**Cash and Cash Equivalents**

Cash and cash equivalents includes money market funds that are not part of the Federation's investment portfolio.

**Investments**

Investments are reported at fair value. Investments in common stock, fixed income funds and equity mutual and index funds, and money market funds are stated at quoted market values. Investments in limited partnerships, hedge funds and private investment funds are reported at fair value based on the net asset value (NAV) as determined by the external partnership or fund manager. As permitted by accounting principles generally accepted in the United States of America (GAAP), the Federation uses NAV as a practical expedient to estimate the fair value of the Federation's ownership interest in limited partnerships, hedge funds and private investment funds, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. The Federation performs due diligence procedures related to these investments to support recognition at fair value at fiscal year-end. Because many of these investments are not readily marketable, the estimates of fair value involve assumptions and estimation methods which are uncertain, and therefore the estimates could differ from actual results.

Purchases and sales of investments are recorded on a trade date basis. Interest and dividends are recorded when earned. Realized gains and losses from security transactions are recorded on the specific identification basis, and are recorded in the accompanying statement of activities. For unsettled sales as of the reporting period date, the sale price is included with investments in the accompanying statements of financial position.

Investment returns reported in the accompanying statements of activities include realized gains or losses. Unrealized gains and losses resulting from changes in fair value are also included in investment returns in the accompanying statements of activities.

Because of the inherent uncertainty of valuation of the limited partnerships, hedge fund and private investment funds, it is reasonably possible that estimated values may differ from the values that would have been used had a ready market for the partnerships and funds existed. In addition, the partnerships and funds may also have risk associated with their concentrations of investments in certain industries or geographic regions.

**Grants and Other Contributions Receivable**

Unconditional promises to give, including grants, contributions and bequests that are expected to be collected within one year, are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows using a discount rate commensurate with the risks identified. Amortization of the discounts is included in contribution revenue. The allowance method is used to determine the uncollectible amounts. The Federation records an allowance for

# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2017 and 2016 (in thousands)

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### 1. Organization, Purpose and Summary of Significant Accounting Policies (continued)

#### **Grants and Other Contributions Receivable (continued)**

doubtful accounts on its outstanding receivables based on its collection history, analysis of subsequent collections and specific identification of uncollectible accounts. No allowance was deemed necessary as of August 31, 2017 and 2016. Credit risk with respect to grants and other contributions receivable is limited because the Federation deals with a large number of foundations, grant makers and donors with a wide range of awards and geographic area.

#### **Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable consist primarily of amounts due from third parties for the Federation's publications, advertising and royalties. The allowance method is used to determine the uncollectible amounts. The Federation records an allowance for doubtful accounts on its outstanding receivables based on its collection history, analysis of subsequent collections and specific identification of uncollectible accounts. Amounts determined to be uncollectible are recorded against the allowance. The publications' allowance is determined based on a 12 month average of receivables written off applied to the total receivable balance.

#### **Charitable Gift Annuities and Other Trusts**

The Federation has been named as beneficiary in split income gifts that include charitable gift annuities, charitable remainder and lead trusts, and perpetual trusts. The split interest gifts have been valued based on discount rates approved by the Internal Revenue Service (the IRS) on the date of the gift, which range from 1.2% to 9.4%. The Federation serves as the administrator for all charitable gift annuities and certain remainder trusts received. A third party holds amounts received and makes specified payments to annuitants. The excess in fair value of assets received over the liability assumed is recorded as either unrestricted or temporarily restricted revenue. The liabilities are included in the accompanying statements of financial position. The assets are adjusted each year based on the fair value of the investments held by the third party. The liability is adjusted each year based on the adjusted life expectancies of the annuitants. Changes in assets and liabilities are recorded in the accompanying statements of activities in temporarily restricted other revenue.

Charitable remainder and lead trusts for which the Federation is not the trustee are recorded as temporarily restricted revenue when the trusts are established. The receivables associated with the charitable remainder and lead trusts are adjusted each year based upon the present value of future cash flows. This change is recorded in the accompanying statements of activities in temporarily restricted net assets as other revenue.

The beneficial interests in perpetual trusts are recorded at fair market value and the change in fair value of the trusts is recorded in the accompanying statements of activities in permanently restricted net assets as other revenue.

#### **Property and Equipment and Related Depreciation and Amortization**

The Federation capitalizes all purchases of capital assets that are greater than \$1,000. Building and improvements are recorded at cost and depreciated using the straight-line method over their estimated useful lives of 20 to 50 years. Equipment, furniture and software

# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2017 and 2016 (in thousands)

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1. Organization, Purpose and Summary of Significant Accounting Policies (continued)

### **Property and Equipment and Related Depreciation and Amortization (continued)**

are recorded at cost and depreciated using the straight-line method over their estimated useful lives of 3 to 8 years. Leasehold improvements are amortized over the lesser of 10 years or the life of the lease. Maintenance and repairs are charged to expense as incurred.

### **Impairment of Long Lived Assets**

The Federation reviews the carrying amounts of assets whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced by a charge to the statements of activities to its current fair value. As of August 31, 2017 and 2016, the Federation has not recognized an impairment loss.

### **Contributed Property**

Contributed property, equipment and other noncash assets are recorded at their fair value at the date of donation. If donors stipulate how the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

### **Conservation Properties**

Conservation properties are recorded at estimated market value at the date of donation and are included in property, plant and equipment in the accompanying statements of financial position. The carrying value is adjusted if the market value is less than the recorded value. Covenants on certain properties restrict their future use to conservation activities.

### **Restricted and Unrestricted Revenue**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted revenue, depending on the existence and/or nature of any donor stipulations. Donor restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the stipulation. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

### **Revenue Recognition**

NWF's contribution program promotes subscriptions to National Wildlife® magazine as a benefit of membership in NWF. Therefore, a portion of the membership revenue is considered to be a contribution and a portion is considered to be an exchange transaction for the magazine. The amount of the contribution less the value to fulfill the magazine benefit is recognized as contribution revenue in these financial statements. The remaining amount is recorded as deferred revenue and recognized ratably over one year. Subscription revenue for Ranger Rick®, Ranger Rick Cub®, and Ranger Rick Junior® is recognized as publications

# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2017 and 2016 (in thousands)

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### 1. Organization, Purpose and Summary of Significant Accounting Policies (continued)

#### **Revenue Recognition (continued)**

revenue ratably over the subscription period, with the unearned portion classified as deferred revenue in the accompanying statements of financial position. Donations, bequests, grants and federal and state grant awards are recorded in the reporting period they are received at the expected realizable value. Unconditional promises to give are recognized as revenue and assets in the period the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

#### **Donated Services**

The Federation recognizes contribution revenue for certain services received at the fair value of those services. In the years ended August 31, 2017 and 2016, the Federation received \$2,284 and \$123, respectively, in donated professional legal, actuarial, and program advertising services used in program and fundraising activities that are recorded in the accompanying statements of activities. However, many individuals volunteer their time and perform a variety of tasks that assist the Federation with its conservation education programs but do not meet the criteria for recording contributed services in the financial statements.

#### **Functional Allocation of Expenses**

The cost of providing the various conservation education programs and supporting services has been accounted for on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among program and supporting services based on total direct expenses or total salaries, benefits and related expenses.

Conservation education programs consist of conservation advocacy, education outreach, publications, and other nature and membership education programs. These activities result in goods and services being distributed to beneficiaries, customers and members that fulfill the purposes and mission for which the Federation exists.

Supporting services include fundraising and general and administrative expenses. Fundraising activities include publicizing and conducting fundraising campaigns, maintaining donor mailing lists, preparing and distributing fundraising materials and conducting other activities involved with soliciting contributions. General and administrative activities include oversight, business management, general recordkeeping, budgeting, finance and other related administrative activities, except for direct conduct of program services and fundraising activities.

#### **Promotional Costs**

Promotional costs of children's publications and the NWF catalog, including postage, artwork and fulfillment, are deferred as prepaid expenses and amortized to expense over the period during which future benefits are expected to be received (generally one to four months).

# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2017 and 2016 (in thousands)

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### 1. Organization, Purpose and Summary of Significant Accounting Policies (continued)

#### **Fair Value of Financial Instruments**

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value in accordance with GAAP and requires disclosures about fair value measurements for assets and liabilities measured at fair value on a recurring basis. The ASC emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the ASC established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The three levels of the fair value hierarchy are described as follows:

*Level 1* – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

*Level 2* – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

*Level 3* – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

The Federation follows the measurement provisions of FASB Accounting Standards Update (ASU) No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The guidance permits, as a practical expedient, the fair value of investments within its scope to be estimated using NAV or its equivalent. NAV or its equivalent is the value per share or value of ownership interest in partner's capital, as provided by the partnership or fund, whose financial statements are prepared in a manner consistent with the measurement principles of an investment company or that has the attributes of an investment company.

#### **Deferred Financing Costs and Amortization**

FASB issued Accounting Standards Update (ASU) No. 2015-03, *Amendments to Subtopic 835-30, Interest – Imputation of Interest*. This standard requires the presentation of deferred financing costs as a reduction of the carrying amount of the related debt liability rather than as

# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2017 and 2016 (in thousands)

### 1. Organization, Purpose and Summary of Significant Accounting Policies (continued)

#### **Deferred Financing Costs and Amortization (continued)**

a deferred charge as required under prior guidance. During the year ended August 31, 2017, the Federation adopted the standard and reflected the retroactive impact on the prior year's balances presented in the accompanying consolidated financial statements. As a result of the adoption, unamortized financing costs previously recorded as an asset on the Federation's statement of financial position are now presented as a reduction of the carrying amount of the related debt liability as disclosed in Note 7, and the related amortization charge is included in interest expense on a straight-line basis over the life of the loan.

#### **Estimates**

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

#### **Reclassifications**

Certain prior year amounts have been reclassified for comparative purposes to conform to the current year presentation.

#### **Measure of Operating Results**

Operating revenue and expenses generally reflect those revenues and expenses that management can influence, including annual authorized operating support from the endowment and investment pool based on the spending formula established by the Federation's Board of Directors. Nonoperating activities include investment earnings (losses) of the investment portfolio in excess of endowment and other earnings appropriated for expenditure and post-retirement and pension related changes other than net periodic benefit cost.

### 2. Grants and Other Restricted Receivables

At August 31, 2017 and 2016, grants and other restricted receivables included the following unconditional promises to give:

	<u>2017</u>	<u>2016</u>
Amount due in less than one year	\$ 12,767	\$ 8,943
Amount due in one to five years	<u>534</u>	<u>1,104</u>
Subtotal	13,301	10,047
Less: Discount (5%)	<u>(67)</u>	<u>(64)</u>
Total	<u>\$ 13,234</u>	<u>\$ 9,983</u>

Continued

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2017 and 2016**  
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2. Grants and Other Restricted Receivables (continued)

During 2016, the Federation received a grant award from a foreign government agency of approximately \$6.8 million, to be paid over five years, to support a conservation program. The Federation recognized approximately \$1.5 million and \$1.4 million as revenue for the years ended August 31, 2017 and 2016, respectively. The remaining amount is conditional upon annual parliamentary budget approval. In addition, as of August 31, 2017, the Federation had approximately \$2.3 million in conditional grants receivable from two donors, which were not reflected in the accompanying statement of financial position. These conditional project grants require the Federation's completion of contractual tasks, milestones and other matching requirements which are subject to periodic donor review and approval before the project may continue and, therefore, the Federation has not recognized any revenue from the conditional portions of these grants.

3. Bequests and Other Contributions Receivable

At August 31, 2017 and 2016, bequests and other contributions receivable included the following unconditional promises to give:

	<u>2017</u>	<u>2016</u>
Amount due in less than one year	\$ 2,265	\$ 4,246
Amount due in one to five years	7	298
Amount due in more than five years	<u>-</u>	<u>5</u>
Subtotal	2,272	4,549
Less: Discount (5%)	<u>(1)</u>	<u>(15)</u>
Total	<u>\$ 2,271</u>	<u>\$ 4,534</u>

The Federation received \$2,365 and \$2,386 in the years ended August 31, 2017 and 2016, respectively, from a monthly donor program. The pledges from this program are deemed to be conditional because donors can cancel their participation at any time. Therefore, the pledges are recognized as revenue only when payment is received.

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2017 and 2016**  
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4. Investments and Permanently Restricted Investments

Investments, including permanently restricted investments, at market, consisted of the following as of August 31, 2017 and 2016:

	2017	2016
Common stocks	\$ 5,943	\$ 5,571
Money market funds	4,215	-
Limited partnerships and private investment funds	17,323	15,342
Hedge fund	3,653	3,451
Mutual funds – fixed income	3,481	7,194
Mutual and index funds – equity	24,897	22,706
Total unrestricted investments	59,512	54,264
Limited partnerships and private Investment funds – permanently restricted	5,484	5,474
Total Investments	\$ 64,996	\$ 59,738

Investment return consisted of the following for the years ended August 31, 2017 and 2016:

	2017	2016
Dividends and interest income	\$ 655	\$ 659
Net realized gains	3,663	1,109
Net unrealized gains	3,651	2,825
Net investment gains	7,969	4,593
Less: earnings appropriated for operations	(2,173)	(2,355)
Investment income in excess of earnings appropriated for operations	\$ 5,796	\$ 2,238

Investment expenses were \$452 and \$294 for the years ended August 31, 2017 and 2016, respectively, and are included in total program and supporting services expenses in the accompanying statements of activities.

5. Charitable Gift Annuities and Other Trusts

Charitable gift annuities and other trusts consisted of the following as of August 31, 2017 and 2016:

	2017	2016
Charitable gift annuities	\$ 5,853	\$ 5,492
Charitable remainder trusts	1,489	1,540
Perpetual trusts	4,172	3,978
Charitable lead trusts	22	24
Total Charitable Gift Annuities and Other Trusts	\$ 11,536	\$ 11,034

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2017 and 2016**  
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5. Charitable Gift Annuities and Other Trusts (continued)

The estimated liabilities for the above charitable gift annuities and other trusts consisted of the following as of August 31, 2017 and 2016:

	2017	2016
Charitable gift annuities	\$ 3,755	\$ 3,896
Charitable remainder trusts	57	57
Total Estimated Liabilities for Charitable Gift Annuities and Other Trusts	\$ 3,812	\$ 3,953

6. Property, Plant and Equipment

The Federation's property, plant and equipment consisted of the following as of August 31, 2017 and 2016:

	2017	2016
Land	\$ 3,947	\$ 3,947
Building and improvements	13,712	13,719
Equipment, furniture and vehicles	10,898	10,599
Leasehold improvements	1,037	96
Conservation properties	689	689
Total Property and Equipment	30,283	29,050
Less: Accumulated Depreciation and Amortization	(13,218)	(13,123)
Property and Equipment, Net	\$ 17,065	\$ 15,927

The Federation recorded depreciation and amortization expense on its property, plant and equipment of \$1,014 and \$1,036 for the years ended August 31, 2017 and 2016, respectively.

7. Notes Payable and Line of Credit

The Federation had the following debt obligations as of August 31, 2017 and 2016:

	2017	2016
Term loan of \$14,976 with Bank of America (terms are described below)	\$ 12,250	\$ 12,958
Less: Unamortized Debt Issuance Costs	(18)	(38)
Notes Payable, net	12,232	12,920
Operating line of credit (terms are described below)	-	248
Total Notes Payable and Line of Credit	\$ 12,232	\$ 13,168

Continued

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2017 and 2016**  
(in thousands)

7. Notes Payable and Line of Credit (continued)

A term loan was entered into with Bank of America on July 31, 2013, in the amount of \$14,976 for the purpose of purchasing the Federation's headquarters building. This loan has a five year term with interest at the LIBOR daily floating rate plus 1.55%, which was 2.78% and 2.72% at August 31, 2017 and 2016, respectively. A balloon payment in the amount of the remaining principal balance of \$11,586 is due at the end of the five year term. Under the most restrictive covenants associated with the term loan, the Federation is required to maintain: (1) a debt service coverage ratio of at least 1.1 to 1, measured annually as of the last day of each fiscal year, and (2) a liquidity coverage ratio of at least 0.75 to 1, measured semi-annually as of the last day of the second and fourth fiscal quarters in each fiscal year. At August 31, 2017 and 2016, the Federation was in compliance with its covenants. Costs associated with the term loan issuance have been capitalized as a reduction of the carrying amount of the note liability and are being amortized over the five year term.

NWF has an unsecured operating line of credit based on two tiers from \$2,000 to \$8,000 that expires February 28, 2018. As of August 31, 2017 and 2016, \$0 and \$248 were drawn on the line of credit, respectively. The line of credit bears interest at the LIBOR daily floating rate plus 1%, which was 2.23% and 2.17% at August 31, 2017 and 2016, respectively. Under the most restrictive covenant, the Federation must maintain a liquidity ratio of at least 0.33 to 1. At August 31, 2017 and 2016, the Federation was in compliance with this covenant.

For the years ended August 31, 2017 and 2016, the Federation recorded interest expense of \$280 and \$289, respectively. On the statements of functional expenses, interest expense is included in occupancy and depreciation.

As of August 31, 2017, NWF is required to pay the entire principal balance on the notes payable of \$12,250 during the year ending August 31, 2018.

8. Net Assets

The temporarily restricted net assets of the Federation were available for the following programs or future time periods as of August 31, 2017 and 2016:

	2017	2016
Purpose:		
Conservation programs	\$ 4,644	\$ 5,075
Education outreach and publications	445	314
Time	3,578	5,898
Time and Purpose:		
Conservation programs	21,917	16,067
Education outreach and publications	1,179	1,085
Total	\$ 31,763	\$ 28,439

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**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2017 and 2016**  
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8. Net Assets (continued)

At August 31, 2017 and 2016, permanently restricted net assets were restricted in perpetuity, the income from which was expendable to support the following:

	2017	2016
Conservation and advocacy programs	\$ 252	\$ 252
Education outreach and publications	503	503
Any activities of the organization	4,729	4,719
Subtotal	5,484	5,474
Perpetual trusts	4,172	3,978
Total	\$ 9,656	\$ 9,452

The unrestricted net assets as of August 31, 2017 and 2016 were as follows:

	2017	2016
Undesignated	\$ 16,687	\$ 7,213
NWF designated	3,857	3,857
Board designated:		
Beere fund	1,086	1,086
Conservation Program Reserve Fund	3,821	3,664
Total Unrestricted Net Assets	\$ 25,451	\$ 15,820

Board designated net assets represent amounts designated for specific uses. The Beere Fund was designated by the Board after receipt of a bequest in 1993 permitting the Board to determine the use for these funds. The funds can be used at the Board's discretion. The Conservation Program Reserve Fund, formerly known as the Endangered Species Fund, was established as a separate Board designated net asset fund in 1986 from the sale of property donated to the Federation in 1976. The Conservation Program Reserve Fund may be used to fund conservation programs. The NWF designated funds relate to NWF's management internally designating a portion of net assets for future investments.

**Permanently Restricted Net Assets and Endowment**

In August 2008, FASB issued ASC 958-205, *Reporting Endowment Funds*. ASC 958-205 provides guidance on the net asset classification of donor-restricted endowed funds for a not-for-profit organization. The Federation is subject to the Commonwealth of Virginia's Uniform Prudent Management of Institutional Funds Act (UPMIFA), and adopted ASC 958-205 as of September 1, 2008.

The Federation has interpreted the Commonwealth of Virginia's UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowed funds absent explicit donor stipulations to the contrary. As a result of this

# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2017 and 2016 (in thousands)

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### 8. Net Assets (continued)

#### **Permanently Restricted Net Assets and Endowment (continued)**

interpretation, the Federation classifies as permanently restricted net assets (a) the original value of gifts donated to a permanent endowed fund, and (b) the original value of subsequent gifts to the permanent endowed funds. The associated gains and income on donor-restricted endowed funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Federation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Federation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowed funds:

- The duration and preservation of the fund
- The purposes of the Federation and the donor-restricted endowed fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Federation
- The investment policies of the Federation

From time to time, the fair value of assets associated with individual donor-restricted endowed funds may fall below the level that the donor requires the Federation to retain as a fund of perpetual duration. In this situation, the decline in market value of the funds is accounted for in unrestricted net assets and not in the endowed funds under temporarily restricted net assets. As of August 31, 2017 and 2016, due to market conditions, unrestricted net assets had no deficiencies for the endowed funds.

#### **Endowed Investments and Spending Policies**

Endowed assets include those assets of donor-restricted funds that the Federation must hold in perpetuity. The Federation has adopted investment and spending policies for endowed assets that attempt to provide a predictable stream of funding to programs supported by its endowment.

The primary financial objective of the investment policy is to maintain intergenerational equity by preserving and enhancing real purchasing power, while at all times keeping in mind the utmost importance of protecting capital. The primary investment objective of the investment policy is to secure sufficient income and portfolio growth over time to meet the ongoing requirements of the Federation. The total return objective is an average annual real rate of return of 6% as measured over a full market cycle, generally three to five years. The Federation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2017 and 2016**  
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8. Net Assets (continued)

**Endowed Investments and Spending Policies (continued)**

The Federation’s spending policy governs the use of resources in the various endowed funds for program expenses and administrative costs. Endowed funds are used for the specified purpose, or over the specified time period, as indicated by the donor. Endowed funds for which there is some discretion in how the funds are expended are not used to cover operating deficits in specific units.

The annual amount made available for spending, also known as the annual “endowment draw”, from endowed funds is determined as 4.5% to 6% of the 12-quarter trailing average market value of the endowment. Draws are used solely for the purposes set forth by the donor in the gift instrument, subject to the submission of a budget that has been reviewed and endorsed by executive management and approved by the Federation’s Audit/Finance Committee.

The Federation’s endowed funds consist of eighteen funds established for a variety of purposes. All funds are donor-restricted. Net assets associated with endowed funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The following table represents the changes in endowed net assets for the year ended August 31, 2017:

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowed net assets,				
Beginning of year	\$ 5,628	\$ -	\$ 154	\$ 5,474
Contributions	10	-	-	10
Dividends and interest	57	49	8	-
Net appreciation (realized and unrealized)	633	547	86	-
Appropriation of endowed assets for expenditure	(715)	(596)	(119)	-
Endowed net assets, End of year	\$ 5,613	\$ -	\$ 129	\$ 5,484

Continued

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2017 and 2016**  
(in thousands)

8. Net Assets (continued)

**Endowed Investments and Spending Policies (continued)**

The following table represents the changes in endowed net assets for the year ended August 31, 2016:

	Total	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowed net assets, Beginning of year	\$ 5,618	\$ -	\$ 154	\$ 5,464
Contributions	10	-	-	10
Dividends and interest	49	42	7	-
Net appreciation (realized and unrealized)	290	251	39	-
Appropriation of endowed assets for expenditure	(339)	(293)	(46)	-
Endowed net assets, End of year	\$ 5,628	\$ -	\$ 154	\$ 5,474

9. Employee Benefit Plans

**Defined Benefit Retirement Plan**

The National Wildlife Federation Retirement Income Plan (the Plan) is a noncontributory, defined benefit plan for Federation employees. All employees who reach age and length-of-service requirements and whose employment began prior to January 1, 2003, automatically became participants in the Plan. The Plan is subject to the minimum funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA).

During October 2008, NWF announced that effective January 1, 2009, for employees then 55 years old and older, the Plan would continue to exist as it was. For employees in the Plan who were under age 55, the Plan would freeze their individual earned pension benefit as of December 31, 2008, and give them enhanced benefits under the Tax Deferred Annuity Plan (the TDA Plan). This preserved all the benefits they had earned to date and guaranteed them a monthly pension for life, as they had expected.

In March 2013, the Plan agreement was amended and the accrued benefits of all participants were frozen effective June 30, 2013, and no participant would earn any additional pension amounts after that date. No employment with NWF on or after July 1, 2013, is counted as benefit service under the Plan. The final average earnings of all participants were frozen effective June 30, 2013, and would not change after that date.

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2017 and 2016**  
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9. Employee Benefit Plans (continued)

**Defined Benefit Retirement Plan (continued)**

The changes in the funded status of the Plan for the years ended August 31, 2017 and 2016, were as follows:

	2017	2016
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ (42,896)	\$ (42,180)
Service cost	(543)	(424)
Interest cost	(1,584)	(1,658)
Actuarial gains (losses)	869	(1,132)
Settlements	3,330	-
Impact of change in mortality tables	-	315
Administrative expenses	591	427
Benefits paid	1,791	1,756
Benefit Obligation at End of Year	(38,442)	(42,896)
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 26,239	\$ 25,225
Employer contribution	1,724	469
Actual return on plan assets	2,567	2,728
Settlements	(3,330)	-
Administrative expenses	(591)	(427)
Benefits paid	(1,791)	(1,756)
Fair value of plan assets at end of year	24,818	26,239
Funded Status (Accrued Pension Liability)	\$ (13,624)	\$ (16,657)

The accrued pension liability for the retirement plan is included in accrued pension and post-retirement benefits in the accompanying statements of financial position.

In determining the benefit obligation, a discount rate at August 31, 2017 and 2016 of 3.75% was assumed. The rate of increase in future compensation levels assumed was 0% at August 31, 2017 and 2016 since the final earnings in the Plan have been frozen. A rate of return on Plan assets of 7% at August 31, 2017 and 2016 was assumed. This assumption is based on historical returns and is adjusted from time to time to reflect actual plan asset experience.

During the year ended August 31, 2016, the Society of Actuaries released revised mortality tables that affected the Plan's benefit obligation, decreasing the liability by \$315 at August 31, 2016.

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**NOTES TO FINANCIAL STATEMENTS**  
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9. Employee Benefit Plans (continued)

**Defined Benefit Retirement Plan (continued)**

In June 2017, the Plan agreement was amended to establish a window period during which former employees with vested benefits with actuarial equivalent lump sum value in excess of \$5,000 but no more than \$50,000 as of June 1, 2017, were eligible to elect to receive their Plan benefit in an immediate lump sum payment. During the year ended August 31, 2017, NWF settled the pension obligations of 141 plan participants with lump sum payments. This is reflected in the table above as settlements.

The components of the Federation's net periodic pension cost for the years ended August 31, 2017 and 2016 consisted of the following:

	2017	2016
Employee service cost	\$ 543	\$ 424
Interest cost	1,584	1,658
Expected return on plan assets	(1,754)	(1,685)
Net amortization and deferral:		
Unrecognized net actuarial loss	1,088	1,247
Unrecognized prior service cost	(16)	(18)
Total Net Periodic Pension Cost	\$ 1,445	\$ 1,626

Items not yet recognized as a component of net periodic pension cost for the years ended August 31, 2017 and 2016 consisted of the following:

	2017	2016
Prior service cost	\$ (67)	\$ (83)
Net actuarial loss	9,565	12,338
Total	\$ 9,498	\$ 12,255

The Plan also follows ASC 820 (see Note 1) for the valuation of investments in the Plan. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2017 and 2016.

*Money market funds* – The carrying value is considered to be a reasonable estimate of the fair value.

*Mutual funds* – The fair value is based on quoted net asset value (NAV) of the shares held by the Plan.

*Guaranteed investment contracts* – The fair value of the guaranteed investment contracts is determined by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

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THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended August 31, 2017 and 2016  
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9. Employee Benefit Plans (continued)

**Defined Benefit Retirement Plan (continued)**

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

Investments of the Plan consist of deposits in an Immediate Participation Guarantee Contract with Prudential Retirement Insurance & Annuity Co., investments in Vanguard Institutional Investments and funds from NWF's operations that are commingled with Endowment investments in Vanguard 500 Index Fund Signal. In order to achieve a dependable income stream for the payment of benefits and expenses of the Plan, as well as growth in the investments, the trustees of the Plan have adopted an investment strategy which includes the following weighted average target asset allocation for investments in Vanguard: equity and money market funds 50%, bond and other fixed income funds 40%, and other investments 10%, net of insurance contracts comprising 3% of the total allocation. From time to time, the investment managers will buy and sell funds to achieve this target allocation.

The Plan's weighted average asset allocation at August 31, 2017 and 2016, by asset category, was as follows:

	<u>2017</u>	<u>2016</u>
Mutual Funds:		
Equity and money market funds	59%	59%
Fixed income	39%	39%
Guaranteed Investment Contracts	<u>2%</u>	<u>2%</u>
Total	<u>100%</u>	<u>100%</u>

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
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9. Employee Benefit Plans (continued)

**Defined Benefit Retirement Plan (continued)**

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of August 31, 2017 and 2016:

	2017 Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Vanguard Prime Money Market Fund	\$ 141	\$ 141	\$ -	\$ -
Vanguard Investments Mutual Funds:				
Fixed income	9,762	9,762	-	-
Domestic stock funds	10,269	10,269	-	-
International stock funds	4,399	4,399	-	-
Immediate Participation Guarantee Contracts, at contract value:				
Prudential experience rating fund	247	-	-	247
Total Assets	\$ 24,818	\$ 24,571	\$ -	\$ 247

	2016 Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Vanguard Prime Money Market Fund	\$ 143	\$ 143	\$ -	\$ -
Vanguard Investments Mutual Funds:				
Fixed income	10,371	10,371	-	-
Domestic stock funds	10,810	10,810	-	-
International stock funds	4,650	4,650	-	-
Immediate Participation Guarantee Contracts, at contract value:				
Prudential experience rating fund	265	-	-	265
Total Assets	\$ 26,239	\$ 25,974	\$ -	\$ 265

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**NOTES TO FINANCIAL STATEMENTS**  
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9. Employee Benefit Plans (continued)

**Defined Benefit Retirement Plan (continued)**

The following table sets forth the reconciliation of beginning and ending balances related to fair value measurements using significant unobservable inputs (Level 3):

	<u>Prudential Experience Rating Fund</u>
Balance as of August 31, 2015	\$ 324
Realized gains (losses)	-
Unrealized gains (losses) relating to units held at reporting date	-
Purchases, issuances, sales and settlements (net)	<u>(59)</u>
Balance as of August 31, 2016	<u>265</u>
Realized gains (losses)	-
Unrealized gains (losses) relating to units held at reporting date	-
Purchases, issuances, sales and settlements (net)	<u>(18)</u>
Balance as of August 31, 2017	<u><u>\$ 247</u></u>

**Contributions**

Generally, the Federation's funding policy is to contribute annually an amount in accordance with ERISA guidelines. Based upon projections from its actuary, management of the Federation expects to contribute approximately \$662 to the Plan during the year ending August 31, 2018.

**Other Information**

Other changes in plan assets and benefit obligations recognized in other than net periodic pension cost were as follows for the years ended August 31:

	<u>2017</u>	<u>2016</u>
Net gain	\$ 2,773	\$ 1,472
Prior service (cost) credit	<u>(16)</u>	<u>(18)</u>
Total	<u><u>\$ 2,757</u></u>	<u><u>\$ 1,454</u></u>

Amounts in unrestricted net assets expected to be amortized into net periodic pension cost during the year ending August 31, 2018, consist of:

Net loss (gain)	\$ 763
Settlement charge	764
Prior service cost	<u>(14)</u>
Total	<u><u>\$ 1,513</u></u>

Continued

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2017 and 2016**  
(in thousands)

9. Employee Benefit Plans (continued)

**Post-Retirement Benefits**

The Federation sponsors a self-insured, post-retirement medical plan that covers its employees who retire with a minimum of 10 years employment and are age 55 or older, and have been in the group medical plan for the continuous 12 months prior to retirement. The plan is contributory and retiree contributions have been established as a percentage of premiums. For fiscal year 2013 and after the retiree contribution was increased, resulting in a decrease in the total future benefit obligation. In addition, the Federation sponsors a post-retirement life insurance plan that covers all retirees whose benefits commencement date was January 1, 1987 or after and who retire with a minimum of 10 years employment and are age 55 or older. These plans are unfunded.

Components of the net periodic post-retirement benefit cost for the years ended August 31, 2017 and 2016, included the following:

	2017	2016
Service cost	\$ 215	\$ 216
Interest cost	168	206
Amortization of unrecognized loss	-	29
Amortization of prior service costs	(493)	(493)
Net periodic post-retirement benefit cost	\$ (110)	\$ (42)

A national 9% annual rate of increase in the per capita costs of covered health care benefits was assumed, gradually decreasing to 4% by the year 2031. At August 31, 2017 and 2016, a discount rate of 3.75% and 4.0%, respectively, was used to determine the accumulated benefit obligation. The effective discount rate was developed using the yield curve listed in the Citigroup Pension Liability Index.

The following sets forth the plan's changes in benefit obligation and accrued benefit costs reported in the accompanying statements of financial position at August 31, 2017 and 2016:

	2017	2016
Benefit obligation at beginning of year	\$ (4,309)	\$ (5,022)
Service cost	(215)	(216)
Interest cost	(168)	(206)
Actuarial gains (losses)	-	1,010
Participant contributions	(256)	(265)
Benefits paid	359	390
Benefit obligation at end of year	(4,589)	(4,309)
Plan assets at end of year	-	-
Funded status (accrued benefit liability)	\$ (4,589)	\$ (4,309)

Continued

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2017 and 2016**  
(in thousands)

9. Employee Benefit Plans (continued)

**Post-Retirement Benefits (continued)**

The accrued benefit liability for post-retirement benefits is included in accrued pension and post-retirement benefits in the accompanying statements of financial position.

Increasing or decreasing the assumed health care cost trend rates by one percentage point in 2017 would have the following effect:

	1% Increase	1% Decrease
Effect on total service and interest cost	\$ 97	\$ (71)
Effect on benefit obligation	\$ 871	\$ (668)

Other changes in benefit obligations recognized in other than net periodic benefit cost are \$492 and \$597 for the years ended August 31, 2017 and 2016, respectively. Items not yet recognized as a component of the net periodic post-retirement benefit cost for the years ended August 31, 2017 and 2016, consisted of the following:

	2017	2016
Prior service cost	\$ (4,251)	\$ (4,743)
Net actuarial gain	(162)	(162)
Total	\$ (4,413)	\$ (4,905)

Of the cumulative unrecognized amount as of August 31, 2017, \$493 is expected to be included in net periodic post-retirement benefit cost for the year ending August 31, 2018.

**Contributions**

Benefits are funded on a pay as you go basis. Management of the Federation contributed \$102 during the year ended August 31, 2017. Based upon projections from its actuary, management expects to contribute \$121 to its post-retirement plan during the year ending August 31, 2018.

**Estimated Future Benefit Payments**

The following benefit payments are expected to be paid for the next ten years ending August 31:

	Pension Benefits	Post- retirement Benefits
2018	1,990	396
2019	2,054	426
2020	2,138	442
2021	2,161	452
2022	2,249	466
2023 to 2027	9,341	2,704

Continued

## THE NATIONAL WILDLIFE FEDERATION

### NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2017 and 2016 (in thousands)

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#### 9. Employee Benefit Plans (continued)

##### **Employee Tax Deferred Annuity Plan**

The Federation has a defined contribution plan for the benefit of its employees who have reached one year of service of a minimum of 1,000 hours. The Federation matches one dollar for each dollar contributed by the employee up to a maximum of 3% and 50 cents for each dollar above 3% contributed, up to a maximum of 5% of the employee's base compensation, based on length of service. The Federation contributed approximately \$1,166 and \$1,033 for the years ended August 31, 2017 and 2016, respectively.

##### **Self-Insured Medical Plan**

NWF maintains a self-insured medical plan for the benefit of its employees. A stop-loss policy is in effect, which limits NWF's loss per individual employee to \$165 and an aggregate stop-loss of \$2,772. The plan is administered through a contractual relationship with an unrelated company. NWF is solely responsible for all claims incurred up to the amount of the stop-loss provisions. NWF's expense under the plan amounted to \$2,374 and \$2,228 for the years ended August 31, 2017 and 2016, respectively. NWF included a provision for estimated claims incurred, but not yet reported, in accounts payable and accrued expenses in the accompanying statements of financial position in the amount of \$334 and \$291 as of August 31, 2017 and 2016, respectively.

#### 10. Commitments and Contingencies

##### **Operating Leases**

The Federation leases office space, vehicles and equipment under operating leases, the last of which expires in 2023. Certain office space leases include rent escalations, abatement periods and lease incentives. Under GAAP, all rental payments, including fixed rent increases, less any rental abatements and other incentives, are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is reflected, along with the lease incentives, as deferred rent and lease incentives in the accompanying statement of financial position. Deferred rent and lease incentives are being amortized ratably over the term of the lease. The total deferred rent and lease incentives as of August 31, 2017 and 2016 were \$1,093 and \$0, respectively.

Total rental expense for operating leases was approximately \$983 and \$904 for the years ended August 31, 2017 and 2016, respectively.

**THE NATIONAL WILDLIFE FEDERATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2017 and 2016**  
(in thousands)

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10. Commitments and Contingencies (continued)

**Operating Leases (continued)**

Future minimum rental payments on noncancelable operating leases at August 31, 2017, are as follows:

For the Year Ending August 31,		
2018	\$	1,336
2019		1,256
2020		1,172
2021		930
2022		831
Thereafter		736
Total	\$	6,261

**Federal and State Grant Awards**

Amounts received and expended by the Federation under various federal and state grant awards are subject to audit by government agencies. Billings under cost-reimbursable government contracts and grants are calculated using provisional rates that permit recovery of indirect costs. These rates are subject to audit by the U.S. Department of Interior (DOI), the Federation's cognizant agency. The audit results in the negotiation and determination of the final indirect cost rates. Management believes that adjustments, if any, which might result from such audits would not have a material impact on the financial position of the Federation.

**Other**

The Federation may also be party to various legal actions and claims arising in the ordinary course of business. However, as of August 31, 2017, management was not aware of any such actions or claims.

11. Concentration of Credit Risk

Financial instruments which potentially subject the Federation to a concentration of credit risk consist principally of cash balances maintained at various creditworthy financial institutions.

While the amount at a given bank, at times, exceeds the amount guaranteed by federal agencies and, therefore, bears some risk, the Association has not experienced, nor does it anticipate, any losses on its funds. At August 31, 2017 and 2016, the amount in excess of the Federal Deposit Insurance Corporation insured limit of \$250,000 was approximately \$3,476 and \$455, respectively.

## THE NATIONAL WILDLIFE FEDERATION

### NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2017 and 2016 (in thousands)

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#### 12. Allocation of Joint Costs

The Federation accounts for joint costs incurred for informational materials and activities that are included in fundraising appeals in accordance with ASC 958-720-45, *Accounting for Costs of Activities that Include Fundraising*, in determining costs to be allocated. For the years ended August 31, 2017 and 2016, the Federation incurred joint costs of \$12,910 and \$12,078, respectively. Of those costs, \$6,120 and \$4,775 were allocated to fundraising expense, \$5,820 and \$6,163 were allocated to membership education and other nature education programs and \$971 and \$1,140 were allocated to general and administrative expense in 2017 and 2016, respectively. Other direct and allocated operating expenses of \$2,537 and \$2,512 were also incurred for fundraising activities during 2017 and 2016, respectively.

#### 13. Income Taxes

NWF and the Endowment have received determination letters from the IRS that they have been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the IRC), except for tax on any income that may be a result of unrelated business transactions. Additionally, the IRS has classified NWF and the Endowment as public charities under IRC Section 509(a)(1). NWF and the Endowment believe that their operations are consistent with the nature of their exemptions granted by the IRS. NWF is required to report unrelated business income to the IRS. NWF's unrelated business income consists of advertising income in publications. There was no net unrelated business income for the years ended August 31, 2017 and 2016. The Federation filed a final tax form with the IRS for the Endowment effective March 31, 2017.

The Federation reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof, to identify any uncertainty in income taxes. For the years ended August 31, 2017 and 2016, the Federation did not identify any uncertainty in income taxes requiring recognition or disclosure in these financial statements. The Federation's tax returns are subject to possible examination by the taxing authorities. For federal purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

#### 14. National Wildlife Federation Action Fund

National Wildlife Federation Action Fund (NWF Action Fund) is a not-for-profit organization that was formed in Colorado in 1989 for the purpose of conducting conservation advocacy programs as National Wildlife Action. In August 2008, National Wildlife Action was renamed National Wildlife Federation Action Fund. NWF Action Fund advocates for the conservation interests of hunters, anglers and outdoor enthusiasts from all walks of life and political stripes. Through grassroots action and focused legislative campaigns, NWF Action Fund works to give wildlife and wildlife enthusiasts a voice in the democratic process and raises the visibility of key conservation issues like global warming with voters and elected officials.

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2017 and 2016**  
**(in thousands)**

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14. National Wildlife Federation Action Fund (continued)

Although certain the Federation employees serve on NWF Action Fund's Board of Directors, the Federation officers and employees represent less than 50% of the total officers and Directors for NWF Action Fund and the Federation does not control a majority of the appointments to NWF Action Fund's Board of Directors. As such, the Federation does not consolidate the activities of NWF Action Fund.

The Federation provided \$271 and \$200 in grants to NWF Action Fund in the years ended August 31, 2017 and 2016, respectively. In addition, NWF Action Fund reimburses the Federation for certain costs such as leased staff, benefits, miscellaneous expenses and overhead costs. As of August 31, 2017 and 2016, NWF Action Fund owed the Federation \$11 and \$119, respectively, for such costs. Additionally, as of August 31, 2017 and 2016, the NWF Action Fund owed \$53 and \$152 to the Federation for contributions collected for the Federation.

15. Fair Value Measurement

The Federation's financial assets measured at fair value as of August 31, 2017 and 2016 are classified in the statements of financial position as follows:

	<u>2017</u>	<u>2016</u>
Charitable gift annuities and trusts	\$ 11,536	\$ 11,034
Investments	59,512	54,264
Permanently restricted investments	<u>5,484</u>	<u>5,474</u>
Total	<u>\$ 76,532</u>	<u>\$ 70,772</u>

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2017 and 2016**  
(in thousands)

15. Fair Value Measurement (continued)

The following tables set forth the fair values of financial assets that are measured at fair value on a recurring basis by their fair value hierarchy classification as of August 31:

		Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	2017 Total			
Charitable remainder and perpetual trusts	\$ 5,683	\$ -	\$ -	\$ 5,683
Investments and permanently restricted investments, including charitable gift annuity investments:				
Common stocks:				
Large cap	4,442	4,442	-	-
International equities	1,501	1,501	-	-
Fixed income mutual funds:				
Bond funds	4,220	4,220	-	-
Government securities	599	599	-	-
Equity mutual and index funds:				
Large blend	18,676	8,529	10,147	-
Small and mid blend	980	980	-	-
Specialty	645	645	-	-
International equities	8,696	8,696	-	-
Money market fund	4,660	4,660	-	-
Subtotal	50,102	34,272	10,147	5,683
Limited partnerships and private investment funds <sup>(a)</sup>	21,645			
Hedge fund <sup>(a)</sup>	3,653			
Receivable for pending investment redemptions <sup>(a)</sup>	1,132			
Total	\$ 76,532			

Continued

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2017 and 2016**  
(in thousands)

15. Fair Value Measurement (continued)

	<u>2016 Total</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Charitable remainder and perpetual trusts	\$ 5,542	\$ -	\$ -	\$ 5,542
Investments and permanently restricted investments, including charitable gift annuity investments:				
Common stocks:				
Large cap	4,610	4,610	-	-
International equities	961	961	-	-
Fixed income mutual funds:				
Bond funds	7,881	7,881	-	-
Government securities	503	503	-	-
Equity mutual and index funds:				
Large blend	17,573	8,485	9,088	-
Small and mid blend	924	924	-	-
Specialty	586	586	-	-
International equities	7,433	7,433	-	-
Money market fund	<u>508</u>	<u>508</u>	<u>-</u>	<u>-</u>
Subtotal	<u>46,521</u>	<u>31,891</u>	<u>9,088</u>	<u>5,542</u>
Limited partnerships and private investment funds <sup>(a)</sup>	20,800			
Hedge fund <sup>(a)</sup>	<u>3,451</u>			
Total	<u>\$ 70,772</u>			

(a) These investments are measured at NAV or its equivalent as a practical expedient and have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. As of August 31, 2017, the Federation has \$1.132 million of pending distributions receivable from private investment fund managers.

FASB has issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. The standard eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost. The standard is effective for fiscal years

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2017 and 2016**  
(in thousands)

15. Fair Value Measurement (continued)

beginning after December 15, 2018. Early adoption is permitted for all financial statements of fiscal years that have not yet been issued. The Federation has adopted this accounting pronouncement for the year ended August 31, 2017, and accordingly omitted disclosure for the fair value of financial instruments measured at amortized cost as of August 31, 2017.

The following table sets forth the reconciliation of beginning and ending balances related to fair value measurements using significant unobservable inputs (Level 3):

	<u>Charitable remainder and perpetual trusts</u>
Balance as of August 31, 2015	6,483
Unrealized gains (losses)	(1,277)
Realized gains	-
Purchases	336
Sales	-
Transfers in	-
Transfers out	-
	5,542
Balance as of August 31, 2016	5,542
Unrealized gains (losses)	283
Realized gains	-
Purchases	-
Sales	(142)
Transfers in	-
Transfers out	-
	5,683
Balance as of August 31, 2017	<u>\$ 5,683</u>

The Federation has included in the table below the category, fair value, redemption frequency, and redemption notice period for those assets whose fair value is estimated using NAV per share or its equivalent for which fair value is not readily determinable as of August 31, 2017 and 2016. For the Federation, such investments include limited partnerships and private investment and hedge funds.

Investment type	Fair Value	Redemption frequency	Notice period (days)
Long-short equity portfolio funds	\$ 5,790	Annually	90
Fund partnerships – International	4,854	Annually	65
Fund partnerships – International	1,739	Annually	15
Fund partnerships – International	2,120	Quarterly	60
Global Equity Fund	5,199	Quarterly	30
Diversified Inflation Hedge Fund	3,653	Monthly	30
Fund partnerships – International	1,943	Monthly	30
Total	<u>\$ 25,298</u>		

Continued

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2017 and 2016**  
(in thousands)

15. Fair Value Measurement (continued)

The following table sets forth a summary of the Federation's investments with a reported NAV as of August 31, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>Redemption frequency</u>	<u>Notice period (days)</u>
Long-short equity portfolio funds	\$ 5,340	Annually	90
Fund partnerships – International	4,663	Annually	65
Fund partnerships – International	1,494	Annually	15
Fund partnerships – International	1,711	Quarterly	60
Global Equity Fund	4,323	Quarterly	30
Diversified Inflation Hedge Fund	3,451	Monthly	30
Fund partnerships – International	1,684	Monthly	30
Floating Rate Income Offshore Fund	<u>1,585</u>	Monthly	30
Total	<u>\$ 24,251</u>		

There were no unfunded commitments or illiquid investments at August 31, 2017 and 2016.

16. Subsequent Events

The Federation has evaluated subsequent events through November 28, 2017, the date the financial statements were available to be issued. There were no subsequent events noted that required adjustment to or disclosure in these financial statements.



*Certified Public Accountants*

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
The National Wildlife Federation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The National Wildlife Federation (the Federation) which comprise the statement of financial position as of August 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 28, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Federation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Federation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Federation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Federation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and

material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Raffa, P.C.*

**Raffa, P.C.**

Washington, DC  
November 28, 2017



*Certified Public Accountants*

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
The National Wildlife Federation

**Report on Compliance for Each Major Federal Program**

We have audited The National Wildlife Federation (Federation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Federation's major federal programs for the year ended August 31, 2017. The Federation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Federation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Federation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the Federation's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Federation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended August 31, 2017.

## Report on Internal Control Over Compliance

Management of the Federation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Federation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Federation's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Raffa, P.C.*

**Raffa, P.C.**

Washington, DC  
November 28, 2017

**THE NATIONAL WILDLIFE FEDERATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA)</b>				
<i>Pass-Through from University Corporation for Atmospheric Research:</i> NRA/Research Opportunities in Space and Earth Sciences - 2013	43.001	Z15-16286	\$ -	<u>\$ 105,566</u>
		Total NASA		105,566
<b>U.S. DEPARTMENT OF THE INTERIOR</b>				
<b>Office of the Secretary</b>				
<i>Pass-Through from National Fish and Wildlife Foundation:</i> Coastal Resiliency Planning and Ecosystem Enhancement for Northeast Massachusetts	15.153	2300.14.041766	-	1,305,332
<i>Pass-Through from New Jersey Department of Environmental Protection:</i> Building Ecological Solutions to Coastal Community Hazards	15.153	CP15-018	-	162,047
<i>Pass-Through from New Jersey Audubon Society:</i> Assessing Coastal Impoundment Vulnerability and Resilience in the Northeast	15.153	2300.14.042878	-	<u>15,964</u>
		Total for CFDA 15.153		1,483,343
<b>Fish and Wildlife Service</b>				
Capacity Building for Monarch Butterfly Restoration	15.649	N/A	-	227,576
Cooperative Ecosystem Studies Units	15.678	N/A	-	13,874
<b>U.S. Geological Survey</b>				
<i>Pass-Through from North Carolina State University:</i> Conservation Adaption Planning for Landscape and Climate Change in the Southeast	15.820	2014-3086-02	-	89,501
<b>Bureau of Land Management</b>				
<i>Pass-Through from National Fish and Wildlife Foundation:</i> Fence-flagging to Reduce Conflicts between Sage Grouse Conservation and Livestock Grazing	15.231	0103.15.046656	-	27,035
Engaging Youth to Reduce Sage Grouse Mortality through Livestock Fence-Flagging in Montana	15.231	2100.16.051784	-	<u>55,004</u>
		Total for CFDA 15.231		82,039

See accompanying notes to this schedule.

Continued

**THE NATIONAL WILDLIFE FEDERATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>U.S. DEPARTMENT OF THE INTERIOR (continued)</b>				
<b>National Park Service</b>				
<i>Pass-Through from Ground Work:</i>				
Growing a Wild NYC	15.931	P16AC01621	-	\$ 68,997
<i>Pass-Through from U.S. National Park Service:</i>				
Climate Adaptation Planning and Activities Integrating Climate-Smart Principles into NPS	15.945	P13AC00443	-	<u>41,265</u>
		Total U.S. Department of the Interior		2,006,595
<b>U.S. DEPARTMENT OF COMMERCE</b>				
<b>National Oceanic and Atmospheric Administration</b>				
<i>Pass-Through from Research Foundation of CUNY:</i>				
Resilient School Consortium (RISC) Program	11.008	49929A	-	38,191
<i>Pass-Through from CB Trust:</i>				
Sustainable Schools Program Around Eco-Schools	11.454	13933	-	13,000
Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology	11.451	N/A	-	<u>7,942</u>
		Total U.S. Department of Commerce		59,133
<b>ENVIRONMENTAL PROTECTION AGENCY (EPA)</b>				
<b>Office of Water</b>				
<i>Pass-Through from National Fish and Wildlife Foundation:</i>				
Documenting Restoration Outcomes with FieldDoc	66.466	0600.16.054315	-	65,745
Schoolyard Habitats in Baltimore City	66.466	0603.16.053453	-	38,708
Choose Clean Water Conference	66.466	0603.16.056729	-	35,000
<i>Pass-Through from CB Trust:</i>				
Promoting Meaningful Stormwater Mitigation on Urban/Suburban School Grounds	66.466	43369	-	14,892
<i>Pass-Through from Maryland Department of Natural Resources:</i>				
Chesapeake Bay Implementation Grant Section 117	66.466	14-16-2124 CBG 14201	-	<u>270</u>
		Total for CFDA 66.466		154,615
<b>Office of the Administrator</b>				
School Ground for Learning	66.951	N/A	-	<u>23,152</u>
		Total EPA		177,767

See accompanying notes to this schedule.

Continued

**THE NATIONAL WILDLIFE FEDERATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>Natural Resources Conservation Service</b>				
<i>Pass-Through from National Fish and Wildlife Foundation:</i>				
Schoolyard Habitats in Baltimore City	10.683	0603.16.053453	-	<u>\$ 6,674</u>
		Total U.S. Department of Agriculture		6,674
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<b>Federal Highway Administration</b>				
<i>Pass-Through from The Nature Conservancy:</i>				
Highway Planning and Construction	20.205	03032017VTFO	-	<u>1,002</u>
		Total U.S. Department of Transportation		1,002
<b>U.S. DEPARTMENT OF DEFENSE</b>				
Integrated Natural Resource Management Plans	12.632	N/A	-	<u>66,558</u>
		Total U.S. Department of Defense		<u>66,558</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<u><u>\$ 2,423,295</u></u>

See accompanying notes to this schedule.

THE NATIONAL WILDLIFE FEDERATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2017

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1. Summary of Significant Accounting Policies

**Basis of Accounting**

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. Consequently, amounts are recorded as expenditures when the obligations are incurred.

**Cost Principles**

Federal expenditures were recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). The Federation has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance as the Federation already has a negotiated indirect cost rate with the federal government.

2. Reconciliation of Schedule of Expenditures of Federal Awards to Statement of Activities

Expenditures per Schedule of Expenditures of Federal Awards	\$ 2,423,295
Plus: Nonfederal revenue	<u>29,406,208</u>
Contributions from governments, foundations and corporations per Statement of Activities	<u>\$31,829,503</u>

**THE NATIONAL WILDLIFE FEDERATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended August 31, 2017**

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**A. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:  Unmodified  Qualified  
 Adverse  Disclaimer

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Type of auditor's report issued on compliance for major programs:  Unmodified  Qualified  
 Adverse  Disclaimer

Internal control over major program(s):

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, 200 516(a)?  Yes  No

Identification of Major Program(s):

<u>CFDA #</u>	<u>Program Title</u>
15.153	Hurricane Sandy Disaster Relief – Coastal Resiliency Grants
15.649	Service Training and Technical Assistance

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as a low-risk auditee?  Yes  No

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None required to be reported.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None required to be reported.