



## World Wildlife Fund, Inc. and Subsidiaries

Consolidated Financial Statements,  
Supplemental Material,  
Schedule of Expenditures of Federal Awards  
and Reports Required by *Government  
Auditing Standards* and the Uniform  
Guidance  
Years Ended June 30, 2017 and 2016

**World Wildlife Fund, Inc. and  
Subsidiaries**

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Supplemental Material,  
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and Reports Required by *Government  
Auditing Standards* and the Uniform  
Guidance  
Years Ended June 30, 2017 and 2016

# World Wildlife Fund, Inc. and Subsidiaries

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## Independent Auditor's Report

To the Board of Directors  
**World Wildlife Fund, Inc. and Subsidiaries**  
Washington, D.C.

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **World Wildlife Fund, Inc. and Subsidiaries (WWF)**, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### *Management's Responsibility for the Consolidated 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 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 audits. We conducted our audits 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 WWF'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 WWF'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 **World Wildlife Fund, Inc. and Subsidiaries** as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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## *Other Matters*

### *Report on Summarized Comparative Information*

We have previously audited **World Wildlife Fund, Inc. and Subsidiaries'** 2016 consolidated financial statements, and our report dated November 4, 2016, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information on the consolidated statement of functional expenses presented herein for the year ended June 30, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental material comprising the consolidating schedule of statements of financial position, consolidating schedule of statements of activities, reconciliation of total expenses per the indirect expense allocation to the consolidated schedule of functional expenses, consolidated schedule of indirect expense allocation and schedule of receipts and expenditures of selected grant awards are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 November 15, 2017 on our consideration of **World Wildlife Fund, Inc. and Subsidiaries** 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 **World Wildlife Fund, Inc. and Subsidiaries** internal control over financial reporting and compliance.

*BDO USA, LLP*

November 15, 2017  
McLean, Virginia

## Consolidated Financial Statements

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# World Wildlife Fund, Inc. and Subsidiaries

## Consolidated Statements of Financial Position

<i>June 30,</i>	2017	2016
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 39,673,597	\$ 41,310,065
Short-term investments	15,967,716	32,999,520
Accounts receivable	36,504,861	36,746,352
Pledges receivable	27,334,056	29,798,971
Prepaid assets	3,667,003	3,638,491
Other current assets	609,924	990,175
<b>Total current assets</b>	<b>123,757,157</b>	<b>145,483,574</b>
<b>Noncurrent assets</b>		
Long-term investments, net of allowance for alternative investments	233,743,567	205,338,342
Pledges receivable, net of current, discount, and allowance for uncollectible pledges	18,295,231	15,452,864
Long-term trust receivables	42,133,790	45,584,812
Other noncurrent assets	4,193,617	4,195,462
Land, building, and equipment, net	65,584,639	64,701,794
<b>Total noncurrent assets</b>	<b>363,950,844</b>	<b>335,273,274</b>
<b>Total assets</b>	<b>\$ 487,708,001</b>	<b>\$ 480,756,848</b>
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 18,947,481	\$ 16,952,659
Grants payable	39,711,754	37,653,505
Deferred revenue	5,891,149	7,161,590
Current portion of long-term debt	2,760,000	2,195,000
<b>Total current liabilities</b>	<b>67,310,384</b>	<b>63,962,754</b>
<b>Noncurrent liabilities</b>		
Long-term debt, net of current portion and debt issuance cost	51,854,859	54,533,212
Other long-term liabilities	8,998,451	8,934,432
Interest rate swap liability	11,375,555	16,769,524
<b>Total noncurrent liabilities</b>	<b>72,228,865</b>	<b>80,237,168</b>
<b>Total liabilities</b>	<b>139,539,249</b>	<b>144,199,922</b>
<b>Net assets</b>		
Unrestricted	157,840,538	138,193,973
Temporarily restricted	147,344,526	156,152,518
Permanently restricted	42,983,688	42,210,435
<b>Total net assets</b>	<b>348,168,752</b>	<b>336,556,926</b>
<b>Total liabilities and net assets</b>	<b>\$ 487,708,001</b>	<b>\$ 480,756,848</b>

*See accompanying notes to consolidated financial statements.*

# World Wildlife Fund, Inc. and Subsidiaries

## Consolidated Statements of Activities

<i>Years Ended June 30,</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
<b>Operating revenues</b>								
Revenue								
Contributions	\$ 62,750,000	\$ 59,229,180	\$ -	\$ 121,979,180	\$ 58,809,469	\$ 69,226,599	\$ -	\$ 128,036,068
Government grants and contracts	57,929,779	-	-	57,929,779	46,365,374	-	-	46,365,374
WWF network revenue	15,971,694	-	-	15,971,694	17,934,104	-	-	17,934,104
Other revenues including royalties	3,655,809	1,979,975	-	5,635,784	3,353,799	8,960,752	-	12,314,551
In-kind contributions	75,607,851	-	-	75,607,851	75,957,723	-	-	75,957,723
Nonoperating income allocated to operations	28,847,018	1,897,599	-	30,744,617	34,282,260	1,887,090	-	36,169,350
<b>Total operating revenues</b>	<b>244,762,151</b>	<b>63,106,754</b>	<b>-</b>	<b>307,868,905</b>	<b>236,702,729</b>	<b>80,074,441</b>	<b>-</b>	<b>316,777,170</b>
<b>Net assets released from restrictions</b>	<b>76,703,159</b>	<b>(76,703,159)</b>	<b>-</b>	<b>-</b>	<b>67,971,759</b>	<b>(67,971,759)</b>	<b>-</b>	<b>-</b>
<b>Net operating revenues</b>	<b>321,465,310</b>	<b>(13,596,405)</b>	<b>-</b>	<b>307,868,905</b>	<b>304,674,488</b>	<b>12,102,682</b>	<b>-</b>	<b>316,777,170</b>
Commercial building operations								
Revenues	6,056,081	-	-	6,056,081	6,768,799	-	-	6,768,799
Expenses	6,951,988	-	-	6,951,988	6,235,198	-	-	6,235,198
<b>(Loss) income from commercial building operations, net</b>	<b>(895,907)</b>	<b>-</b>	<b>-</b>	<b>(895,907)</b>	<b>533,601</b>	<b>-</b>	<b>-</b>	<b>533,601</b>
<b>Total revenues and other income, net</b>	<b>320,569,403</b>	<b>(13,596,405)</b>	<b>-</b>	<b>306,972,998</b>	<b>305,208,089</b>	<b>12,102,682</b>	<b>-</b>	<b>317,310,771</b>
<b>Operating expenses</b>								
Program services								
Conservation field and policy programs	177,356,681	-	-	177,356,681	165,607,069	-	-	165,607,069
Public education	93,400,728	-	-	93,400,728	93,898,134	-	-	93,898,134
<b>Total program services</b>	<b>270,757,409</b>	<b>-</b>	<b>-</b>	<b>270,757,409</b>	<b>259,505,203</b>	<b>-</b>	<b>-</b>	<b>259,505,203</b>
Supporting services								
Finance and administration	14,400,292	-	-	14,400,292	12,950,274	-	-	12,950,274
Fundraising	35,115,104	-	-	35,115,104	32,750,779	-	-	32,750,779
<b>Total supporting services</b>	<b>49,515,396</b>	<b>-</b>	<b>-</b>	<b>49,515,396</b>	<b>45,701,053</b>	<b>-</b>	<b>-</b>	<b>45,701,053</b>
<b>Total operating expenses</b>	<b>320,272,805</b>	<b>-</b>	<b>-</b>	<b>320,272,805</b>	<b>305,206,256</b>	<b>-</b>	<b>-</b>	<b>305,206,256</b>
<b>Change in net assets before nonoperating activities</b>	<b>296,598</b>	<b>(13,596,405)</b>	<b>-</b>	<b>(13,299,807)</b>	<b>1,833</b>	<b>12,102,682</b>	<b>-</b>	<b>12,104,515</b>
<b>Nonoperating activities</b>								
Bequests, endowments, and split income gifts	19,043,795	521,577	(1,607,107)	17,958,265	17,718,313	17,131,685	(1,347,550)	33,502,448
Gain (loss) on interest rate swaps	5,393,969	-	-	5,393,969	(3,332,877)	-	-	(3,332,877)
Income/(loss) from investments, net	23,644,079	6,389,858	2,380,360	32,414,297	(4,907,675)	(2,214,400)	450,085	(6,671,990)
(Loss)/gain on foreign current exchange	(110,281)	-	-	(110,281)	90,607	-	-	90,607
Change in donor restriction	225,423	(225,423)	-	-	-	-	-	-
<b>Total nonoperating activities</b>	<b>48,196,985</b>	<b>6,686,012</b>	<b>773,253</b>	<b>55,656,250</b>	<b>9,568,368</b>	<b>14,917,285</b>	<b>(897,465)</b>	<b>23,588,188</b>
<b>Total allocated to operations</b>	<b>(28,847,018)</b>	<b>(1,897,599)</b>	<b>-</b>	<b>(30,744,617)</b>	<b>(34,282,260)</b>	<b>(1,887,090)</b>	<b>-</b>	<b>(36,169,350)</b>
<b>Change in net assets from nonoperating activities</b>	<b>19,349,967</b>	<b>4,788,413</b>	<b>773,253</b>	<b>24,911,633</b>	<b>(24,713,892)</b>	<b>13,030,195</b>	<b>(897,465)</b>	<b>(12,581,162)</b>
<b>Change in net assets</b>	<b>19,646,565</b>	<b>(8,807,992)</b>	<b>773,253</b>	<b>11,611,826</b>	<b>(24,712,059)</b>	<b>25,132,877</b>	<b>(897,465)</b>	<b>(476,647)</b>
<b>Net assets at beginning of year</b>	<b>138,193,973</b>	<b>156,152,518</b>	<b>42,210,435</b>	<b>336,556,926</b>	<b>162,906,032</b>	<b>131,019,641</b>	<b>43,107,900</b>	<b>337,033,573</b>
<b>Net assets at end of year</b>	<b>\$ 157,840,538</b>	<b>\$ 147,344,526</b>	<b>\$ 42,983,688</b>	<b>\$ 348,168,752</b>	<b>\$ 138,193,973</b>	<b>\$ 156,152,518</b>	<b>\$ 42,210,435</b>	<b>\$ 336,556,926</b>

*See accompanying notes to consolidated financial statements.*



# World Wildlife Fund, Inc. and Subsidiaries

## Consolidated Statement of Functional Expenses for the year ended June 30, 2017 (with summarized comparative totals for the year ended June 30, 2016)

<i>Year Ended June 30, 2017 (with comparative totals for the year ended June 30, 2016)</i>	U.S. and Developed Countries	International Programs	G&A Program Management	Total Conservation Field and Policy Programs	Public Education	Total Program Service Expenses	Finance and Administration	Fundraising	Total Supporting Services Expenses	2017 Total Operating Expenses	2016 Total Operating Expenses
Project grants and contracts	\$ 770,560	\$ 91,566,353	\$ 254,531	\$ 92,591,444	\$ 1,240,798	\$ 93,832,242	\$ 454,448	\$ 626,833	\$ 1,081,281	\$ 94,913,523	\$ 88,347,424
Salaries and benefits	1,373,407	49,701,523	5,508,658	56,583,588	7,963,952	64,547,540	9,490,905	12,784,046	22,274,951	86,822,491	81,488,127
In-kind contributions	-	4,746,983	-	4,746,983	68,810,260	73,557,243	933,830	1,116,778	2,050,608	75,607,851	75,957,724
Printing and photocopying	10,519	959,395	4,969	974,883	4,211,497	5,186,380	1,447	5,963,527	5,964,974	11,151,354	10,973,703
Office supplies, postage, and shipping	6,313	1,258,258	11,019	1,275,590	3,225,170	4,500,760	35,322	4,516,020	4,551,342	9,052,102	8,616,393
Staff travel and expenses	92,664	5,708,599	151,174	5,952,437	280,596	6,233,033	186,508	683,337	869,845	7,102,878	6,828,218
Overhead	70,757	4,664,249	-	4,735,006	691,722	5,426,728	-	953,674	953,674	6,380,402	6,441,036
Other	2,523	488,340	462,555	953,418	1,467,399	2,420,817	484,531	2,122,859	2,607,390	5,028,207	4,187,283
Advertising	1,485	2,338	-	3,823	2,101,936	2,105,759	-	2,448,774	2,448,774	4,554,533	4,285,997
Conferences and meetings	30,102	3,918,987	8,518	3,957,607	108,958	4,066,565	187,655	125,930	313,585	4,380,150	3,778,645
Field office rent, vehicles, and equipment	112,095	2,514,213	7,450	2,633,758	6,324	2,640,082	1,052,532	139,295	1,191,827	3,831,909	3,254,232
Professional fees and contracts	-	1,259,631	54,881	1,314,512	381,172	1,695,684	741,977	824,832	1,566,809	3,262,493	2,855,208
Premiums	17	12,532	716	13,265	1,028,886	1,042,151	4,668	1,181,796	1,186,464	2,228,615	2,052,756
Dues, fees and subscriptions	9,401	706,497	24,304	740,202	663,355	1,403,557	436,406	379,359	815,765	2,219,322	2,434,555
Computer services	7,876	257,916	2,320	268,112	427,926	696,038	182,037	278,184	460,221	1,156,259	1,247,897
Audio visual	-	55,746	13,176	68,922	377,747	446,669	-	476,840	476,840	923,509	947,820
Mailing list rental	-	-	-	-	392,478	392,478	-	460,050	460,050	852,528	732,752
Telephone	2,606	526,752	13,773	543,131	20,552	563,683	208,026	32,970	240,996	804,679	776,486
	\$ 2,490,325	\$ 168,348,312	\$ 6,518,044	\$ 177,356,681	\$ 93,400,728	\$ 270,757,409	\$ 14,400,292	\$ 35,115,104	\$ 49,515,396	\$ 320,272,805	\$ 305,206,256

See accompanying notes to consolidated financial statements.

# World Wildlife Fund, Inc. and Subsidiaries

## Consolidated Statements of Cash Flows

<i>Year Ended June 30,</i>	2017	2016
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 11,611,826	\$ (476,647)
<b>Adjustments to reconcile change in net assets to net cash used in operating activities</b>		
Depreciation and amortization	4,033,366	3,374,438
Amortization of leasing commissions	294,799	318,367
Amortization of bond premium	(8,713)	(8,713)
Unrealized and realized (gain) loss on investments	(32,084,011)	7,697,449
(Gain) loss on swaps	(5,393,969)	3,332,877
Permanently restricted contributions received	-	(249,543)
Accretion on multi-year pledges	263,104	377,157
Write-off of uncollectible pledges	20,947	218,421
Gifts of investments	(3,477,097)	(2,369,691)
<b>Changes in assets and liabilities</b>		
Accounts receivable	241,491	(10,388,492)
Pledges receivable	(661,502)	1,191,854
Prepaid assets	(28,512)	(527,240)
Other current assets	380,251	425,607
Long-term trust receivables	3,451,022	(15,174,613)
Other noncurrent assets	(292,954)	181,591
Accounts payable and accrued expenses	1,994,821	2,445,069
Grants payable	2,058,249	6,929,135
Deferred revenue	(1,270,441)	(129,815)
Other long-term liabilities	64,018	277,278
<b>Net cash used in operating activities</b>	<b>(18,803,305)</b>	<b>(2,555,511)</b>
<b>Cash flows provided by investing activities</b>		
Purchases of building improvements and equipment	(4,916,211)	(7,516,420)
Purchases of investments	(26,744,299)	(64,161,632)
Proceeds from sale of investments	50,931,987	80,691,606
Write-off of fixed assets	-	29,965
<b>Net cash provided by investing activities</b>	<b>19,271,477</b>	<b>9,043,519</b>
<b>Cash flows used in financing activities</b>		
Permanently restricted contributions received	-	249,543
Payments on long-term debt	(2,195,000)	(2,140,000)
Amortization of bonds issuance costs	90,360	93,675
<b>Net cash used in financing activities</b>	<b>(2,104,640)</b>	<b>(1,796,782)</b>
(Decrease) increase in cash and cash equivalents	(1,636,468)	4,691,226
Cash and cash equivalents, beginning of year	41,310,065	36,618,839
Cash and cash equivalents, end of year	\$ 39,673,597	\$ 41,310,065
<b>Required supplemental disclosure</b>		
Cash payments for interest	\$ 2,716,146	\$ 2,621,519

*See accompanying notes to consolidated financial statements.*

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### 1. Summary of Accounting Policies

#### *Organization*

The mission of World Wildlife Fund, Inc. (WWF - Parent), a Delaware nonprofit corporation, is the conservation of nature. Using the best available scientific knowledge and advancing that knowledge where we can, we work to preserve the diversity and abundance of life on earth and the health of ecological systems by:

- Protecting natural areas and wild populations of plants and animals, including endangered species;
- Promoting sustainable approaches to the use of renewable natural resources; and
- Promoting more efficient use of resources and energy and the maximum reduction of pollution.

WWF is committed to reversing the degradation of the planet's natural environment and to building a future in which human needs are met in harmony with nature. WWF recognizes the critical relevance of human numbers, poverty, and consumption patterns to meeting these goals.

WWF is the largest member of an international WWF network which has offices in more than 50 countries. The independently incorporated WWF national organizations coordinate their conservation work. WWF-International, a secretariat located near Geneva, Switzerland, provides network services. WWF-US, WWF-International, and the WWF network are not consolidated, due to the lack of control among the entities.

1250 24 Street LLC ("1250 24 Street") is a District of Columbia limited liability company incorporated on January 26, 2017 to a) to have and exercise all powers conferred by the laws of the District of Columbia on limited liability companies and to b) do all any and all things necessary, convenient or incidental to achievement of the foregoing. Currently, 1250 24 Street leases and operates the building owned by WWF at 1250 24<sup>th</sup> Street, Northwest D.C. WWF has 100% membership interest in 1250 24 Street LLC.

1250 24 LLC ("1250 24") is a District of Columbia limited liability company incorporated on November 15, 2016 to a) to have and exercise all powers conferred by the laws of the District of Columbia on limited liability companies and to b) do all any and all things necessary, convenient or incidental to achievement of the foregoing. Currently, 1250 24 leases and operates the building owned by WWF at 1250 24<sup>th</sup> Street, Northwest D.C. WWF has 100% membership interest in 1250 24 LLC.

#### *Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of the WWF, 1250 24 Street and 1250 24 (collectively as "WWF"). All significant intercompany balances and transactions have been eliminated in consolidation.

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### *Basis of Accounting*

The consolidated financial statements of WWF have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

### *Accounting Pronouncements to be Adopted*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers* (Topic 606). The update establishes a comprehensive revenue recognition standard for virtually all industries under U.S. GAAP, including those that previously followed industry-specific guidance. The principle of the update is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for fiscal year 2018. Management continues to evaluate the potential impact of this update on the consolidated financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Statements of Financial Position recognition of finance and operating leases is similar, but the pattern of expense recognition in the statements of activities, as well as the effect on the statement of cash flows, differs depending on the lease classification. The new leases standard requires a lessor to classify leases as either sales-type, direct financing or operating, similar to existing U.S. GAAP. Classification depends on the same five criteria used by lessees plus certain additional factors. The subsequent accounting treatment for all three lease types is substantially equivalent to existing U.S. GAAP for sales-type leases, direct financing leases, and operating leases. However, the new standard updates certain aspects of the lessor accounting model to align it with the new lessee accounting model, as well as with the new revenue standard under Topic 606. Lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of consolidated financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Management continues to evaluate the potential impact of this update on the consolidated financial statements.

In August 2016, FASB issued ASU 2016-14, *Presentation of Consolidated Financial statements of Not-for-Profit Entities*. The ASU aims to improve presentation of financial information, ultimately making nonprofit financial reporting statements more informative, transparent and useful to readers.

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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Key qualitative and quantitative requirements covered in the final ASU include:

- Net asset classes
- Investment return
- Expenses
- Liquidity and availability of resources
- Presentation of operating cash flows

The ASU is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. Management continues to evaluate the potential impact of this update on the consolidated financial statements.

### *Basis of Presentation*

WWF's net assets have been grouped into the following three classes:

- Permanently restricted net assets - Permanently restricted net assets result from contributions and other inflows of assets whose use by WWF is limited by donor-imposed stipulations that they be restricted to investment in perpetuity. The Russell E. Train Education for Nature Fund is a fund where the principal is to be held in perpetuity. WWF has other endowments that were contributed by donors who stipulated the investments be held in perpetuity.
- Temporarily restricted net assets - Temporarily restricted net assets result from contributions and other inflows of assets whose use is limited by donor-imposed restrictions that expire either with the passage of time or the fulfillment of a specific programmatic purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the statements of activities as net assets released from restriction. When the restrictions on contributions are met in the same period that the contribution is received, the contribution is reported in the consolidated statements of activities as temporarily restricted revenues and as net assets released from restrictions.
- Unrestricted net assets - Unrestricted net assets result from revenues derived from unrestricted contributions, investment income, and other inflows of assets, the benefits of which are not limited by donor-imposed restrictions. Unrestricted Board-designated reserves result primarily from unrestricted bequests received that are designated for use in operations by the Board of Directors.

### *Cash and Cash Equivalents*

Cash and cash equivalents are considered to be cash and temporary investments with original maturities of three months or less, except for those funds held as part of the investment portfolio. WWF maintains cash balances with federally insured institutions as well as in accounts located

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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outside the United States. Accounts at federally insured institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank at June 30, 2017 and 2016. At June 30, 2017 and 2016, WWF held \$29,595,926 and \$28,521,719, respectively, in uninsured funds. WWF has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents. Cash and cash equivalents denominated in foreign currency amounted to \$9,828,451 and \$11,559,802 as of June 30, 2017 and 2016, respectively.

### *Accounts Receivable*

Accounts receivable are stated at their net realizable value. The allowance method is used to determine the uncollectible amounts. The allowance is based on prior years' experience and management's analysis of subsequent collections. If actual collection experience changes, revisions to the allowance may be required.

### *Pledges Receivable*

Unconditional promises to give 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 which approximates their fair value. The discounts on those amounts are computed using treasury bonds corporate rates applicable to the years in which the promises are received. Amortization of the discount is recorded as additional contribution revenue. An allowance is made for uncollectible pledges based upon management's judgment and an analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

### *Prepaid Assets*

Prepaid assets, which consist of premiums, are stated at the lower of cost or market, with cost based on the first-in, first-out method. Premiums are miscellaneous items that are given to donors and others.

### *Investments*

The fair value of marketable investments in equity and debt securities (which includes both domestic and foreign issues) and U.S. government obligations are based on the published current market value at June 30, 2017 and 2016. The fair values of WWF's investments in limited partnerships are based on management's valuation of estimates and assumptions from information and representations provided by the respective general partners in the absence of readily ascertainable market values.

Certain limited partnerships and corporate investments have no readily determinable market value and are valued at fair value as estimated by the general partners and corporations. Because of the inherent uncertainty of valuation, it is reasonably possible that estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. In addition, certain investments may also have risk

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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associated with concentrations of investments in one geographic region and in certain industries. The limited partnership's ability to liquidate certain of its investments may be inhibited since the issuers may be privately held or the limited partnership may own a relatively large portion of the issuers' equity securities.

WWF recognizes an allowance for alternative investments in an amount equal to the estimated probable losses net of recoveries. The allowance is based on an analysis of the result of alternative investment's performance and expected future write-offs of unrecoverable investments. The expense associated with the allowance for alternative investments is recognized as finance and administrative expense in the consolidated statements of activities.

Long-term investments represent Board-designated reserves, endowments, charitable gift annuities, and pooled income funds held for long-term investment. Short-term investments consist of investments with a maturity date of 12 months or less.

### *Financial Instruments and Credit Risk*

Financial instruments which potentially subject WWF to a concentration of credit risk consist principally of investments held at creditworthy financial institutions. By policy, these investments are kept within limits designed to prevent risk caused by concentration. Credit risk with respect to pledges receivable is considered limited due to the large WWF donor base. Credit risk with respect to accounts receivable relates to amounts due from the U.S. Government and other entities in the WWF Network and is considered limited due to the large number of other entities.

### *Bond Issuance Costs*

Costs associated with issuance of bonds have been deferred and are amortized over the terms of the bonds. WWF uses the straight-line method, which approximates the effective interest method. The bond issuance costs are presented direct deduction from the face amount of the related liability, consistent with the presentation of debt discounts, in accordance with ASU 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*.

### *Land, Building, and Equipment*

Land, building, and equipment are recorded at cost. WWF capitalizes all expenditures for property and equipment over \$5,000. Depreciation for equipment, furniture and software is computed using the straight-line method, with the half-year convention over the estimated useful lives of the assets. Depreciation and amortization for the building, building improvements and tenant improvements is computed using the straight-line method.

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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The estimated useful lives of WWF's assets are as follows:

Office equipment	3 years
Software and applications	3 years
Building and tenant improvements	15 years
Building	40 years

The estimated useful life of office furniture and fixtures is either 5 or 8 years, depending on the expected life of the asset. The estimated useful life of tenant improvements is the lesser of the term of the lease or life of the asset.

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

WWF reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the long lived asset is reduced, by a charge to the statements of activities, to its carrying value.

### ***Other Noncurrent Assets***

Other noncurrent assets consists of the assets for WWF's 457(b) pension and international plans recorded at fair market value, leasing commissions and deferred rent receivable. Rent revenue is recorded on the straight-line basis.

### ***Split Income Gifts***

WWF has been named as beneficiary in several split income gifts that include charitable gift annuities and remainder trusts. The values of all split income gifts have been determined using discount rates that range from 2.4% to 2.85%, based upon rates approved by the Internal Revenue Service (IRS) as of the date of the gift.

As of June 30, 2017 and 2016, \$10,305,175 and \$10,141,526, respectively, were included as investments in the consolidated statements of financial position, and represent split income gifts for which WWF serves as the trustee. These gifts are recorded at the discounted present value of the gifts, based on 2000CM mortality tables. WWF recognizes a liability for the portion of the split income gifts that is determined to be payable to beneficiaries under the terms of the agreements where WWF is the trustee. As of June 30, 2017 and 2016, these liabilities totaled \$6,070,117 and \$6,642,691, respectively, and are recorded as other long-term liabilities in the consolidated statements of financial position.

Income from these gifts is recorded as investment income and changes in the value are included in bequests, endowments, and split income gifts in the accompanying consolidated statements of activities.



# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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For split income gifts, for which WWF does not serve as the trustee, WWF included loss of (\$1,082,068) and gain of \$15,104,030 in bequests, endowments, and split income gifts on the accompanying consolidated statements of activities for the years ended June 30, 2017 and 2016, respectively. WWF's beneficial interest in these gifts, which amounted to \$42,133,790 and \$45,584,812 at June 30, 2017 and 2016, respectively, is also recorded at the discounted present value of the gifts and is included in long-term trust receivables in the accompanying consolidated statements of financial position.

In addition to these gifts, WWF has been named as the beneficiary in several agreements that are either revocable, or for which a reasonable valuation cannot be calculated, or allow the donor or beneficiary to change WWF's right to receive the assets. Such agreements are therefore not recorded in the accompanying consolidated financial statements.

### *Grants Payable*

Grants are primarily made to other conservation organizations and are accrued when WWF makes a legally enforceable pledge to the organization. For grants that are for a period of more than one year, the future years' portion is considered conditional based on specific criteria, such as management review and approval against certain milestones and the receipt of future funding by WWF. The conditional portions of multi-year grants for the years ended June 30, 2017 and 2016, are \$11,036,431 and \$17,134,789, respectively, and are not recorded as grants payable in the accompanying consolidated financial statements.

### *Deferred Revenue*

WWF receives funds from the WWF network and other organizations for specific projects performed at headquarters and various WWF field offices. WWF recognizes these funds as revenue earned to the extent of qualifying expenses incurred. All funds received from network sources in excess of expenses incurred are included in deferred revenue in the accompanying consolidated statements of financial position. Unrestricted revenue received from network sources is recorded as revenue when received. Any unrestricted revenue in excess of expenses incurred is included in unrestricted net assets in the accompanying consolidated statements of financial position.

### *Revenue Recognition*

Contribution revenue is recognized at fair value on the earlier of the receipt of cash or an unconditional promise to give. From time to time, WWF receives promises to give that have certain conditions such as meeting specific milestones or revocable features to the promise to give. Conditional promises to give are recognized when the conditions are substantially met.

Federal grant awards are considered exchange transactions, and as such are recognized as revenue earned to the extent of qualifying expenses incurred or as such amounts are accrued.

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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Total operating revenue for the fiscal years ended June 30, 2017 and 2016 was \$326,600,944 and \$307,901,296 respectively. This amount is calculated based on the total revenues and support from operating activities and the change in net assets from nonoperating activities presented in the consolidated statements of activities, excluding gain (loss) on interest rate swaps and (loss)/gain on foreign currency exchange.

Included in WWF network revenues on the consolidated statements of activities for the years ended June 30, 2017 and 2016, are revenues from WWF-Netherlands of \$2,729,993 and \$6,165,970, respectively.

### *In-Kind Contributions*

Radio and television stations and certain publications have contributed advertising time and space to WWF at no charge. The estimated fair values of the advertisements are based on independent third-party valuations and reported as in-kind contribution revenue and program expense in the period in which the advertisements are run. Certain other in-kind contributions have also been received and recorded at fair-market value in the period in which each contribution was made.

### *Non-Operating Income Allocated to Operations*

Contributions, except for bequests and endowments, are reported as revenue from operating activities in the appropriate category of net assets. The Board of Directors has designated that bequests and endowments are not generally available for use in operations; therefore, these contributions are recognized as nonoperating activities in the appropriate category of net assets. Investment income, including realized and unrealized gains and losses, in excess of amounts utilized in operations based on the organization's spending policy, is accounted for as an increase or decrease in non-operating activities. It is classified as unrestricted unless its use is restricted by explicit donor stipulations or by law.

### *Allocation of Joint Costs*

WWF report the costs of all materials and activities that include a fundraising appeal as fundraising costs unless certain specific conditions are met, in which case the joint costs may be allocated between fundraising, program, and general and administrative expenses. WWF evaluates all programs that include fundraising to determine which programs would meet the requirements for allocation of costs. WWF allocates joint costs based on relative direct cost method whereby costs are allocated to each of the components on the basis of their respective direct costs (i.e. costs incurred in connection with the multipurpose materials or activity that are specifically identifiable to each program or function).

In fiscal years 2017 and 2016, WWF incurred joint costs of \$34,983,772 and \$32,779,127, respectively, for informational materials and activities that included a fundraising appeal. Of those costs, \$18,878,698 and \$17,755,488 were allocated to fundraising expenses, and \$16,105,074 and \$15,023,639 were allocated to program expense, in fiscal years 2017 and 2016, respectively.

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### *Use of Estimates*

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

### *Interpretation of Relevant Law*

The Board of Directors has determined that an enacted version of UPMIFA applies to WWF's endowment funds. When a donor expresses intent clearly in a written gift instrument, WWF follows the donor's instructions. When a donor's intent is not so expressed, WWF shall spend an amount from the fund that is prudent, consistent with the purposes of the fund, relevant economic factors, and the donor's intent that the fund continue in perpetuity.

### *Investment Policy Statement*

As careful stewards of our donors' contributions, and respectful of their intent to support and further WWF's conservation efforts, WWF seeks in managing the investment pool to maximize funding for conservation while prudently managing risk. Careful management of the assets is designed to ensure a total return (income plus capital change) necessary to preserve and enhance (in real dollar terms) the principal of the fund and at the same time, provide a dependable source of support for current operations and programs. The investment pool includes those assets of donor-restricted funds that WWF must hold in perpetuity or for donor-specified period(s) as well as board-designated funds. The primary investment objective of the pool is to attain a net average annual real total return of 5% over rolling ten-year periods. Actual returns in any given period may vary from this amount but should be attainable over a series of ten-year periods.

### *Reclassifications*

Certain prior year amounts have been reclassified for consistency with the current year presentation.

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 2. Accounts Receivable

Management believes amounts recorded in accounts receivable to be collectible based on historical collection experience and write-offs and other factors and, therefore, has not recorded an allowance against the receivables as of June 30, 2017 and 2016. Accounts receivable is composed of the following at June 30:

	2017	2016
U.S. Government	\$ 14,257,855	\$ 13,379,101
Private Sector	3,734,556	10,912,432
WWF Network	16,249,200	7,498,450
Others	2,263,250	4,956,369
	<b>\$ 36,504,861</b>	<b>\$ 36,746,352</b>

During the years ended June 30, 2017 and 2016, WWF determined that \$20,947 and \$218,554, respectively, of accounts receivable were uncollectible based on review of outstanding amounts and are included as a cost of fundraising on the accompanying consolidated statements of activities.

### 3. Pledges Receivable

Unconditional promises to give consisted of the following at June 30:

	2017	2016
Less than a year	\$ 27,334,056	\$ 29,798,971
One to five years	19,082,657	16,642,186
More than five years	665,000	-
Subtotal	47,081,713	46,441,157
Less: discount to present value	(1,202,426)	(939,322)
Less: allowance for uncollectible pledges	(250,000)	(250,000)
Subtotal	45,629,287	45,251,835
Less: current portion of pledges receivable	(27,334,056)	(29,798,971)
Non-current portion of pledges receivable	<b>\$ 18,295,231</b>	<b>\$ 15,452,864</b>

The interest rates used to discount the amounts expected to be collected in future years range from 2.21% to 2.76% as of June 30, 2017. During the years ended June 30, 2017 and 2016, WWF determined that \$17 and \$133, respectively, of pledges receivable were uncollectible based on collection history and are included as part of operating expenses in the consolidated statements of activities.

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 4. Investments

Investments consisted of the following at June 30:

	2017	2016
Money market funds	\$ 18,997,796	\$ 35,341,343
Partnership investments	127,003,997	113,856,224
Debt and equity mutual funds	75,013,085	61,293,705
Common collective trusts	9,319,890	9,123,917
Debt and equity securities	19,876,515	19,222,673
Subtotal: investments before allowance	250,211,283	238,837,862
Less: allowance for alternative investments	(500,000)	(500,000)
Subtotal	249,711,283	238,337,862
Less: short-term investments	(15,967,716)	(32,999,520)
Long-term investments	\$ 233,743,567	\$ 205,338,342

Investment return consisted of the following for the years ended June 30:

	2017	2016
Dividends and interest income	\$ 2,068,002	\$ 2,264,385
Realized and unrealized (losses) gains, net	32,084,011	(7,697,449)
Less: investment expenses	(1,737,716)	(1,238,926)
Income/(loss) from investments, net	\$ 32,414,297	\$ (6,671,990)

WWF received donated securities with a fair value of \$3,477,097 and \$2,369,691 during the years ended June 30, 2017 and 2016, respectively, to be used for unrestricted activities.

In January, 2014, WWF entered into a 'stranded assets' total return swap. WWF pays the total return from an index of coal and tar sands companies, and receives the total return on the S&P 500 index which settles quarterly. The swap is designed to hedge against portfolio risk specifically attributed to coal and tar sand business sectors.

The swaps are recognized on the consolidated statements of financial position at fair value and are recorded as interest rate swap liability. Realized and unrealized gains and losses are recorded in the consolidated statement of activities. During the year ended June 30, 2017 and 2016, WWF recorded \$5,393,969 and \$3,332,877 in unrealized loss, respectively, for these swaps. The fair market value of the swaps was \$11,375,555 and \$16,769,524 as of June 30, 2017 and 2016, respectively.

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 5. Land, Building, and Equipment

Land, building, and equipment consisted of the following at June 30:

	2017	2016
Land	\$ 17,436,974	\$ 17,436,974
Building	45,982,829	46,007,955
Furniture and equipment	28,142,472	24,341,252
Building and tenant improvements	22,583,100	21,442,982
	<u>114,145,375</u>	<u>109,229,163</u>
Less: accumulated depreciation and amortization	(48,560,736)	(44,527,369)
Land, building, and equipment, net	<u>\$ 65,584,639</u>	<u>\$ 64,701,794</u>

WWF has allocated the building operating costs and interest expense between non-commercial and commercial building operations expense based on occupancy percentages. The non-commercial portion of these costs is allocated to program expense and supporting services expense by using the Modified Total Direct Cost (MTDC) method of indirect cost allocation as defined in Uniform Guidance, *Cost Principles for Non-Profit Organizations*. The MTDC method applies indirect costs using total salaries, benefits, and other expenses (less equipment, vehicles, and other purchases) as the base of distribution and is considered to be in agreement with generally accepted accounting principles.

Depreciation and amortization expense consisted of the following for the years ended June 30:

	2017	2016
Depreciation, commercial building operations	\$ 1,130,837	\$ 1,156,070
Depreciation, all other building and equipment	2,902,529	2,218,368
Amortization of bond premium and issuance costs	81,646	93,675
Total depreciation and amortization	<u>\$ 4,115,012</u>	<u>\$ 3,468,113</u>

The commercial building operations net cash flows were \$222,234 and \$299,373 for fiscal years ended June 30, 2017 and 2016, respectively.

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 6. Long-Term Debt

Long-term debt was as follows at June 30:

	2017	2016
WWF Taxable Variable Rate Bonds, Series 2015	\$ 55,365,000	\$ 57,560,000
Unamortized original issue premium	113,275	121,988
Less: unamortized bond issue cost, net	(863,416)	(953,776)
Long-term debt	54,614,859	56,728,212
Less: current portion	(2,760,000)	(2,195,000)
Long-term debt, net of current portion	\$ 51,854,859	\$ 54,533,212

On October 3, 2000, WWF entered into a purchase and sale agreement with a third-party seller to acquire the building in which WWF had previously leased its headquarters office space. To finance the building acquisition and additional improvements, WWF issued \$42,010,000 in District of Columbia Revenue Bonds (World Wildlife Fund, Inc. Issue) Series 2000A, which are tax-exempt, and \$41,355,000 in World Wildlife Fund, Inc. Taxable Variable Rate Bonds, Series 2000B.

On November 6, 2008, WWF refinanced the outstanding taxable Series 2000B bonds with a direct-pay bank letter of credit and issued \$35,600,000 World Wildlife Fund, Inc. Taxable Variable Rate Bonds, Series 20008B. On July 1, 2010, WWF refinanced the outstanding tax-exempt Series 2000A bonds with a direct-pay bank letter of credit to provide credit enhancement. The refinanced bonds were reissued as \$33,015,000 District of Columbia Variable Rate Refunding Revenue Bonds (World Wildlife Fund, Inc. Issue) Series 2010.

On May 20, 2015, WWF's letter of credit provider, paid the entire balance of the series 2010 and 2008B bonds and issued the \$59,700,000 World Wildlife Fund, Inc. Taxable Variable Rate Bonds Series 2015 ("Series 2015 Bonds") with substantially the same financial terms and conditions as the 2010 and 2008B bonds. The series 2015 bonds also has a maturity date of July 1, 2030 and is subject to variable interest rates, substantially similar to the series 2010 and 2008B bonds. The interest rate per annum is determined by the remarketing agent on the applicable rate determination date as the lowest average interest rate which, in the opinion of the remarketing agent, under then-existing market conditions, would result in the sale of such bonds (in the daily rate period or weekly rate period, as applicable) at a price equal to the principal amount of such bonds on the rate determination date, plus interest, if any, accrued through the rate determination date.

On the same date, WWF entered into a reimbursement agreement with JP Morgan Chase for the latter to provide letter-of-credit covering the entire balance of the series 2015 bonds.

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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WWF evaluated the application of Accounting Standards Codification (ASC) 470-50, *Modifications and Extinguishments* and concluded that the refinancing constituted a debt modification. Under ASC 470-50, the existing bond premium issuance costs of the Series 2000B and 2010 will be amortized over the remaining term of the new Series 2015 bonds.

Upon issuance of the Series 2015 Bonds, WWF did not change the existing interest rate swaps. The swaps are used to minimize cash flow fluctuations of interest payments caused by the variable nature of the interest rates on the Series 2015 bonds. The interest on the outstanding principal balance is due monthly at the variable interest rate until maturity of the bonds and the interest on the swaps is due quarterly.

As of June 30, 2017, WWF has three interest-rate swap agreements covering \$55,042,500 of outstanding bonds to synthetically fix rates between 3.01% and 5.87%. The weighted average interest rate of the swaps was 4.80% and 4.51% for the fiscal years ended June 30, 2017 and 2016, respectively.

The swaps are recognized on the consolidated statements of financial position at fair value and are recorded as interest rate swap liability. Changes in the fair value of the swaps are recorded in gain (loss) on interest-rate swaps in the consolidated statements of activities. During the years ended June 30, 2017 and 2016, WWF recorded gain of \$5,393,969 and loss of (\$3,332,877) in fair-market value adjustments to the liability of the swaps, respectively. Cumulative losses on the swaps from inception totaled \$11,375,556 as of June 30, 2017.

WWF incurred total interest expense on the bonds and swaps of \$2,716,146 and \$2,621,519 for the years ended June 30, 2017 and 2016, respectively, which is allocated among the expenses, including building operations expense, based on internal allocation methods. WWF is subject to liquidity and debt services coverage ratio requirements and certain restrictions and limitations with respect to the incurrence of indebtedness, consolidation, and merger and transfer of assets. As of June 30, 2017 and 2016, WWF was in compliance with these covenants.

Maturities of debt are as follows:

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2018	\$	2,760,000
2019		2,910,000
2020		3,055,000
2021		3,215,000
2022		3,375,000
Thereafter		40,050,000
		<hr/> 55,365,000
Less unamortized bond issue cost, net		(863,416)
Plus unamortized original issue premium		113,275
	\$	<hr/> 54,614,859

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# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### 7. Commitments and Contingencies

#### *Litigation*

In the course of business, WWF is from time to time a party to various claims and lawsuits. If management determines, based on the underlying facts and circumstances, that it is probable a loss will result from a litigation contingency and the amount of the loss can be reasonably estimated, the estimated loss is accrued for. Management does not expect any adverse financial impact from open litigation matters occurring in the normal course of business as of June 30, 2017.

#### *Commitments*

Certain alternative investments, which include private equity investments, have rolling lockups ranging from one to three years. WWF is obligated under certain limited partnership agreements to fund certain partnership investments periodically up to a specified level. At June 30, 2017, WWF had unfunded commitments of \$2,133,722. Such commitments are generally called over periods of up to seven years and contain fixed expiration dates or other termination clauses.

#### *Operating Leases*

WWF leases field office facilities under operating leases that expire on various dates through October 2020. It is expected that WWF will renew leases as necessary in the normal course of its activities. During the years ended June 30, 2017 and 2016, WWF recorded \$950,759 and \$843,998, respectively, in rental expense.

The following is a schedule of the future minimum lease payments as of June 30, 2017:

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2018	\$	970,902
2019		967,233
2020		134,485
Total minimum lease payments		\$ 2,072,620

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# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### *Tenant Income*

As part of the building acquisition, WWF assumed existing tenant lease agreements and has entered into new lease agreements with additional tenants. The minimum future lease rental income is as follows:

2018	\$	6,063,062
2019		6,108,902
2020		5,350,140
2021		1,067,278
2022		647,913
Thereafter		719,639
Total	\$	19,956,934

Additionally, WWF has letters of credit from several banks, which list the tenants as the applicants and WWF as the beneficiary. Letters of credit in favor of WWF as of June 30, 2017 and 2016 were \$457,444 for both years. At June 30, 2017 and 2016, no amounts had been drawn against the letters of credit.

### *Federal and State Programs*

Amounts received and expended by WWF under various federal and state programs 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 financial position of WWF.

### *Indirect Cost Reimbursement*

The reimbursement of indirect costs reflected in the accompanying consolidated financial statements as federal grants revenue is subject to final approval by federal grantors and could be adjusted upon the results of these reviews. Management believes that the results of any such adjustment will not be material to WWF's financial position or change in net assets.

## **8. Employee Benefits**

WWF has a tax-deferred defined contribution plan under Section 403(b) of the Internal Revenue Code (IRC) for its employees. WWF's contributions under the plan are based on years of service and range from 3% to 9% of an eligible employee's annual salary. The expenses recorded by WWF for the plan were \$4,568,944 and \$3,696,123 for the years ended June 30, 2017 and 2016, respectively.

WWF has adopted two Deferred Compensation Plans (the Plan) in accordance with Section 457(b) and Section 457(f) of the IRC. The purpose of the 457(b) Plan is to offer certain eligible employees additional deferred compensation and/or the opportunity to defer specified amounts of compensation, on a pretax basis. The assets and liabilities associated with this Plan were \$1,561,605

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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and \$1,277,553 for the years ended June 30, 2017 and 2016, respectively. The assets for the 457(b) plan are included in other noncurrent assets and the liabilities are included in other long-term liabilities as presented in the consolidated statements of financial position. The purpose of the 457(f) Plan is the retention and recruitment of talent at the executive level. The expenses associated with the 457(f) Plan were \$506,677 and \$277,500 for the years ended June 30, 2017 and 2016, respectively. The 457(f) deferrals, which are reflected in other long-term liabilities, were \$1,188,615 and \$681,937 for the years ended June 30, 2017 and 2016.

During fiscal year 2004, WWF implemented a self-funded health insurance benefit plan under guidelines issued by the U.S. Department of Labor in accordance with the Employee Retirement Income Security Act (ERISA). Under this plan, WWF pays employee health insurance claims directly rather than using a third-party administrative service. To limit potential risk and exposure to higher than estimated claims, WWF has also purchased stop-loss insurance protecting WWF from claims over \$80,000 for individual employees and 125% of the actuarially determined yearly cost for the aggregated claims. The anticipated claims incurred but not reported were \$158,000 and \$202,000 as of June 30, 2017 and 2016, respectively, and are included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

### 9. Income Taxes

WWF has received a determination letter from the Internal Revenue Service (IRS) that grants an exemption from income taxes under Section 501(c)(3) of the IRC except for any income that may be a result of unrelated business transactions. Additionally, the IRS has classified WWF as an organization other than a private foundation as a Section 509(a)(1) organization as referred to in Section 170(b)(1)(A)(vi).

Under ASC 740-10, Income Taxes, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. WWF does not believe there are any material uncertain tax positions and accordingly it will not recognize any liability for unrecognized tax benefits. WWF has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, WWF has filed IRS Form 990 and Form 990-T tax returns as required and all other applicable returns in those jurisdictions where it is required. WWF believes that it is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2014. For the year ended June 30, 2017 and 2016, there were no interest or penalties recorded or included in the consolidated statements of activities related to uncertain tax positions.

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 10. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes as of June 30:

	2017	2016
Purpose restricted Conservation and other programs	\$ 65,803,665	\$ 55,502,922
Time restricted	46,271,142	62,762,770
Purpose and time restricted	35,269,719	37,886,826
	<b>\$ 147,344,526</b>	<b>\$ 156,152,518</b>

### 11. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable, to support the following at June 30:

	2017	2016
U.S. and developed countries	\$ 301,618	\$ 301,618
International programs	17,461,946	17,573,782
Unrestricted support	18,014,336	17,721,864
Other programs	7,205,788	6,613,171
	<b>\$ 42,983,688</b>	<b>\$ 42,210,435</b>

During the year ended June 30, 2017, certain transfers were made between unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The transfer are in accordance to the spending policy below.

#### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Board-approved spending policy for fiscal year 2017 and 2016 is 100% of the trailing three-year average of available bequests, 5% of the trailing three-year average of Board-designated reserves, payout on endowments as directed by donors, other payouts approved by the Board of Directors, and payout balances available from prior years. In establishing this policy, WWF considered the long-term expected return of the investment portfolio and it is consistent with WWF's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The amounts authorized under this policy are reported as non-operating income on the accompanying consolidated statements of activities. Non-operating income allocated to operations represents the appropriations that are expended during the year.

The amounts expended for the years ended June 30, 2017 and 2016 were \$30,744,617 and \$36,169,350, respectively.

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Totals
Endowment net assets, beginning of year	\$ 138,193,973	\$ 17,352,958	\$ 42,210,435	\$ 197,757,366
Investment return				
Investment income	201,402	35,184	44,868	281,454
Net appreciation, realized	3,816,310	685,802	857,700	5,359,812
Net appreciation, unrealized	17,739,898	5,668,872	1,477,792	24,886,562
Total investment income	21,757,610	6,389,858	2,380,360	30,527,828
Contributions	19,370,730	-	-	19,370,730
Appropriation of assets for expenditure	(36,331,718)	-	(1,607,107)	(37,938,825)
Other adjustments	1,551,493	-	-	1,551,493
Endowment net assets, end of year	\$ 144,542,088	\$ 23,742,816	\$ 42,983,688	\$ 211,268,592

Appropriation of assets for expenditure pertains to income from interest and dividends received on endowment assets which may be used by WWF for operations or specific donor-specific designations in accordance to the endowment agreements.

Changes in endowment net assets for the year ended June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Totals
Endowment net assets, beginning of year	\$ 161,000,792	\$ 19,497,375	\$ 43,107,900	\$ 223,606,067
Investment return				
Investment income	667,504	109,081	140,984	917,569
Net appreciation, realized	5,452,954	893,963	1,155,648	7,502,565
Net depreciation, unrealized	(10,966,925)	(3,147,461)	(846,548)	(14,960,934)
Total investment loss	(4,846,467)	(2,144,417)	450,084	(6,540,800)
Contributions	20,964,269	-	249,543	21,213,812
Appropriation of assets for expenditure	(37,373,128)	-	(1,597,092)	(38,970,220)
Other adjustments	(1,551,493)	-	-	(1,551,493)
Endowment net assets, end of year	\$ 138,193,973	\$ 17,352,958	\$ 42,210,435	\$ 197,757,366

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

The distribution of endowment net assets between donor restricted and board-designated for the year ended June 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Totals
Donor restricted	\$ 11,536,228	\$ 23,742,816	\$ 42,983,688	\$ 78,262,732
Board-designated	133,005,860	-	-	133,005,860
Total endowment net assets	\$ 144,542,088	\$ 23,742,816	\$ 42,983,688	\$ 211,268,592

The distribution of endowment net assets between donor restricted and board-designated for the year ended June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Totals
Donor restricted	\$ 10,383,889	\$ 17,352,958	\$ 42,210,435	\$ 69,947,282
Board-designated	127,810,084	-	-	127,810,084
Total endowment net assets	\$ 138,193,973	\$ 17,352,958	\$ 42,210,435	\$ 197,757,366

## 12. Fair Value of Financial Instruments

ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as WWF would use in pricing WWF's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of WWF are traded. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 - Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Examples include equity securities and publicly traded mutual funds that are actively traded on a major exchange or over-the-counter market.

Level 2 - Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly, such as municipal bonds. The fair value of municipal bonds is estimated using recently executed transactions, bid/asked prices and pricing models that factor in, where applicable, interest rates, bond spreads and volatility.

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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Level 3 - Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value. Examples include limited partnerships and private equity investments.

Some of WWF's investments may be illiquid and WWF may not be able to vary the portfolio in response to changes in economic and other conditions. Some of the investments that are purchased and sold are traded in private, unregistered transactions and are therefore subject to restrictions on resale or otherwise have no established trading market. In addition, if WWF is required to liquidate all or a portion of its portfolio quickly, WWF may realize significantly less than the value at which it previously recorded those investments.

Investments valued at Net Asset Value (NAV) - WWF reports certain investments using NAV per share as determined by investment managers under the so called "practical expedient". The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met. These investment funds are held as units or interest in institutional funds or limited partnerships, which are stated at the NAV or its equivalent. WWF uses the NAV as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different than NAV. Due to the adoption of FASB ASUS 2015-07 during the year ended June 30, 2017, WWF has not categorized these investments in levels within the fair value hierarchy table.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although WWF 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.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

**Mutual funds:** WWF's holdings in publicly traded mutual funds consist principally of debt and equity securities carried at their aggregate market value that is determined by quoted market prices. Each of these investments can be liquidated daily. Valuation is based on Level 1 inputs within the hierarchy used in measuring fair value.

**Common collective trusts:** Common collective trusts are non-registered pooled investment funds. The fair values of the investments have been estimated using the NAV per share of the fund. Common collective trust fund shares may be redeemed at net asset value on a daily or monthly basis, depending on the fund.

**Long-term trust receivables:** Long-term trust receivables consist of charitable remainder trust receivables. The fair value of trust receivables is based on the present value of future expected earnings. Given the fact that these long-term receivables do not have quoted market prices and are not actively traded, their valuation is based on Level 3 inputs within the hierarchy used in measuring fair value.

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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**Partnership investments:** Partnership investments consist of alternative investments made in limited partnerships, offshore limited liability companies and private equity concerns, all of which are valued based on Level 3 inputs within the investment hierarchy used in measuring fair value. Given the absence of market quotations, the fair value is estimated using information provided to WWF by the investment managers or general partners. The values are based on estimates that require varying degrees of judgment and, for fund of funds investments, are primarily based on financial data supplied by the investment managers of the underlying funds. Individual investment holdings within the alternative investments may include investments in both nonmarketable and market-traded securities. Nonmarketable securities may include equity in private companies, real estate, thinly traded securities, and other investment vehicles. The investments may indirectly expose WWF to the effects of securities lending, short sales of securities, and trading in futures and forward contracts, options, swap contracts, and other derivative products. While these financial instruments contain varying degrees of risk, WWF's exposure with respect to each such investment is limited to its carrying amount (fair value as described above) and any unfunded commitments in each investment. The financial statements of the investees are audited annually by nationally recognized firms of independent auditors. WWF does not directly invest in the underlying securities of the investment funds and due to restrictions on transferability and timing of withdrawals from the limited partnerships, the amounts ultimately realized upon liquidation could differ from reported values that are based on current conditions.

**Interest rate swap liability:** The estimate of fair value of the interest rate swap liability at year end approximates its carrying amount, which represents the amount WWF would pay to exit the swap agreements taking into account current interest rates. Given that the swaps do not have quoted market prices and are not actively traded, their valuation is based on Level 3 inputs within the hierarchy used in measuring fair value.



# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Financial assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2017 are as follows:

	Level 1	Level 2	Level 3	Totals
<b>Investments</b>				
Money market funds	\$ 18,997,796	\$ -	\$ -	\$ 18,997,796
Partnership investments:				
Fixed income	-	-	4,973,173	4,973,173
Equity and other	6,390,460	-	1,498,482	7,888,942
International	-	-	15,429,513	15,429,513
Specialty	-	-	9,061,346	9,061,346
Other tangible assets	-	-	1,438,436	1,438,436
Mutual funds:				
Large-Cap	35,978,162	-	-	35,978,162
International	39,034,923	-	-	39,034,923
Common collective trusts:				
Fixed income	-	2,433,409	-	2,433,409
Large-Cap	-	2,342,065	-	2,342,065
Small and Mid-Cap	-	913,263	-	913,263
International	-	2,719,251	-	2,719,251
Specialty	-	911,902	-	911,902
Debt and equity securities	19,294,248	582,267	-	19,876,515
Investments reported at Net asset value (NAV)*	-	-	-	88,212,587
<b>Total investments</b>	<b>119,695,589</b>	<b>9,902,157</b>	<b>32,400,950</b>	<b>250,211,283</b>
<b>Long-term trust receivables</b>				
Cash and money market	-	-	1,454,499	1,454,499
Mutual funds	-	-	814,360	814,360
Equity and other	-	-	8,350,401	8,350,401
Large-Cap	-	-	169,266	169,266
Mid-Cap	-	-	65,487	65,487
Small-Cap	-	-	65,534	65,534
International	-	-	8,372,922	8,372,922
Fixed income	-	-	1,785,101	1,785,101
Bonds and notes	-	-	2,284,610	2,284,610
Specialty	-	-	2,195,299	2,195,299
Other tangible assets	-	-	16,576,311	16,576,311
<b>Total long-term trust receivables</b>	<b>-</b>	<b>-</b>	<b>42,133,790</b>	<b>42,133,790</b>
<b>Total assets, at fair value</b>	<b>\$119,695,589</b>	<b>\$ 9,902,157</b>	<b>\$ 74,534,740</b>	<b>\$292,345,073</b>
<b>Interest rate swap liability</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$(11,375,555)</b>	<b>\$(11,375,555)</b>

\*Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented the consolidated statements of financial position.

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Financial assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2016 are as follows:

	Level 1	Level 2	Level 3	Totals
<b>Investments</b>				
Money market funds	\$ 34,797,272	\$ 544,071	\$ -	\$ 35,341,343
Partnership investments:				
Fixed income	-	-	4,561,885	4,561,885
Equity and other	6,748,240	-	1,843,620	8,591,860
International	-	-	15,435,782	15,435,782
Specialty	-	-	9,218,404	9,218,404
Other tangible assets	-	-	1,386,072	1,386,072
Mutual funds:				
Large-Cap	29,576,692	-	-	29,576,692
International	31,717,013	-	-	31,717,013
Common collective trusts:				
Fixed income	-	2,508,529	-	2,508,529
Large-Cap	-	2,128,681	-	2,128,681
Small and mid-Cap	-	1,105,568	-	1,105,568
International	-	2,875,531	-	2,875,531
Specialty	-	505,608	-	505,608
Debt and equity securities	19,222,673	-	-	19,222,673
Investments reported at net asset value (NAV)*	-	-	-	74,662,221
<b>Total investments</b>	<b>122,061,890</b>	<b>9,667,988</b>	<b>32,445,763</b>	<b>238,837,862</b>
<b>Long-term trust receivables</b>				
Cash and money market	-	-	1,430,529	1,430,529
Mutual funds	-	-	1,159,860	1,159,860
Equity and other	-	-	6,686,675	6,686,675
Large-Cap	-	-	439,427	439,427
Mid-Cap	-	-	47,352	47,352
Small-Cap	-	-	45,495	45,495
International	-	-	8,846,792	8,846,792
Fixed income	-	-	2,111,024	2,111,024
Bonds and notes	-	-	2,683,981	2,683,981
Specialty	-	-	2,028,326	2,028,326
Other tangible assets	-	-	20,105,351	20,105,351
<b>Total long-term trust receivables</b>	<b>-</b>	<b>-</b>	<b>45,584,812</b>	<b>45,584,812</b>
<b>Total assets, at fair value</b>	<b>\$122,061,890</b>	<b>\$ 9,667,988</b>	<b>\$ 78,030,575</b>	<b>\$ 284,422,674</b>
<b>Interest rate swap liability</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (16,769,524)</b>	<b>\$ (16,769,524)</b>

\*Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented the consolidated statements of financial position.

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

The following table presents WWF's activity for assets measured at fair value on a recurring basis using significant unobservable inputs as defined in ASC 820 for the years ended June 30:

	2017	2016
<b>Beginning balance</b>	<b>\$ 78,030,575</b>	<b>\$ 155,802,914</b>
Total realized/unrealized gains (losses) included in changes in net assets	175,422	(5,310,420)
Purchases	173,987	18,703,582
Settlements	(3,845,244)	(91,165,501)
<b>Ending balance</b>	<b>\$ 74,534,740</b>	<b>\$ 78,030,575</b>

The following table presents WWF's activity for liabilities measured at fair value on a recurring basis using significant unobservable inputs as defined in ASC 820 for the years ended June 30:

	2017	2016
<b>Beginning balance</b>	<b>\$ (16,769,524)</b>	<b>\$ (13,436,647)</b>
Total realized/unrealized gains/(losses) included in changes in net assets	5,393,969	(3,332,877)
<b>Ending balance</b>	<b>\$ (11,375,555)</b>	<b>\$ (16,769,524)</b>

### Quantitative Information

Quantitative information as of June 30, 2017, with respect to assets and liabilities measured and carried at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) follows:

Description	Fair Value	Principal Valuation Techniques	Unobservable Inputs	Weighted Average
Long-term trust receivables	\$42,133,790	Income Approach	Discount rates Life expectancies Trust payouts Allocation percentages	N/A
Partnership investments	\$32,400,950	Each of the Fund Manager's principal valuation techniques is to discount future cash flows	Unobservable inputs for each underlying funds' investment are less than any liabilities of the fund discount rate and liquidity discounts	N/A

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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Quantitative unobservable inputs are not developed by WWF in the valuation of its investments or swap liabilities. WWF uses the values reported by each fund manager as the basis for valuation noting that the valuation techniques and unobservable inputs vary widely among its fund managers. The swap liabilities are non-complex instruments and are valued using standard yield curves adjusted to mid-market values as deemed appropriate by the counterparties.

### *Level 3 Valuation Process*

Absent a solid, reliable quantitative model to assess the reasonableness of investment manager reported valuations, WWF management applies qualitative measures which consist of various informational analyses including:

- Comparisons of reported performance to benchmark performances, with particular interest in fund performance in excess of 5% above or below appropriate benchmarks.
- Reviews of external audit reports of each fund.
- Reviews of Service Organization Controls (SOC) 1 reports of each fund where available.
- Monitoring and evaluations of relevant news in the financial press.
- Participation in conference calls, presentations, or investor meetings conducted by investment managers.
- Consideration and review of non-public information available through subscription financial information services and/or communications from individual fund managers.
- Consideration of fund managers' delivery of quality and timely fund performance information, risk analysis, market outlook analysis and overall responsiveness to investor queries and requests for information.

WWF's investment advisor also performs on-going due diligence of the funds which includes evaluation of each fund manager's investment process, organizational changes, compliance with applicable rules and regulations, review of fees and charges, and analysis of performance, leverage, return patterns, volatility over time, drawdowns and recovery periods, gross and net exposures, and other factors as determined to be appropriate, conducting regular calls with management of the funds and meeting periodically with WWF's investment committee to reports the performance of the funds. There were no changes in valuation techniques noted for these funds for 2017 and 2016.

For long-term trust receivables, WWF gathers as much information as possible for each instrument, including the initial and current trust value, the amount allocated to WWF, the date of birth of any other beneficiaries and payout amounts. WWF uses a standard charitable gift calculation model using these inputs and a standard discount rate reset each year based on current IRS discount rates. For any input not readily available, management develops a best estimate for use in the calculation. There were no changes in valuation techniques for these receivables for 2017 and 2016.

For swap liabilities, WWF tracks quoted values for each instrument monthly to assess the reasonableness of reported values. Management also ensures that there have not been any changes in the underlying terms of each swap during the year. There were no changes in valuation techniques for the swaps for 2017 and 2016.

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### *Level 3 Sensitivity of Fair Value Measurements and Changes in Significant Observable Inputs*

The significant unobservable inputs used in the fair value measurement of WWF's long-term trust receivables and alternative investments are subject to market risks resulting from changes in the market value of their underlying investments. The significant unobservable inputs used in the fair value measurement of WWF's swap liabilities are subject to market risks resulting from changes in the mid-market consensus for similar instruments. There were no transfers in and out of level 3. The estimated fair values of WWF's financial instruments that are not measured at fair value on a recurring basis as of the year ended June 30, 2017 are as follows:

	Carrying Amount	Fair Value
Pledges receivable	\$ 45,629,287	\$ 45,879,287
Debt	\$ 54,478,275	\$ 55,365,000
Other long-term liabilities	\$ 8,998,451	\$ 8,998,451

The estimated fair values of WWF's financial instruments that are not measured at fair value on a recurring basis as of the year ended June 30, 2016 are as follows:

	Carrying Amount	Fair Value
Pledges receivable	\$ 45,251,835	\$ 45,501,836
Debt	\$ 57,681,988	\$ 57,560,000
Other long-term liabilities	\$ 8,934,432	\$ 8,934,432

The carrying amount is the amount at which the financial instrument is recorded on the books of WWF. The fair value is the estimated amount at which the financial instrument could be exchanged in a current transaction between willing parties.

**Pledges receivable:** Fair value is estimated based on the present value of pledges receivable using estimated future payments and current IRS discount rates.

**Long-term debt:** Fair value is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to WWF for debt of the same remaining maturities. As WWF debt is backed by a variable rate letter of credit, it trades and is valued at par.

**Other long-term liabilities:** Fair value is estimated based on the present value of outstanding liabilities using current IRS discount rates.

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 13. Net Asset Value (NAV) Per Share

In accordance with ASU 2009-12, *Fair Value Measurements and Disclosures (Topic 820) - Investment in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, WWF expanded disclosures to include the category, fair value, redemption frequency, and redemption notice period for those assets whose fair value is estimated using the net asset value per share or its equivalent for which fair value is not readily determinable. For WWF, such assets include the partnership investments.

The following table summarizes WWF's investments with a reported NAV as of June 30, 2017:

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period (Days)
Fund Partnerships -				
Equity	\$ 6,217,594	\$ -	Every 36 months	90
Equity	34,756	-	Semi-Annually	45
Equity	4,418,244	-	Quarterly	60
International	14,362,475	-	Monthly	6
			No immediate	
International	36,231,669	-	liquidity*	n/a
International	6,172,119	-	Daily	3
International	5,056,202	-	Monthly	3
Specialty	5,790,605	-	Quarterly	95
Specialty	4,562,642	-	Annually	44
Specialty	5,366,281	-	Quarterly	45
	\$ 88,212,587	\$ -		

\* Non-marketable alternative assets (NMAA), or alternative investments, included above have varying withdrawal restrictions. The typical NMAA fund cycle provides for an initial investment period of 1-5 years, a growth management phase of 2-7 years, and realization/distribution of investment returns over years 7-10.

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

The following table summarizes WWF's investments with a reported NAV as of June 30, 2016:

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period (Days)
Fund Partnerships -				
Equity	\$ 5,074,233	\$ -	Every 36 months	90
Equity	50,414	-	Semi-Annually	45
			No immediate	
Equity	225,395	-	liquidity*	n/a
Equity	3,530,482	-	Quarterly	60
International	11,592,701	-	Monthly	6
			No immediate	
International	28,692,858	-	liquidity*	n/a
International	6,179,178	-	Daily	3
International	5,258,529	-	Monthly	3
Specialty	4,959,033	-	Quarterly	95
Specialty	3,971,404	-	Annually	44
Specialty	5,127,994	-	Quarterly	45
	\$ 74,662,221	\$ -		

\* Non-marketable alternative assets (NMAA), or alternative investments, included above have varying withdrawal restrictions. The typical NMAA fund cycle provides for an initial investment period of 1-5 years, a growth management phase of 2-7 years, and realization/distribution of investment returns over years 7-10.

### 14. Subsequent Events

WWF evaluated subsequent events through November 15, 2017 which is the date the consolidated financial statements were issued. No subsequent events were noted that required disclosure in the consolidated financial statements.

Supplemental Material  
Schedule of Expenditures  
of Federal Awards

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# World Wildlife Fund, Inc. and Subsidiaries

## Consolidating Schedule of Financial Position

As of June 30, 2017	WWF - Parent	1250 24 LLC	1250 24	Eliminations	Total
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 38,528,226	\$ 1,145,371	\$ -	\$ -	\$ 39,673,597
Short-term investments	15,967,716	-	-	-	15,967,716
Accounts receivable	36,051,507	453,354	-	-	36,504,861
Pledges receivable	27,334,056	-	-	-	27,334,056
Prepaid assets	3,667,003	-	-	-	3,667,003
Other current assets	609,924	-	-	-	609,924
Interorganization receivable	2,250,000	645,150	-	(2,895,150)	-
<b>Total current assets</b>	<b>124,408,432</b>	<b>2,243,875</b>	<b>-</b>	<b>(2,895,150)</b>	<b>123,757,157</b>
<b>Noncurrent assets</b>					
Long-term investments, net of allowance for alternative investments	233,743,567	-	-	-	233,743,567
Pledges receivable, net of current, discount, and allowance for uncollectible pledges	18,295,231	-	-	-	18,295,231
Long-term trust receivables	42,133,790	-	-	-	42,133,790
Other noncurrent assets	4,193,617	-	-	-	4,193,617
Land, building, and equipment, net	65,305,468	279,171	-	-	65,584,639
<b>Total noncurrent assets</b>	<b>363,671,673</b>	<b>279,171</b>	<b>-</b>	<b>-</b>	<b>363,950,844</b>
<b>Total assets</b>	<b>\$ 488,080,105</b>	<b>\$ 2,523,046</b>	<b>\$ -</b>	<b>\$ (2,895,150)</b>	<b>\$ 487,708,001</b>
<b>Liabilities and net assets</b>					
<b>Current liabilities</b>					
Accounts payable and accrued expenses	\$ 18,646,550	\$ 300,931	\$ -	\$ -	\$ 18,947,481
Grants payable	39,711,754	-	-	-	39,711,754
Deferred revenue	5,891,149	-	-	-	5,891,149
Current portion of long-term debt	2,760,000	-	-	-	2,760,000
Interorganization payable	645,150	2,250,000	-	(2,895,150)	-
<b>Total current liabilities</b>	<b>67,654,603</b>	<b>2,550,931</b>	<b>-</b>	<b>(2,895,150)</b>	<b>67,310,384</b>
<b>Noncurrent liabilities</b>					
Long-term debt, net of current portion and debt issuance costs	51,854,859	-	-	-	51,854,859
Other long-term liabilities	8,998,451	-	-	-	8,998,451
Interest rate swap liability	11,375,555	-	-	-	11,375,555
<b>Total noncurrent liabilities</b>	<b>72,228,865</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72,228,865</b>
<b>Total liabilities</b>	<b>139,883,468</b>	<b>2,550,931</b>	<b>-</b>	<b>(2,895,150)</b>	<b>139,539,249</b>
<b>Net assets</b>					
Unrestricted	157,868,423	(27,885)	-	-	157,840,538
Temporarily restricted	147,344,526	-	-	-	147,344,526
Permanently restricted	42,983,688	-	-	-	42,983,688
<b>Total net assets</b>	<b>348,196,637</b>	<b>(27,885)</b>	<b>-</b>	<b>-</b>	<b>348,168,752</b>
<b>Total liabilities and net assets</b>	<b>\$ 488,080,105</b>	<b>\$ 2,523,046</b>	<b>\$ -</b>	<b>\$ (2,895,150)</b>	<b>\$ 487,708,001</b>

*See accompanying notes to consolidated financial statements.*

# World Wildlife Fund, Inc. and Subsidiaries

## Consolidating Schedule of Activities

<i>Year Ended June 30, 2017</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	WWF Parent Total	1250 24 LLC	1250 24	Eliminations	Total
<b>Operating revenues and support</b>								
Revenue								
Contributions	\$ 62,750,000	\$ 59,229,180	\$ -	\$ 121,979,180	\$ -	\$ -	\$ -	\$ 121,979,180
Government grants and contracts	57,929,779	-	-	57,929,779	-	-	-	57,929,779
WWF network revenue	15,971,694	-	-	15,971,694	-	-	-	15,971,694
Other revenues including royalties	3,655,809	1,979,975	-	5,635,784	-	-	-	5,635,784
In-kind contributions	75,607,851	-	-	75,607,851	-	-	-	75,607,851
Nonoperating income allocated to operations	28,847,018	1,897,599	-	30,744,617	-	-	-	30,744,617
<b>Total revenues</b>	<b>244,762,151</b>	<b>63,106,754</b>	<b>-</b>	<b>307,868,905</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>307,868,905</b>
<b>Net assets released from restrictions</b>	<b>76,703,159</b>	<b>(76,703,159)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net revenues</b>	<b>321,465,310</b>	<b>(13,596,405)</b>	<b>-</b>	<b>307,868,905</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>307,868,905</b>
<b>Commercial building operations</b>								
Revenues	5,669,362	-	-	5,669,362	386,719	-	-	6,056,081
Expenses	6,537,384	-	-	6,537,384	414,604	-	-	6,951,988
<b>(Loss) on commercial building operations, net</b>	<b>(868,022)</b>	<b>-</b>	<b>-</b>	<b>(868,022)</b>	<b>(27,885)</b>	<b>-</b>	<b>-</b>	<b>(895,907)</b>
<b>Total revenues and other income</b>	<b>320,597,288</b>	<b>(13,596,405)</b>	<b>-</b>	<b>307,000,883</b>	<b>(27,885)</b>	<b>-</b>	<b>-</b>	<b>306,972,998</b>
<b>Operating expenses</b>								
Program services								
Conservation field and policy programs	177,356,681	-	-	177,356,681	-	-	-	177,356,681
Public education	93,400,728	-	-	93,400,728	-	-	-	93,400,728
<b>Total program services</b>	<b>270,757,409</b>	<b>-</b>	<b>-</b>	<b>270,757,409</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>270,757,409</b>
<b>Supporting services</b>								
Finance and administration	14,400,292	-	-	14,400,292	-	-	-	14,400,292
Fundraising	35,115,104	-	-	35,115,104	-	-	-	35,115,104
<b>Total supporting services</b>	<b>49,515,396</b>	<b>-</b>	<b>-</b>	<b>49,515,396</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,515,396</b>
<b>Total operating expenses</b>	<b>320,272,805</b>	<b>-</b>	<b>-</b>	<b>320,272,805</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>320,272,805</b>
<b>Operating expenses over revenues and other income</b>	<b>324,483</b>	<b>(13,596,405)</b>	<b>-</b>	<b>(13,271,922)</b>	<b>(27,885)</b>	<b>-</b>	<b>-</b>	<b>(13,299,807)</b>
<b>Nonoperating activities</b>								
Bequests, endowments, and split income gifts	19,043,795	521,577	(1,607,107)	17,958,265	-	-	-	17,958,265
Gain on interest rate swaps	5,393,969	-	-	5,393,969	-	-	-	5,393,969
Income from investments, net	23,644,079	6,389,858	2,380,360	32,414,297	-	-	-	32,414,297
(Loss) on foreign current exchange	(110,281)	-	-	(110,281)	-	-	-	(110,281)
Change in donor restriction	225,423	(225,423)	-	-	-	-	-	-
<b>Total nonoperating activities</b>	<b>48,196,985</b>	<b>6,686,012</b>	<b>773,253</b>	<b>55,656,250</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,656,250</b>
<b>Total allocated to operations</b>	<b>(28,847,018)</b>	<b>(1,897,599)</b>	<b>-</b>	<b>(30,744,617)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(30,744,617)</b>
<b>Change in assets from nonoperating activities</b>	<b>19,349,967</b>	<b>4,788,413</b>	<b>773,253</b>	<b>24,911,633</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,911,633</b>
<b>Change in net assets</b>	<b>19,674,450</b>	<b>(8,807,992)</b>	<b>773,253</b>	<b>11,639,711</b>	<b>(27,885)</b>	<b>-</b>	<b>-</b>	<b>11,611,826</b>
<b>Net assets at beginning of year</b>	<b>138,193,973</b>	<b>156,152,518</b>	<b>42,210,435</b>	<b>336,556,926</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>336,556,926</b>
<b>Net assets at end of year</b>	<b>\$ 157,868,423</b>	<b>\$ 147,344,526</b>	<b>\$ 42,983,688</b>	<b>\$ 348,196,637</b>	<b>\$ (27,885)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 348,168,752</b>

See accompanying notes to consolidated financial statements.

## World Wildlife Fund, Inc. and Subsidiaries

### Reconciliation of Total Expenses per the Indirect Expense Allocation to the Consolidated Schedule of Functional Expenses

*For the year ended June 30, 2017*

Total base for indirect expense allocation	\$ 216,505,043
Base unallowable expenses	1,795,002
Base in-kind contributions	74,674,021
<b>Total base with unallowable expenses</b>	<b>292,974,066</b>
Overhead allocated	6,380,404
General and administrative allocated	19,656,072
Pool unallowable expenses	328,433
Pool in-kind contributions	933,830
<b>Total functional expenses</b>	<b>\$ 320,272,805</b>

*See accompanying notes to consolidated financial statements.*

# World Wildlife Fund, Inc. and Subsidiaries

## Consolidated Schedule of Indirect Expense Allocation

For the year ended June 30, 2017

Calculation of Frindge Benefits, Overhead, and General and Administrative Expense Allocation Rates

Indirect Expenses	General and Administrative					2017 Total General and Administrative	2017 Total General and Administrative and Facilities
	WWF-Sponsored Benefits	Facilities	Finance and Administration	Public Education	Program Management		
Salaries - regular	\$ 19,871,192	\$ 220,386	\$ 6,679,771	\$ -	\$ 3,526,527	\$ 10,206,298	\$ 10,426,684
Benefits	-	91,357	2,811,134	-	1,982,131	4,793,265	4,884,622
Professional fees and contracts	-	240,240	1,221,801	-	449,840	1,671,641	1,911,881
Conference and meetings	-	311	187,655	-	8,518	196,173	196,484
Staff travel and expenses	-	32,985	187,874	-	153,797	341,671	374,656
Printing and photocopying	-	41,003	1,447	-	4,969	6,416	47,419
Office supplies	-	100,623	22,238	-	5,039	27,277	127,900
Postage and shipping	-	5,989	13,084	-	5,979	19,063	25,052
Computer services	-	6,624	182,037	-	2,320	184,357	190,981
Telephone	-	(10,295)	208,026	-	13,773	221,799	211,504
Office and equipment rental	-	210,136	1,052,532	-	16,695	1,069,227	1,279,363
Bond and building	-	3,060,787	-	-	-	-	3,060,787
Depreciation, amortization, and maintenance	-	1,616,581	80,416	-	-	80,416	1,696,997
Other	-	789,111	793,013	-	348,455	1,141,468	1,930,579
Subtotal	19,871,192	6,405,838	13,441,028	-	6,518,043	19,959,071	26,364,909
Less unallowable costs	-	(25,434)	(25,611)	-	(277,388)	(302,999)	(328,433)
Total	\$ 19,871,192	\$ 6,380,404	\$ 13,415,417	\$ -	\$ 6,240,655	\$ 19,656,072	\$ 26,036,476
<b>Allocation base</b>							
Salaries	\$ 47,936,642	\$ 37,464,712	\$ -	\$ -	\$ -	\$ -	\$ 37,464,712
Salaries - field	-	13,313,709	-	-	-	-	13,313,709
Benefits	-	21,059,005	-	-	-	-	21,059,005
Project grants and contracts	-	94,204,544	-	-	-	-	94,204,544
Professional fees and contracts	-	3,145,328	-	-	-	-	3,145,328
Conference and meetings	-	4,183,977	-	-	-	-	4,183,977
Staff travel and expenses	-	6,818,598	-	-	-	-	6,818,598
Printing and photocopying	-	10,231,986	-	-	-	-	10,231,986
Office supplies, postage, and shipping	-	9,363,281	-	-	-	-	9,363,281
Mail list rental	-	852,528	-	-	-	-	852,528
Computer services	-	971,902	-	-	-	-	971,902
Telephone	-	582,880	-	-	-	-	582,880
Field office rental, vehicles, and equipment	-	3,130,078	-	-	-	-	3,130,078
Other	-	12,977,517	-	-	-	-	12,977,517
Subtotal	47,936,642	218,300,045	-	-	-	-	218,300,045
Less applicable vehicles, equipment, and severance	-	(738,024)	-	-	-	-	(738,024)
Less applicable vehicles, equipment, and severance	-	(1,056,978)	-	-	-	-	(1,056,978)
Total	\$ 47,936,642	\$ 216,505,043	\$ -	\$ -	\$ -	\$ -	\$ 216,505,043
Indirect expense rates	41.45%	2.95%		General and administrative rate		9.08%	12.03%
				Total indirect expense			

# World Wildlife Fund, Inc. and Subsidiaries

## Schedule of Receipts and Expenditures of Selected Grants and Awards

*For the period July 1, 2016 through June 30, 2017*

Agency/Project Title	Contract Number	Cash Collected	Expenditures	Deferred Revenue/ (Accounts Receivable)
IKEA Supply A.G./WWF Sweden-Forest Positive: Mainstreaming responsible forestry and equitable and inclusive land use practices for forests, people and nature	100200	\$ -	\$ 8,644	\$ (8,644)
<b>Total</b>				\$ (8,644)

\* Disclosure of receipts and expenditures on this schedule are those that are required to be reported by the grantor or funder.

# World Wildlife Fund, Inc.

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program/Grant Name	CFDA Number	Grant Award Number/Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. Agency for International Development (USAID)</b>				
USAID Foreign Assistance for Programs Overseas - Direct Grants				
Hariyo Ban	98.001	AID-367-A-11-00003	\$ 3,823,924	\$ 6,378,314
Good Practices Manual Providing Guidance for Reducing the Risk of Floods Using Natural Resource-Based Techniques	98.001	AID-OFDA-A-12-00011	-	177,628
Conservation and Adaptation in Asia's High Mountain landscapes and Communities	98.001	AID-OAA-LA-12-00003	1,251,843	2,067,444
Central Africa Forest Ecosystems Conservation (CAFEC) - Virunga Forest Landscape	98.001	AID-660-A-13-00005	1,096,825	1,311,888
Central Africa Forest Ecosystems Conservation (CAFEC) - Salonga Lukenie Sankuru Forest Landscape LS8	98.001	AID-660-A-13-00006	2,304,263	2,793,533
Preserving Madagascar's Natural Resources Program	98.001	AID-687-LA-13-00001	353,210	413,556
Hariyo Ban II	98.001	AID-367-A-16-00008	1,136,031	1,850,759
Combating Wildlife Crime in Namibia and the Kavango-Zambezi area project	98.001	AID-674-A-17-00002	15,949	108,810
Subtotal USAID Foreign Assistance for Programs Overseas - Direct Grants:			9,982,045	15,101,932
USAID Foreign Assistance for Programs Overseas - Pass-Through Grants				
Patrimonio Natural	98.001	AID-530-A-13-00004/C&G-G-04	-	6,420
Rainforest Alliance, Inc. - Climate, Nature, and Communities in Guatemala Program (CNCG)	98.001	AID-520-A-13-00001/SF-1848	-	6,784
TRAFFIC International - USAID ROUTES: Catalyzing transformation of the wildlife trafficking sector nexus	98.001	AID-EGEE-A-15-00001/INT361.00 ROUTES/TUSA1/15	191,403	370,803
TRAFFIC International - Wildlife Trafficking Response, Assessment and Priority Setting (W-TRAPS)	99.001	AID-EGEE-10-13-00002/TUSA-01- Y1-INT288.01	-	46,552
Wildlife Conservation Society - Central Africa Forest Ecosystems Conservation (CAFEC) - Maiko Tayna-Kahuzi Biega (MTKB)	98.001	AID-660-A-13-00010	647,511	791,948
Wildlife Conservation Society - Central Africa Forest Ecosystems Conservation (CAFEC) - Lac Tumba Lac Tele Landscape LS7	98.001	AID-660-A-14-00001	2,053,756	2,488,846
Wildlife Conservation Society - Africa Biodiversity Collaborative Group (ABCG) II: Hosting and Management Services	98.001	AID-OAA-A-15- 00060/ABCG110223_WWF	113,029	213,308
Winrock International - Cambodia Supporting Forests and Biodiversity (SFB)	98.001	AID-442-A-13-00002/6499-12-02	83,462	104,926
Winrock International - Cambodia Supporting Forests and Biodiversity (SFB) Extension	98.001	AID-442-A-13-00002/6499-16-AM- 06	33,289	43,981
Subtotal USAID Foreign Assistance for Programs Overseas - Pass-Through Grants			3,122,450	4,073,568
Subtotal USAID Foreign Assistance for Programs Overseas			13,104,495	19,175,500
USAID Global Development Alliance - Direct Grants: Forest Conservation Agricultural Alliance (FCAA)	98.011	AID-367-A-11-00003	289,951	709,163
Subtotal Global Development Alliance - Direct Grants:			289,951	709,163
<b>Total U.S. Agency for International Development (USAID)</b>			<b>\$ 13,394,446</b>	<b>\$ 19,884,663</b>
<b>U.S. Department of State (USDOS)</b>				
Environmental and Scientific Partnerships and Programs - Direct Grants:				
Trafficking Wildlife Crime in Borneo	19.017	S-LMAQM-15-GR-1294	\$ 2,894	\$ 6,699
Heart of Borneo Initiative: Conservation through Enhanced Cooperation and Capacity Building II	19.017	S-LMAQM-12-GR-1026	79,855	93,806
Improving Fisheries Management in Chile: Using Chilean hake fishery recovery plan as a framework for sustainable fisheries	19.017	S-LMAQM-13-CA-1231	771	28,846
Cleaner Production in privatized watersheds of Central America's Northern Triangle Region and Panama (CP-WCANTP)	19.017	S-LMAQM-16-CA-1267	71,939	134,450
Subtotal Environmental and Scientific Partnerships and Programs - Direct Grants			155,459	263,801

(Continued)

# World Wildlife Fund, Inc.

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program/Grant Name	CFDA Number	Grant Award Number/Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. Department of State (USDOS) (cont.)</b>				
Trans-National Crime - Direct Grants				
Community Anti-Poaching: Enhanced conservancy wildlife anti-poaching and wildlife crime information sharing to combat wildlife crimes in the Mara-Kenya	19.705	SINLEC15GR0038	51,337	68,354
Combating Wildlife Trafficking in Namibia	19.705	S-INLEC-16-GR-1010	301,358	453,068
Subtotal Trans-National Crime - Direct Grants			352,695	521,422
Criminal Justice Systems- Direct Grants				
IUU Fishing Workshop	19.703	SINLEC17GR2006	-	19,250
Subtotal Criminal Justice Systems - Direct Grants			-	19,250
<b>Total U.S. Department of State (USDOS)</b>			<b>\$ 508,154</b>	<b>\$ 804,473</b>
<b>U.S. Fish and Wildlife Service (USFWS)</b>				
Rhinoceros and Tiger Conservation Fund - Direct Grants				
Smart Patrolling and Protection Training in Manas NP	15.619	F14AP00646	\$ (130)	\$ (130)
Capacity Building to Crack Down on Tiger Poaching and Trade in Bhutan	15.619	F15AP00773	17,503	25,558
Enhancing SMART capacity building in South and South East Asia to strengthen, monitor and evaluate antipoaching effectiveness	15.619	F15AP00772	26,958	30,201
Protect tigers and other endangered wildlife by building Nepal Police's capacity to address wildlife crime	15.619	F15AP00769	4,515	11,552
Rhino Translocation from Chitwan National Park to Suklaphanta Wildlife Reserve, Nepal	15.619	F16AP00940	6,781	14,201
Subtotal Rhinoceros and Tiger Conservation Fund - Direct Grants			55,627	81,382
Endangered Species Conservation - Direct Grants				
Recovery of Laysan and Short-tailed Albatross	15.657	F16AP00842	11,895	15,493
Subtotal Endangered Species Conservation - Direct Grants			11,895	15,493
Wildlife Without Borders - Africa - Direct Grants				
Improving management to conserve the ecological integrity and connectivity, and the wealth of wildlife in the Sangha Tri-National and Northern Congo continuous forest landscape	15.651	F13AC00558	2,275,546	2,452,559
TRIDOM Cameroon Transboundary Elephant Security Project	15.651	F16AP00532	46,628	52,237
Strengthening Government Agencies, Educational Institutions and NGOs on Adaptive Management (AD) Approach for Conservation Practitioners	15.651	F16AP00965	30,000	35,133
Subtotal Wildlife Without Borders - Africa - Direct Grants			2,352,174	2,539,929
National Fish and Wildlife Foundation - Pass-Through Grants				
Ducks Unlimited, Ltd. - Informing, Strengthening, and Monitoring Farm Bill Delivery in Focal Landscapes of the Northern Great Plains	15.664	0103.15.050049	-	60,223
Subtotal National Fish and Wildlife Foundation - Pass-Through Grants			-	60,223
<b>Total U.S. Fish and Wildlife Service (USFWS)</b>			<b>\$ 2,419,696</b>	<b>\$ 2,697,027</b>
<b>National Park Service</b>				
Natural Resource Stewardship - Direct Grants				
Wetland Study for Gypsum Sister Parks	15.944	P13AC008505/P15AC01260	\$ -	\$ 36,695
Subtotal Natural Resource Stewardship - Direct Grants			-	36,695
Cooperative Research and Training Programs-Resources of the National - Direct Grants:				
US-Mexico Sister Park Training Support for Vital Signs Monitoring and Modeling	15.945	P13AC00805/P16AC01199	-	12
Subtotal Cooperative Research and Training Programs-Resources of the National - Direct Grants			-	12
<b>Total National Park Service</b>			<b>\$ -</b>	<b>\$ 36,707</b>

(Continued)

# World Wildlife Fund, Inc.

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program/Grant Name	CFDA Number	Grant Award Number/Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>Department of Agriculture</b>				
Forest Service - Direct Grants:				
Addressing Illegal Logging in Russia: Workshop to Support Tools to Improve Compliance under Russia's Roundwood Act and the US Lacey Act	10.684	15-DG-11132762-441	\$ 42,780	\$ 59,450
Subtotal Forest Service - Direct Grants			42,780	59,450
<b>Total Department of Agriculture</b>			<u>\$ 42,780</u>	<u>\$ 59,450</u>
<b>National Oceanic and Atmospheric Administration</b>				
Habitat Conservation - Direct Grants:				
Development of an electronic reporting and data storage System to Support the Indian Ocean Tuna Commission Regional Observer Scheme	11.463	NA15NMF4630356	\$ -	\$ 19,026
Subtotal Habitat Conservation - Direct Grants			-	19,026
Congressionally Identified Awards and Projects - Direct Grants				
Pilot Project to Enhance the Capacity of Ecuador to Use Genetic Identification Techniques to Assist in Implementation of the CITES Shark Listings	11.469	NA14NMF4690067	-	13,863
Work Plan for OSPESCA Member Countries on the Implementation of Observer Programs	11.469	NA14NMF4690127	-	50,859
Subtotal Congressionally Identified Awards and Projects- Direct Grants			-	64,722
<b>Total National Oceanic and Atmospheric Administration</b>			<u>\$ -</u>	<u>\$ 83,748</u>
<b>Marine Mammal Commission</b>				
Marine Mammal Commission - Direct Grants				
Effective phase out of shrimp driftnets for saving vaquita	N/A	Not specified	\$ -	\$ 10,733
Subtotal Marine Mammal Commission - Direct Grants			\$ -	\$ 10,733
<b>Total Marine Mammal Commission</b>			<u>\$ -</u>	<u>\$ 10,733</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 16,365,076</u>	<u>\$ 23,576,801</u>

See accompanying notes to the schedule of expenditures of federal awards.



# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Schedule of Expenditures of Federal Awards

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### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of World Wildlife Fund, Inc. (WWF) under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of WWF, it is not intended to and does not present the financial position, changes in net assets or cash flows of WWF. Therefore, some amounts presented in the schedule may differ from amounts presented in the consolidated financial statements.

Sub-awards made to organizations assisting in the project implementation are expensed in the consolidated financial statements when the agreement is entered into by WWF. The schedule for the year ended June 30, 2017 includes only payments made by WWF to subrecipients for periods through June 30, 2017. If a sub-award agreement is prematurely terminated or not fully expended, the remaining expenses and related revenue are reversed in the consolidated financial statements.

The reimbursement of indirect costs reflected in the accompanying consolidated financial statements as federal grants revenue is subject to final approval by federal grantors and could be adjusted upon the results of these reviews. Management believes that the results of any such adjustment will not be material to WWF's financial position or change in net assets.

All of WWF's federal awards were in the form of cash assistance for the year ended June 30, 2017.

WWF had no federally funded insurance programs or loan guarantees during the year ended June 30, 2017.

### 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented when available. WWF has elected not to use the 10-percent de minimis indirect cost rate allowed under the *Uniform Guidance*.

# World Wildlife Fund, Inc. and Subsidiaries

## Notes to Schedule of Expenditures of Federal Awards

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### 3. Subrecipients

Of the federal expenditures presented in the schedule, WWF provided federal awards to subrecipients during the year ended June 30, 2017, as follows.

CFDA Number	Program Name	Amount Provided to Subrecipients
98.001	Foreign Assistance for Programs Overseas	\$ 13,104,495
15.651	Wildlife Without Borders - Africa	2,352,174
19.705	Trans-National Crime	352,695
98.011	Forest Conservation Agricultural Alliance	289,951
19.017	Environmental and Scientific Partnerships and Programs	155,459
15.619	Rhinoceros and Tiger Conservation Fund	55,627
10.684	International Forestry Cooperation Act of 1990 - Addressing Illegal Logging in Russia: Workshop to Support Tools to Improve Compliance under Russia's Roundwood Act and the U.S. Lacey Act	42,780
15.657	Recovery of Laysan and Short-tailed Albatross	11,895
Total		\$ 16,365,076

Independent Auditor's Reports  
Required by *Government*  
*Auditing Standards* and the Uniform Guidance

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## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance With *Government Auditing Standards***

To the Board of Directors  
**World Wildlife Fund, Inc.**  
Washington, D.C.

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 **World Wildlife Fund, Inc. and Subsidiaries (WWF)**, which comprise the consolidated statement of financial position as of June 30, 2017, 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 November 15, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our internal control audit of the consolidated financial statements, we considered WWF's internal control over financial reporting 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 WWF's internal control. Accordingly, we do not express an opinion on the effectiveness of WWF'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether WWF's consolidated financial statements are free of 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 consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

*BDO USA, LLP*

November 15, 2017  
McLean, Virginia



## **Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors  
**World Wildlife Fund, Inc.**  
Washington, D.C.

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

We have audited **World Wildlife Fund, Inc. and Subsidiaries (WWF)** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of WWF's major federal programs for the year ended June 30, 2017. WWF'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 WWF's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about WWF'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 WWF's compliance.

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

In our opinion, WWF complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.



## Report on Internal Control Over Compliance

Management of WWF 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 WWF's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of WWF's internal control over compliance.

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

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

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

*BDO USA, LLP*

November 15, 2017  
McLean, Virginia

# World Wildlife Fund, Inc. and Subsidiaries

## Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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### Section I - Summary of Auditor's Results

#### *Consolidated Financial Statements*

Type of report the auditor issued on whether  
the consolidated financial statements audited were  
prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported
- Noncompliance material to consolidated financial  
statements noted? ☐ yes ☒ no

#### *Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for  
major federal programs:

Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with  
2 CFR 200.516 (a)?

☐ yes ☒ no

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

98.001

USAID Foreign Assistance for Programs Overseas

15.651

Wildlife Without Borders - Africa

Dollar threshold used to distinguish  
between Type A and Type B  
programs:

\$750,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no



# **World Wildlife Fund, Inc. and Subsidiaries**

## **Schedule of Findings and Questioned Costs Year Ended June 30, 2017**

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### **Section II - Financial Statement Findings**

There were no findings related to the consolidated financial statements which are required to be reported in accordance with generally accepted government auditing standards (GAGAS).

### **Section III - Federal Award Findings and Questioned Costs**

There were no findings and questioned costs for federal awards (as defined in section 2 CFR 200.516(a)) that are required to be reported.