



THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

Consolidated Financial Statements

For the Years Ended August 31, 2015 and 2014



**and
Report Thereon**



**Reports Required in Accordance with
Office of Management and Budget Circular A-133**

For the Year Ended August 31, 2015



THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
the National Wildlife Federation and Affiliate

Report on 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) (collectively referred to as the Federation), which comprise the consolidated statement of financial position as of August 31, 2015, 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Federation as of August 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Financial Statements

The consolidated financial statements of the Federation as of August 31, 2014, were audited by other auditors whose report dated December 22, 2014, expressed an unmodified opinion on those statements.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 January 4, 2016, on our consideration of the 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 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 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 Federation's internal control over financial reporting and compliance.

Raffa, P.C.

Raffa, P.C.

Washington, DC

January 4, 2016

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of August 31, 2015 and 2014
(in thousands)

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 204	\$ 271
Investments	48,006	57,918
Grants and other restricted receivables, net	9,662	12,413
Bequests and other contributions receivable, net	6,584	2,429
Accounts receivable, net of allowance for doubtful accounts of \$36 and \$45	854	1,457
Inventory, nature education materials	745	892
Prepaid expenses	1,928	2,105
Charitable gift annuities and other trusts	11,850	12,420
Property, plant and equipment, net	16,546	21,898
Other assets	668	1,185
Permanently restricted investments	5,458	5,458
TOTAL ASSETS	\$ 102,505	\$ 118,446
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 4,958	\$ 3,575
Accrued payroll and related costs	2,267	3,221
Line of credit	1,632	8,139
Deferred revenue	8,277	8,971
Notes payable	13,648	20,935
Accrued pension and post-retirement benefits	21,977	18,453
Charitable gift annuities and other trust obligations	3,403	3,548
Other liabilities	15	22
TOTAL LIABILITIES	56,177	66,864
Net Assets		
Unrestricted net assets		
Undesignated	1,820	13,123
Designated	6,327	4,707
Total Unrestricted	8,147	17,830
Temporarily restricted net assets	28,797	24,054
Permanently restricted net assets	9,384	9,698
TOTAL NET ASSETS	46,328	51,582
TOTAL LIABILITIES AND NET ASSETS	\$ 102,505	\$ 118,446

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

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended August 31, 2015 and 2014
(in thousands)

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUE AND SUPPORT								
Contributions from individuals	\$ 25,218	\$ 14,997	\$ -	\$ 40,215	\$ 28,062	\$ 4,958	\$ -	\$ 33,020
Contributions from governments, foundations and corporations	992	10,010	-	11,002	1,234	18,046	-	19,280
Publications	11,273	-	-	11,273	11,729	-	-	11,729
Nature education materials	9,491	-	-	9,491	9,016	-	-	9,016
Royalties	516	-	-	516	904	-	-	904
Gain on sale of property	1,110	-	-	1,110	-	-	-	-
Other	1,213	764	(314)	1,663	2,250	22	420	2,692
Net assets released from restrictions:								
Satisfaction of program restrictions	18,260	(18,260)	-	-	18,000	(18,000)	-	-
Expiration of time restrictions	2,768	(2,768)	-	-	3,452	(3,452)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	70,841	4,743	(314)	75,270	74,647	1,574	420	76,641
OPERATING EXPENSES								
Program Services:								
Conservation advocacy programs	25,000	-	-	25,000	25,201	-	-	25,201
Education outreach and publications	15,961	-	-	15,961	16,950	-	-	16,950
Other nature education programs	10,740	-	-	10,740	11,026	-	-	11,026
Membership education programs	8,625	-	-	8,625	8,921	-	-	8,921
Total Program Services	60,326	-	-	60,326	62,098	-	-	62,098
Supporting Services:								
Fundraising	8,611	-	-	8,611	10,344	-	-	10,344
General and administrative	5,823	-	-	5,823	9,549	-	-	9,549
Total Supporting Services	14,434	-	-	14,434	19,893	-	-	19,893
TOTAL OPERATING EXPENSES	74,760	-	-	74,760	81,991	-	-	81,991
Change in net assets from operations	(3,919)	4,743	(314)	510	(7,344)	1,574	420	(5,350)
Nonoperating activities:								
Investment income (losses)	(2,232)	-	-	(2,232)	9,654	-	-	9,654
Pension and post-retirement related changes other than net periodic benefit cost	(3,532)	-	-	(3,532)	1,341	-	-	1,341
CHANGE IN NET ASSETS	(9,683)	4,743	(314)	(5,254)	3,651	1,574	420	5,645
NET ASSETS, BEGINNING OF YEAR	17,830	24,054	9,698	51,582	14,179	22,480	9,278	45,937
NET ASSETS, END OF YEAR	\$ 8,147	\$ 28,797	\$ 9,384	\$ 46,328	\$ 17,830	\$ 24,054	\$ 9,698	\$ 51,582

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

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2015

(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	\$ 13,483	\$ 5,159	\$ 1,271	\$ 570	\$ 20,483	\$ 1,996	\$ 1,936	\$ 3,932	\$ 24,415
Consultants and contractors	3,779	1,702	2,761	1,438	9,680	1,336	687	2,023	11,703
Cost of goods sold	-	55	2,396	-	2,451	-	2	2	2,453
Postage, mailing and shipping	25	3,105	1,317	2,729	7,176	2,059	558	2,617	9,793
Printing and production	135	3,569	1,408	2,843	7,955	1,955	577	2,532	10,487
Conservation assistance	3,076	126	-	-	3,202	-	-	-	3,202
Travel	918	129	72	2	1,121	51	37	88	1,209
Occupancy and depreciation	1,246	518	154	44	1,962	146	410	556	2,518
Information systems	1,180	753	507	407	2,847	406	251	657	3,504
Other	1,158	845	854	592	3,449	662	1,365	2,027	5,476
TOTAL EXPENSES	\$ 25,000	\$ 15,961	\$ 10,740	\$ 8,625	\$ 60,326	\$ 8,611	\$ 5,823	\$ 14,434	\$ 74,760

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

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2014

(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	\$ 14,245	\$ 5,825	\$ 1,618	\$ 784	\$ 22,472	\$ 2,703	\$ 5,536	\$ 8,239	\$ 30,711
Consultants and contractors	3,462	1,780	2,721	1,311	9,274	1,473	959	2,432	11,706
Cost of goods sold	-	7	2,576	-	2,583	-	21	21	2,604
Postage, mailing and shipping	30	3,181	1,076	2,685	6,972	2,212	600	2,812	9,784
Printing and production	156	3,869	1,378	3,087	8,490	2,321	678	2,999	11,489
Conservation assistance	2,398	43	-	-	2,441	-	-	-	2,441
Travel	1,035	112	92	-	1,239	84	135	219	1,458
Occupancy and depreciation	1,599	579	172	71	2,421	194	542	736	3,157
Information systems	1,129	760	494	400	2,783	463	411	874	3,657
Other	1,147	794	899	583	3,423	894	667	1,561	4,984
TOTAL EXPENSES	\$ 25,201	\$ 16,950	\$ 11,026	\$ 8,921	\$ 62,098	\$ 10,344	\$ 9,549	\$ 19,893	\$ 81,991

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

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2015 and 2014
Increase (Decrease) in Cash and Cash Equivalents
(in thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (5,254)	\$ 5,645
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	220	363
Depreciation and amortization	1,028	1,021
Amortization of financing costs and debt discount	42	(32)
Realized and unrealized losses (gains) on investments and annuities	3,310	(8,145)
Gain on sale of property	(1,110)	-
Unrecognized loss (gain) on pension and post-retirement plans	3,532	(1,341)
Changes in assets and liabilities:		
Grants and other restricted receivables	2,751	(4,248)
Bequests and other contributions receivable	(4,155)	1,079
Accounts receivable	383	(519)
Inventory, nature education materials	147	(31)
Prepaid expenses	177	828
Charitable gift annuities and other trusts	570	(583)
Other assets	517	214
Accounts payable and accrued expenses	1,383	(1,988)
Accrued payroll and related costs	(954)	886
Deferred revenue	(694)	(70)
Accrued pension and post-retirement benefits	(8)	111
Charitable gift annuities and other trust obligations	(145)	(238)
Other liabilities	(7)	(2)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,733	(7,050)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(758)	(1,590)
Proceeds from sale of property, plant and equipment	6,150	-
Purchases of investments	(10,802)	(9,711)
Sales and maturities of investments	17,404	15,387
NET CASH PROVIDED BY INVESTING ACTIVITIES	11,994	4,086
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable and line of credit	(35,470)	(22,593)
Borrowings under notes payable and line of credit	21,676	25,598
NET CASH USED IN (PROVIDED BY) FINANCING ACTIVITIES	(13,794)	3,005
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(67)	41
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	271	230
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 204	\$ 271
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 311	\$ 401

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

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

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.

Basis of Presentation

The accompanying consolidated financial statements include the assets, liabilities, net assets and financial activities of the Federation. All significant inter-entity balances and transactions have been eliminated in the accompanying consolidated financial statements.

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

Cash and Cash Equivalents

The Federation considers all money market funds to be cash equivalents.

Investments

Investments are reported at fair value. Investments in common stock, fixed income funds and equity mutual and index 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 (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

Continued

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

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

Investments (continued)

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.

Investment returns reported in the accompanying consolidated statements of activities include realized gains or losses. Unrealized gains and losses resulting from changes in fair values are also included in investment returns in the accompanying consolidated 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 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, 2015 and 2014. 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 consists 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 several 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

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

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

Charitable Gift Annuities and Other Trusts (continued)

Service (IRS) on the date of the gift, which range from 1.2% to 9.8%. 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 consolidated 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 consolidated 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 revenues when the trusts are established. The receivable 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 consolidated 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 consolidated 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 vehicles 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 consolidated statements of activities, to its current fair value.

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.

Continued

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

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

Conservation Properties

Conservation properties are recorded at estimated market value at date of donation and are included in property, plant and equipment in the accompanying consolidated 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 consolidated 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 consolidated financial statements. The remaining amount is recorded as deferred revenue and recognized ratably over one year. Subscription revenue for Ranger Rick® and Ranger Rick Junior® is recognized ratably over the subscription period, with the unearned portion classified as deferred revenue in the accompanying consolidated statements of financial position.

Donations, bequests, grants and federal and state grant awards are recorded in the period they are received at the expected realizable value. Unconditional promises to give are recognized as revenues 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 and In-Kind Contributions

The Federation recognizes contribution revenue for certain goods or services received at the fair value of those goods and services. In the years ended August 31, 2015 and 2014, the Federation received \$97 and \$228, respectively, in donated professional legal, actuarial, training and program advertising services and goods used in program and fundraising activities that are recorded in the accompanying consolidated 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 consolidated financial statements.

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

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

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 consolidated 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.

Direct-Response 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).

Fair Value of Financial Instruments

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 generally accepted accounting principles 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 NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

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

Fair Value of Financial Instruments (continued)

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 the 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 have the attributes of an investment company.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts 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

The Federation reports all activities as operating activities except for any investment income (losses), and post-retirement and pension related changes other than net periodic benefit cost.

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

2. Grants and Other Restricted Receivables

At August 31, 2015 and 2014, grants and other restricted receivables include the following unconditional promises to give:

	2015	2014
Amount due in less than one year	\$ 8,613	\$ 8,304
Amount due in one to five years	1,101	4,367
Subtotal	9,714	12,671
Less: Discount (5%)	(52)	(258)
Total	\$ 9,662	\$ 12,413

3. Bequests and Other Contributions Receivable

At August 31, 2015 and 2014, bequests and other contributions receivable include the following unconditional promises to give:

	2015	2014
Amount due in less than one year	\$ 6,292	\$ 1,459
Amount due in one to five years	301	298
Amount due in more than five years	6	698
Subtotal	6,599	2,455
Less: Discount (5%)	(15)	(26)
Total	\$ 6,584	\$ 2,429

The Federation received \$2,390 and \$2,412 in the years ended August 31, 2015 and 2014, 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.

4. Investments and Permanently Restricted Investments

Investments, at market, consist of the following as of August 31, 2015 and 2014:

	2015	2014
Common stock	\$ 4,471	\$ 5,960
Limited partnerships and private investment funds	15,168	16,816
Hedge fund	3,279	5,098
Mutual funds – fixed income	7,049	9,653
Mutual and index funds – equity	18,039	26,551
Total unrestricted investments	48,006	57,918
Limited partnerships and private investment funds – permanently restricted	5,458	5,458
Total investments	\$ 53,464	\$ 63,376

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THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

4. Investments and Permanently Restricted Investments (continued)

Investment return consists of the following for the year ended August 31, 2015 and 2014:

	2015	2014
Dividends and interest income	\$ 1,078	\$ 1,509
Net realized gains	3,923	1,962
Net unrealized (losses) gains	(7,233)	6,183
Total	\$ (2,232)	\$ 9,654

Investment expenses were \$341 and \$373 for the years ended August 31, 2015 and 2014, respectively, and are included in total program and supporting services expenses in the accompanying consolidated statements of activities.

5. Charitable Gift Annuities and Other Trusts

Charitable gift annuities and other trusts consist of the following as of August 31, 2015 and 2014:

	2015	2014
Charitable gift annuities	\$ 5,367	\$ 6,161
Charitable remainder trusts	2,534	1,991
Perpetual trusts	3,926	4,240
Charitable lead trusts	23	28
Total	\$ 11,850	\$ 12,420

The estimated liabilities for the above charitable gift annuities and other trusts consist of the following as of August 31, 2015 and 2014:

	2015	2014
Charitable gift annuities	\$ 3,347	\$ 3,490
Charitable remainder trusts	56	58
Total	\$ 3,403	\$ 3,548

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THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(in thousands)

6. Property, Plant and Equipment

The Federation's property, plant and equipment consist of the following as of August 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land	\$ 3,947	\$ 4,456
Building and improvements	13,177	21,168
Equipment, furniture and vehicles	11,109	9,908
Conservation properties	<u>692</u>	<u>692</u>
Total property and equipment	28,925	36,224
Less: accumulated depreciation and amortization	<u>(12,379)</u>	<u>(14,326)</u>
Property and equipment, net	<u>\$ 16,546</u>	<u>\$ 21,898</u>

The Federation recorded depreciation and amortization expense on its property, plant and equipment of \$1,028 and \$1,021 for the years ended August 31, 2015 and 2014. Additionally, during the year ended August 31, 2015, the Federation sold a warehouse for \$6,150, resulting in a net gain of \$1,110.

7. Notes Payable and Line of Credit

The Federation has the following debt obligations as of August 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Term loan of \$14,976 with the Bank of America, terms are described below.	\$ 13,648	\$ 14,321
Long-term debt originally at \$8,085 is a loan payable to Bank of America, N.A., maturing June 1, 2016. The unpaid principal bears interest at the BBA LIBOR Daily Floating Rate plus 0.65% per annum, which was .805% at August 31, 2014. This loan was paid in full in February 2015.	-	6,614
Operating line of credit, terms are described below	<u>1,632</u>	<u>8,139</u>
Total	<u>\$ 12,958</u>	<u>\$ 20,045</u>

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 1.68% and 1.64% at August 31, 2015 and 2014, respectively. A balloon payment in the amount of the

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THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

7. Notes Payable and Line of Credit (continued)

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 1.10 to 1.0, measured annually as of the last day of each fiscal year, commencing with the fiscal year ending August 31, 2013, and (2) a Liquidity Coverage Ratio of at least 0.75 to 1.0, measured semi-annually as of the last day of the second and fourth fiscal quarters in each fiscal year, commencing with the fiscal quarter ending August 31, 2013. At August 31, 2015, the Federation was in compliance with its covenants. Costs associated with the term loan issuance have been capitalized under 'other assets' and are being amortized over the five year term.

In June 2006, NWF and Bank of America, N.A., ("BOA") entered into a term loan of \$8,085. The proceeds were used by NWF to acquire the Winchester Wildlife Trust (the Trust) interest and to fulfill obligations to the Trust under a Put/Call Agreement dated June 1996. Commencing July 1, 2006, and continuing on the first day of each month thereafter, principal on the term loan is due and payable in amounts set forth on a schedule provided by BOA. Unless sooner paid, the unpaid principal, together with interest accrued and unpaid thereon, is due and payable in full on June 1, 2016. This loan was paid off in February 2015. Under the most restrictive covenant, the Federation must maintain a liquidity coverage ratio, as defined in the agreement, of at least 0.5 to 1.0. At August 31, 2014 the Federation was in compliance with this covenant.

NWF has an unsecured operating line of credit based on two tiers from \$2,000 to \$8,000 that expires April 30, 2016. As of August 31, 2015 and 2014, \$1,632 and \$8,139 were drawn on the line of credit, respectively. The line of credit bears interest at the LIBOR daily floating rate plus 1%, which was 1.13% and 1.09% at August 31, 2015 and 2014, respectively. Under the most restrictive covenant, the Federation must maintain a liquidity ratio of at least 0.33 to 1.0. At August 31, 2015 and 2014, the Federation was in compliance with this covenant.

For the years ended August 31, 2015 and 2014, the Federation recorded interest expense of \$659 and \$732, respectively. On the consolidated statements of functional expenses, interest expense of \$558 and \$640 is included in occupancy and depreciation, \$101 and \$92 is included in other for the years ended August 31, 2015 and 2014, respectively.

As of August 31, 2015, NWF is required to make the following minimum principal payments on the notes payable:

For the Year Ending August 31,	
2016	\$ 690
2017	708
2018	<u>12,250</u>
Total	<u>\$ 13,648</u>

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THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

8. Net Assets

The temporarily restricted net assets of the Federation are available for the following programs or purposes as of August 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Purpose:		
Conservation programs	\$ 3,827	\$ 1,956
Education outreach and publications	520	377
Time	8,984	3,933
Time and Purpose:		
Conservation programs	13,543	16,567
Education outreach and publications	<u>1,923</u>	<u>1,221</u>
Total	<u>\$ 28,797</u>	<u>\$ 24,054</u>

At August 31, 2015 and 2014, permanently restricted net assets are restricted in perpetuity, the income from which is expendable to support the following:

	<u>2015</u>	<u>2014</u>
Conservation and advocacy programs	\$ 252	\$ 251
Education outreach and publications	503	503
Any activities of the organization	<u>4,703</u>	<u>4,704</u>
Subtotal	5,458	5,458
Perpetual trusts	<u>3,926</u>	<u>4,240</u>
Total	<u>\$ 9,384</u>	<u>\$ 9,698</u>

The unrestricted net assets as of August 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Undesignated	\$ 1,820	\$ 13,123
NWF designated	1,863	-
Board designated:		
Beere fund	1,086	1,086
Conservation Program Reserve Fund	<u>3,378</u>	<u>3,621</u>
Total	<u>\$ 8,147</u>	<u>\$ 17,830</u>

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. In the year ended August 31, 2015, NWF management internally designated net assets of \$107 for affiliate support, \$356 for compensation reserve, and \$1,400 for future investments.

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THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

8. Net Assets (continued)

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 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:

1. The duration and preservation of the fund
2. The purposes of the Federation and the donor-restricted endowed fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Federation
7. 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." As of August 31, 2015 and 2014, due to market conditions, unrestricted net assets had no deficiencies for the endowed funds.

Endowed Investment and Spending Policies

Endowed assets include those assets of donor-restricted funds that the Federation must hold in perpetuity or for a donor-specified period. 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

8. Net Assets (continued)

Endowed Investment and Spending Policies (continued)

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 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. There were no draws for the year ended August 31, 2015.

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, 2015:

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowed net assets,				
Beginning of year	\$ 5,612	\$ -	\$ 154	\$ 5,458
Contributions	5	-	-	5
Investment return - realized	1	-	-	1
Appropriation of endowed assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowed net assets, End of year	<u>\$ 5,618</u>	<u>\$ -</u>	<u>\$ 154</u>	<u>\$ 5,464</u>

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THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

8. Net Assets (continued)

Endowed Investment and Spending Policies (continued)

The following table represents the changes in endowed net assets for the year ended August 31, 2014:

	Total	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowed net assets, Beginning of year	\$ 5,584	\$ -	\$ 154	\$ 5,430
Contributions	27	-	-	27
Investment return - unrealized	616	532	84	-
Investment return - realized	159	136	22	1
Appropriation of endowed assets for expenditure	(774)	(668)	(106)	-
Endowed net assets, End of year	\$ 5,612	\$ -	\$ 154	\$ 5,458

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.

During October 2008, NWF announced that effective January 1, 2009, for employees currently 55 years old and older, the Plan will continue to exist as it is. For employees in the Plan who are under age 55, the Plan will freeze their individual earned pension benefit as of December 31, 2008, and give them enhanced benefits under the Tax Deferred Annuity Plan (TDA Plan). This preserves all the benefits they have earned to date and guarantees them a monthly pension for life, as they have 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 will earn any additional pension amounts after that date. No employment with NWF on or after July 1, 2013 shall be counted as benefit service under the Plan. The final average earnings of all participants were frozen effective June 30, 2013, and shall not change after that date.

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

9. Employee Benefit Plans (continued)

Defined Benefit Retirement Plan (continued)

The changes in the funded status of the Federation's retirement plan for the years ended August 31, 2015 and 2014, were as follows:

	2015	2014
Change in benefit obligation		
Benefit obligation at beginning of year	\$ (40,097)	\$ (37,760)
Service cost	(377)	(336)
Interest cost	(1,572)	(1,665)
Actuarial gains (losses)	83	(2,414)
Impact of change in mortality tables	(2,814)	-
Administrative expenses	363	324
Benefits paid	1,836	1,754
Benefit obligation at end of year	(42,180)	(40,097)
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 27,323	\$ 23,844
Employer contribution	535	810
Actual return on plan assets	(436)	4,747
Administrative expenses	(363)	(324)
Benefits paid	(1,836)	(1,754)
Fair value of plan assets at end of year	25,225	27,323
Funded status (accrued pension liability)	\$ (16,955)	\$ (12,774)

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

In determining the benefit obligation, a discount rate at August 31, 2015 and 2014 of 4.00% was assumed. The rate of increase in future compensation levels assumed was 0% at August 31, 2015 and 2014 since the final earnings in the Plan have been frozen. A rate of return on Plan assets of 7% and 8% at August 31, 2015 and 2014, respectively, 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, 2015, the Society of Actuaries released revised mortality tables that affected the Plan's benefit obligation by increasing the liability by \$2,814 at August 31, 2015.

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(in thousands)

9. Employee Benefit Plans (continued)

Defined Benefit Retirement Plan (continued)

The components of the Federation's net periodic pension cost for the years ended August 31, 2015 and 2014 consist of the following:

	2015	2014
Employee service cost	\$ 377	\$ 336
Interest cost	1,572	1,664
Expected return on plan assets	(2,093)	(1,821)
Net amortization and deferral:		
Unrecognized net actuarial loss	650	773
Unrecognized prior service cost	(19)	(22)
Total	\$ 487	\$ 930

Items not yet recognized as a component of net periodic pension cost for the years ended August 31, 2015 and 2014 consist of the following:

	2015	2014
Prior service cost	\$ (101)	\$ (120)
Net actuarial loss	13,810	9,599
Total	\$ 13,709	\$ 9,479

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, 2015 and 2014.

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 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.

The preceding methods 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.

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THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

9. Employee Benefit Plans (continued)

Defined Benefit Retirement Plan (continued)

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, 2015 and 2014 by asset category is as follows:

	<u>2015</u>	<u>2014</u>
Mutual Funds:		
Equity and money market funds	60%	59%
Fixed income	39%	39%
Guaranteed Investment Contracts	<u>1%</u>	<u>2%</u>
Total	<u><u>100%</u></u>	<u><u>100%</u></u>

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of August 31, 2015 and 2014:

	<u>2015 Total</u>	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	\$ 185	\$ 185	\$ -	\$ -
Vanguard Investments Mutual Funds:				
Fixed income	10,063	10,063	-	-
Domestic stock funds	10,390	10,390	-	-
International stock funds	4,263	4,263	-	-
Immediate Participation Guarantee Contracts, at contract value:				
Prudential experience rating fund	<u>324</u>	<u>-</u>	<u>-</u>	<u>324</u>
Total Assets	<u><u>\$ 25,225</u></u>	<u><u>\$ 24,901</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 324</u></u>

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THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

9. Employee Benefit Plans (continued)

Defined Benefit Retirement Plan (continued)

	2014 Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Vanguard Prime Money Market Fund	\$ 177	\$ 177	\$ -	\$ -
Vanguard Investments Mutual Funds:				
Fixed income	10,733	10,733	-	-
Domestic stock funds	11,322	11,322	-	-
International stock funds	4,723	4,723	-	-
Immediate Participation Guarantee Contracts, at contract value:				
Prudential experience rating fund	<u>368</u>	<u>-</u>	<u>-</u>	<u>368</u>
Total Assets	<u>\$ 27,323</u>	<u>\$ 26,955</u>	<u>\$ -</u>	<u>\$ 368</u>

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, 2013	\$ 432
Realized gains (losses)	-
Unrealized gains (losses) relating to units held at reporting date	-
Purchases, issuances, sales and settlements (net)	<u>(64)</u>
Balance as of August 31, 2014	<u>368</u>
Realized gains (losses)	-
Unrealized gains (losses) relating to units held at reporting date	-
Purchases, issuances, sales and settlements (net)	<u>(44)</u>
Balance as of August 31, 2015	<u>\$ 324</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 \$475 to the Plan during the year ending August 31, 2016.

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THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

9. Employee Benefit Plans (continued)

Other Information

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

	<u>2015</u>	<u>2014</u>
Net (loss) gain	\$ (4,249)	\$ 1,285
Prior service (cost) credit	<u>19</u>	<u>22</u>
Total	<u>\$ (4,230)</u>	<u>\$ 1,307</u>

Amounts in unrestricted net assets expected to be amortized into net periodic pension cost during the year ending August 31, 2016, consist of:

Net loss (gain)	\$ 1,246
Prior service cost	<u>(18)</u>
Total	<u>\$ 1,228</u>

Post-Retirement Benefits

The Federation sponsors a self-insured, post-retirement medical plan that covers its employees who retire with a minimum of ten (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 ten (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, 2015 and 2014, include the following:

	<u>2015</u>	<u>2014</u>
Service cost	\$ 258	\$ 237
Interest cost	235	266
Amortization of unrecognized loss	111	135
Amortization of prior service costs	<u>(493)</u>	<u>(493)</u>
Net periodic post-retirement benefit cost	<u>\$ 111</u>	<u>\$ 145</u>

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 2029. At August 31, 2015 and 2014, a discount rate of 4% 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.

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THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

9. Employee Benefit Plans (continued)

Post-Retirement Benefits (continued)

The following sets forth the plan's changes in benefit obligation and accrued benefit costs reported in the accompanying consolidated statements of financial position at August 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Benefit obligation at beginning of year	\$ (5,679)	\$ (5,766)
Service cost	(258)	(237)
Interest cost	(235)	(266)
Actuarial gains (losses)	1,009	414
Benefits paid	<u>141</u>	<u>176</u>
Benefit obligation at end of year	(5,022)	(5,679)
Plan assets at end of year	<u>-</u>	<u>-</u>
Funded status (accrued benefit liability)	<u>\$ (5,022)</u>	<u>\$ (5,679)</u>

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

Increasing or decreasing the assumed health care cost trend rates by one percentage point in 2015 would have the following effect:

	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on total service and interest cost	\$ 119	\$ (89)
Effect on benefit obligation	\$ 933	\$ (727)

Other changes in benefit obligations recognized in other than net periodic benefit cost are \$698 and \$34 for the years ended August 31, 2015 and 2014, respectively. Items not yet recognized as a component of the net periodic post-retirement benefit cost for the years ended August 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Prior service cost	\$ (5,236)	\$ (5,728)
Net actuarial loss	<u>877</u>	<u>1,977</u>
Total	<u>\$ (4,359)</u>	<u>\$ (3,731)</u>

Of the cumulative unrecognized amount as of August 31, 2015, \$464 is expected to be included in net periodic post-retirement benefit cost for the year ending August 31, 2016.

Contributions

Benefits are funded on a pay as you go basis. Management of the Federation contributed \$275 during the year ended August 31, 2015. Based upon projections from its actuary, management expects to contribute \$265 to its post-retirement plan during the year ending August 31, 2016.

Continued

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

9. Employee Benefit Plans (continued)

Estimated Future Benefit Payments

The following benefit payments are expected to be paid in the fiscal year ending August 31:

	<u>Pension Benefits</u>	<u>Post- retirement Benefits</u>
2016	1,922	390
2017	1,947	415
2018	2,043	440
2019	2,087	468
2020	2,163	481
2021 to 2025	11,430	2,760

Employee Tax Deferred Annuity Plan

The Federation has a defined contribution plan for the benefit of its employees who have reached one (1) 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 \$1,010 and \$1,163 for the years ended August 31, 2015 and 2014, 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 \$2,260 and \$2,254 for the years ended August 31, 2015 and 2014, 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 \$374 and \$434 as of August 31, 2015 and 2014, respectively.

10. Commitments and Contingencies

Operating Lease

The Federation leases office space, vehicles and equipment under operating leases, the last of which expires in 2019. Total rental expense for operating leases was approximately \$619 and \$1,062 for the years ended August 31, 2015 and 2014, respectively. Future minimum rental payments on noncancelable operating leases at August 31, 2015 are as follows:

Continued

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

10. Commitments and Contingencies (continued)

Operating Lease (continued)

For the Year Ending
August 31,

2016	\$	320
2017		264
2018		176
2019		<u>146</u>
Total	\$	<u>906</u>

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. Management believes that adjustments, if any, which might result from such audits would not have a material impact on the consolidated 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, 2015, management is not aware of any such actions or claims.

11. Allocation of Joint Costs

The Federation accounts for joint costs incurred for informational materials and activities that are included in fund raising appeals in accordance with Accounting Standards Codification (ASC) 958-720-45, *Accounting for Costs of Activities that Include Fundraising*, in determining costs to be allocated. For the years ended August 31, 2015 and 2014, the Federation incurred joint costs of \$15,821 and \$17,132, respectively. Of those costs, \$6,087 and \$6,839 were allocated to fundraising expense, \$8,097 and \$8,419 were allocated to membership education and other nature education programs and \$1,637 and \$1,875 were allocated to general and administrative expense in 2015 and 2014, respectively. Other direct and allocated operating expenses of \$2,524 and \$3,508 were also incurred for fundraising activities during 2015 and 2014, respectively.

12. 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 (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

Continued

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

12. Income Taxes (continued)

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 and income from the Winchester warehouse leases. There was no net unrelated business income for the years ended August 31, 2015 and 2014.

The Federation's management believes it has no material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the years ended August 31, 2015 and 2014, the Federation did not recognize any interest or penalties.

13. 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.

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

NWF provided \$258 and \$245 in grants to NWF Action Fund in the years ended August 31, 2015 and 2014, respectively. In addition, NWF Action Fund reimburses NWF for certain costs such as leased staff, benefits, miscellaneous expenses and overhead costs. As of August 31, 2015 and 2014, NWF Action Fund owed NWF \$246 and \$393, respectively, for such costs. Additionally, as of August 31, 2015, the NWF Action Fund owed \$160 to NWF for contributions collected for NWF.

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

14. Fair Value Disclosure of Financial Instruments

The estimated fair values of the financial instruments of the Federation are as follows at August 31:

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	\$ 204	\$ 204	\$ 271	\$ 271
Grants and other restricted receivables	\$ 9,662	\$ 9,662	\$ 12,413	\$ 12,413
Bequests and other contributions receivable	\$ 6,584	\$ 6,584	\$ 2,429	\$ 2,429
Charitable gift annuities and other trusts	\$ 11,850	\$ 11,850	\$ 12,420	\$ 12,420
Investments	\$ 48,006	\$ 48,006	\$ 57,918	\$ 57,918
Permanently restricted investments	\$ 5,458	\$ 5,458	\$ 5,458	\$ 5,458
Liabilities:				
Notes payable	\$ 15,280	\$ 15,280	\$ 29,074	\$ 29,074
Trusts and annuity obligations	\$ 3,403	\$ 3,403	\$ 3,548	\$ 3,548

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents – The carrying value is considered to be a reasonable estimate of the fair value.

Grants and other restricted receivables and bequests and other contributions receivable – These receivables are recorded at fair value on a nonrecurring basis when the grant or contribution is promised. The fair value is estimated by discounting the estimated future cash flows to their present values at the date of the promise.

Charitable gift annuities and other trusts – The Federation has interests in irrevocable charitable remainder trusts for which it does not act as trustee. The fair values of these trust assets are based on the expected future cash inflows from the trusts, which is determined based on the market value of the trust investments reported by the trustees, future expected investment returns, the life expectancy of the donor or donor's designee and a present value discount. These financial instruments have been identified as Level 3 in the fair value hierarchy due to unobservable inputs and assumptions.

Continued

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

14. Fair Value Disclosure of Financial Instruments (continued)

The Federation has received various interests in irrevocable perpetual trusts for which it does not act as the trustee. These assets have been identified as Level 3 in the fair value hierarchy since the market values of these investments is only a representation of the future expected cash flows related to these investments.

Investments and permanently restricted investments – Investments in marketable securities are stated at quoted market values. Other investments are stated at fair value as established by outside parties or at cost when cost approximates fair value. The cost of donated investments is considered to be the fair market value at the date of receipt.

Notes payable – The fair value of the Federation's notes payable approximates the carrying amount due to variable interest rates that adjust with the currently available terms and conditions for similar debt.

Trusts and annuity obligations – The Federation has entered into agreements with various donors, to maintain custody of assets received in the form of gift annuities, and to make payments to annuitants in accordance with the terms of the gift annuity contracts. The estimated discounted liability to donors for these charitable gift annuities are included in charitable gift annuities and trust obligations and the fair values of these liabilities closely approximates the net present value of cumulative estimated future cash payments.

The balance of the Federation's financial assets as of August 31, 2015 and 2014 are classified in the consolidated statements of financial position as follows:

	<u>2015</u>	<u>2014</u>
Charitable gift annuities and trusts	\$ 11,850	\$ 12,420
Investments	48,006	57,918
Permanently restricted investments	<u>5,458</u>	<u>5,458</u>
Total	<u>\$ 65,314</u>	<u>\$ 75,796</u>

In May 2015, the FASB issued amended guidance on the disclosures for investments in certain entities that calculate net asset value per share (or its equivalent). The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. Rather, those disclosures are limited to investments for which the entity has not elected to measure the fair value using that practical expedient. The guidance is effective for fiscal years beginning after December 15, 2015 and for interim periods within those years. As permitted under the guidance, the Federation has elected to early adopt for the fiscal year ended August 31, 2015. In accordance with the guidance, previously reported amounts have been revised to conform with the current presentation.

Continued

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

14. Fair Value Disclosure of Financial Instruments (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:

	2015 Total	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Charitable remainder and perpetual trusts	\$ 6,483	\$ -	\$ -	\$ 6,483
Investments and permanently restricted investments:				
Common stocks:				
Large cap	3,820	3,820	-	-
International equities	651	651	-	-
Fixed income mutual funds:				
Bond funds	7,730	7,730	-	-
Government securities	582	582	-	-
Equity mutual and index funds:				
Large blend	14,552	6,506	8,046	-
Small and mid blend	794	794	-	-
Specialty	604	604	-	-
International equities	5,972	5,972	-	-
Money market fund	221	221	-	-
Subtotal	<u>41,409</u>	<u>26,880</u>	<u>8,046</u>	<u>6,483</u>
Limited partnerships and private investment funds	20,626			
Hedge fund	<u>3,279</u>			
Total	<u>\$ 65,314</u>			

Continued

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

14. Fair Value Disclosure of Financial Instruments (continued)

	2014 Total	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Charitable remainder and perpetual trusts	\$ 6,259	\$ -	\$ -	\$ 6,259
Investments and permanently restricted investments:				
Common stocks:				
Large cap	5,193	5,193	-	-
International equities	767	767	-	-
Fixed income mutual funds:				
Bond funds	9,009	9,009	-	-
Government securities	644	644	-	-
Equity mutual and index funds:				
Large blend	18,310	9,859	8,451	-
Small and mid blend	943	943	-	-
International equities	6,934	6,934	-	-
Money market fund	365	365	-	-
Subtotal	<u>48,424</u>	<u>33,714</u>	<u>8,451</u>	<u>6,259</u>
Limited partnerships and private investment funds	22,274			
Hedge fund	<u>5,098</u>			
Total	<u>\$ 75,796</u>			

Continued

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

14. Fair Value Disclosure of Financial Instruments (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>Charitable remainder and perpetual trusts</u>
Balance as of August 31, 2013	\$ 5,771
Unrealized gains	496
Realized gains	-
Purchases	164
Sales	(172)
Transfers in	-
Transfers out	-
	<hr/>
Balance as of August 31, 2014	6,259
Unrealized gains (losses)	440
Realized gains	-
Purchases	-
Sales	(216)
Transfers in	-
Transfers out	-
	<hr/>
Balance as of August 31, 2015	<u>\$ 6,483</u>

The Federation has included 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, 2015 and 2014. For the Federation, such investments include limited partnerships and private investment and hedge funds.

The following table sets forth a summary of the Federation's investments with a reported NAV as of August 31, 2015:

<u>Investment type</u>	<u>Fair Value</u>	<u>Redemption frequency</u>	<u>Notice period (days)</u>
Long-short equity portfolio funds	\$ 5,427	Annually	90
Fund partnerships – International	5,540	Annually	65
Fund partnerships – International	1,278	Annually	15
Fund partnerships – International	1,531	Quarterly	60
Global Equity Fund	3,625	Quarterly	30
Diversified Inflation Hedge Fund	3,279	Monthly	30
Fund partnerships – International	1,679	Monthly	30
Floating Rate Income Offshore Fund	1,546	Monthly	30
	<hr/>		
	<u>\$ 23,905</u>		

Continued

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2015 and 2014

(in thousands)

14. Fair Value Disclosure of Financial Instruments (continued)

The following table sets forth a summary of the Federation's investments with a reported NAV as of August 31, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>Redemption frequency</u>	<u>Notice period (days)</u>
Long-short equity portfolio funds	\$ 5,371	Annually	90
Fund partnerships – International	5,355	Annually	65
Fund partnerships – International	1,427	Annually	15
Global Equity Fund	4,922	Quarterly	30
Diversified Inflation Hedge Fund	5,098	Monthly	30
Fund partnerships – International	2,679	Monthly	30
Floating Rate Income Offshore Fund	<u>2,521</u>	Monthly	30
	<u>\$ 27,372</u>		

There are no unfunded commitments or illiquid investments at August 31, 2015 and 2014.

15. Subsequent Events

The Federation evaluated subsequent events through January 4, 2016, which is the date the consolidated financial statements were available to be issued. There were no events noted that required adjustment to or disclosure in these consolidated 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 and Affiliate

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 consolidated financial statements of the National Wildlife Federation (NWF) and its affiliate, the National Wildlife Federation Endowment, Inc. (the Endowment) (collectively referred to as the Federation), which comprise the consolidated statement of financial position as of August 31, 2015, 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, and have issued our report thereon dated January 4, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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.

Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Federation's consolidated 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Raffa, P.C.

Raffa, P.C.

Washington, DC
January 4, 2016



Certified Public Accountants

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
the National Wildlife Federation and Affiliate

Report on Compliance for Each Major Federal Program

We have audited the National Wildlife Federation (NWF) and its affiliate, the National Wildlife Federation Endowment, Inc. (the Endowment) (collectively referred to as the Federation) compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 opinion on compliance for each major federal program. 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, 2015.

Continued

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Raffa, P.C.

Raffa, P.C.

Washington, DC
January 4, 2016

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Grant Number</u>	<u>Federal Expenditures</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA)			
<i>Pass-Through from University Corporation for Atmospheric Research</i>			
NRA/Research Opportunities in Space And Earth Sciences - 2013	43.001	NNX14AK03A	\$ <u>51,411</u>
Total NASA			<u>51,411</u>
U.S. DEPARTMENT OF AGRICULTURE			
Green Mountain National Forest – Critical Paths – Enhancing Road Permeability for Wildlife in Vermont	10.675	10-CS-11092000-019	10,955
<i>Pass-Through from National Fish and Wildlife Foundation</i>			
Deep Green Community: Benefits Wildlife and Water in Baltimore	10.678	0603.14.044967	<u>3,813</u>
Total U.S. Department of Agriculture			<u>14,768</u>
U.S. DEPARTMENT OF THE INTERIOR			
Climate Change Vulnerability Training	15.649	F11A001064	34,999
<i>Pass-Through from National Park Service</i>			
Integrating Climate-Smart Principles into NPS Climate Adaptation Planning and Activities	15.945	P13A000443	72,822
<i>Pass-Through from New Jersey Audubon Society</i>			
Assessing Coastal Impoundment Vulnerability And Resilience in the Northeast	15.153	2300.14.042878	49,301
<i>Pass-Through from National Fish and Wildlife Foundation</i>			
Coastal Resiliency Planning and Ecosystem Enhancement for Northeast Massachusetts	15.153	2300.14.041766	294,185
<i>Pass-Through from New Jersey Department of Environmental Protection</i>			
Building Ecological Solutions to Coastal Community Hazards	15.153	CP15-018	<u>57,846</u>
Subtotal CFDA 15.153			<u>401,332</u>
<i>Pass-Through from National Fish and Wildlife Foundation</i>			
Long Leaf Pine Restoration on Private Land II	15.608	1903-14-043075	55,349

See accompanying notes to this schedule.

Continued

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Grant Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF INTERIOR (continued)			
<i>Pass-Through from National Fish and Wildlife Foundation (continued)</i>			
Launching Monarch Butterfly Recovering in the Central Flyway through Urban Outreach	15.608	2007.15.050017	\$ <u>3,032</u>
Subtotal CFDA 15.608			<u>58,381</u>
<i>Pass-Through from National Fish and Wildlife Foundation</i>			
Schoolyard Habitats: Expanding National Wildlife Refuges to Urban Areas	15.654	1501.14.046263	69,938
Fence-flagging to Reduce Conflicts Between Sage Grouse Conservation and Livestock Grazing	15.231	0103.15.146656	<u>35,021</u>
Total U.S. Department of the Interior			<u>614,647</u>
U.S. DEPARTMENT OF COMMERCE			
Educating Delaware Students, Teachers and Communities through Sustainable Landscapes	11.457	NA12NMF4570015	94,022
<i>Pass-Through from Great Lakes Commission</i>			
GLC-MDEQ; Best Practices for Climate Change Adaption: Spotlight on Coastal Wetlands: Project #3210	11.419	NA12NOS4190161	4,952
<i>Pass-Through from University of Michigan</i>			
Enhancing Manager and Stakeholder Awareness Of and Responses to Changing Climatic Conditions and Their Impacts on Lake Erie	11.431	NA12NOAR4310142	<u>21,022</u>
Total U.S. Department of Commerce			<u>119,996</u>
ENVIRONMENTAL PROTECTION AGENCY			
<i>Pass-Through from National Fish and Wildlife Foundation</i>			
Overcoming Barriers to Green Infrastructure Adoption (NY)	66.437	1401.13.039467	27,499
Deep Green Community: Benefits Wildlife and Water in Baltimore	66.466	0603.14.044967	47,026
Documenting Project Implementation and Nutrient Reductions with Common Cloud	66.466	0600.15.048286	<u>58,483</u>
Subtotal CFDA 66.466			<u>105,509</u>
Total Environmental Protection Agency			<u>133,008</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ <u>991,676</u></u>

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2015

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.

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

Expenditures per Schedule of Expenditures of Federal Awards	\$ 991,676
Plus: Nonfederal revenue	<u>10,009,905</u>
Contributions from governments, foundations and corporations per Consolidated Statement of Activities	<u>\$ 11,001,581</u>

3. Subrecipients

Of the federal expenditures included in the accompanying schedule of expenditures of federal awards, the Federation provided a federal award to a subrecipient as follows:

<u>Grantor/Program Title</u>	<u>Contract</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Delaware Nature Society	NA12NMF4570015	11.457	\$ 85,803

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended August 31, 2015

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 Section 510(a) of OMB Circular A-133? Yes No

Identification of Major Program(s):

<u>CFDA #</u>	<u>Program Title</u>
15.153	Hurricane Sandy Disaster Relief – Coastal Resiliency Grants
11.457	Chesapeake Bay Studies
11.419	Coastal Zone Management Administration Awards

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as a low-risk auditee? Yes No

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended August 31, 2015

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.