



# **THE NATIONAL WILDLIFE FEDERATION**

## **Financial Statements**

*For the Years Ended August 31, 2018 and 2017*



**and  
Report Thereon**



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

*For the Year Ended August 31, 2018*



THE NATIONAL WILDLIFE FEDERATION

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For the Years Ended August 31, 2018 and 2017

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The logo for Raffa, featuring the name 'Raffa' in a stylized, cursive blue font.

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
The National Wildlife Federation

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

We have audited the accompanying financial statements of The National Wildlife Federation (the Federation), which comprise the statements of financial position as of August 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The National Wildlife Federation as of August 31, 2018 and 2017, 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.

Continued

### **Other Information**

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018, on our consideration of the Federation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Federation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Federation's internal control over financial reporting and compliance.

Raffa, P.C.

**Raffa, P.C.**

Washington, DC  
November 29, 2018

**THE NATIONAL WILDLIFE FEDERATION**

**STATEMENTS OF FINANCIAL POSITION**

**As of August 31, 2018 and 2017**

**(in thousands)**

	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,296	\$ 4,092
Unrestricted investments	63,970	59,512
Grants and other restricted receivables, net	13,310	13,234
Bequests and other contributions receivable, net	2,445	2,271
Accounts receivable, net of allowance for doubtful accounts of \$13 and \$11, respectively	873	784
Inventory, nature education materials	746	730
Prepaid expenses	3,114	2,988
Charitable gift annuities and other trusts	11,657	11,536
Property, plant and equipment, net	16,757	17,065
Other assets	1,017	511
Permanently restricted investments	5,485	5,484
TOTAL ASSETS	\$ 121,670	\$ 118,207
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 4,438	\$ 4,914
Accrued payroll and related costs	2,391	2,462
Deferred revenue	9,036	8,611
Deferred rent and lease incentives	1,646	1,093
Bonds and notes payable, net of premium and unamortized financing fees	11,675	12,232
Accrued pension and post-retirement benefits	17,525	18,213
Charitable gift annuities and other trust obligations	3,398	3,812
TOTAL LIABILITIES	50,109	51,337
<b>Net Assets</b>		
<b>Unrestricted</b>		
Undesignated	19,681	16,687
Designated	9,007	8,764
Total Unrestricted	28,688	25,451
Temporarily restricted	33,020	31,763
Permanently restricted	9,853	9,656
TOTAL NET ASSETS	71,561	66,870
TOTAL LIABILITIES AND NET ASSETS	\$ 121,670	\$ 118,207

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

**THE NATIONAL WILDLIFE FEDERATION**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended August 31, 2018 and 2017**  
**(in thousands)**

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>OPERATING REVENUE AND SUPPORT</b>								
Contributions from individuals	\$ 23,394	\$ 11,315	\$ 1	\$ 34,710	\$ 24,185	\$ 11,819	\$ 10	\$ 36,014
Contributions from governments, foundations and corporations	7,117	19,447	-	26,564	9,730	22,100	-	31,830
Publications	12,470	-	-	12,470	11,352	-	-	11,352
Nature education materials	9,160	-	-	9,160	8,922	-	-	8,922
Investment income appropriated for operations	2,092	-	-	2,092	2,079	94	-	2,173
Royalties	556	-	-	556	745	-	-	745
Other	1,964	47	196	2,207	1,941	158	194	2,293
Net assets released from restrictions:								
Satisfaction of program restrictions	25,400	(25,400)	-	-	25,397	(25,397)	-	-
Expiration of time restrictions	4,152	(4,152)	-	-	5,450	(5,450)	-	-
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<b>86,305</b>	<b>1,257</b>	<b>197</b>	<b>87,759</b>	<b>89,801</b>	<b>3,324</b>	<b>204</b>	<b>93,329</b>
<b>OPERATING EXPENSES</b>								
Program Services:								
Conservation advocacy programs	35,747	-	-	35,747	34,039	-	-	34,039
Education outreach and publications	20,020	-	-	20,020	20,725	-	-	20,725
Other nature education programs	13,020	-	-	13,020	12,212	-	-	12,212
Membership education programs	7,143	-	-	7,143	7,451	-	-	7,451
<b>Total Program Services</b>	<b>75,930</b>	<b>-</b>	<b>-</b>	<b>75,930</b>	<b>74,427</b>	<b>-</b>	<b>-</b>	<b>74,427</b>
Supporting Services:								
Fundraising	7,935	-	-	7,935	8,674	-	-	8,674
General and administrative	5,092	-	-	5,092	5,130	-	-	5,130
<b>Total Supporting Services</b>	<b>13,027</b>	<b>-</b>	<b>-</b>	<b>13,027</b>	<b>13,804</b>	<b>-</b>	<b>-</b>	<b>13,804</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>88,957</b>	<b>-</b>	<b>-</b>	<b>88,957</b>	<b>88,231</b>	<b>-</b>	<b>-</b>	<b>88,231</b>
Change in net assets from operations	(2,652)	1,257	197	(1,198)	1,570	3,324	204	5,098
Nonoperating activities:								
Investment income in excess of earnings appropriated for operations	4,143	-	-	4,143	5,796	-	-	5,796
Pension and post-retirement related changes other than net periodic benefit cost	1,746	-	-	1,746	2,265	-	-	2,265
<b>CHANGE IN NET ASSETS</b>	<b>3,237</b>	<b>1,257</b>	<b>197</b>	<b>4,691</b>	<b>9,631</b>	<b>3,324</b>	<b>204</b>	<b>13,159</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>25,451</b>	<b>31,763</b>	<b>9,656</b>	<b>66,870</b>	<b>15,820</b>	<b>28,439</b>	<b>9,452</b>	<b>53,711</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 28,688</b>	<b>\$ 33,020</b>	<b>\$ 9,853</b>	<b>\$ 71,561</b>	<b>\$ 25,451</b>	<b>\$ 31,763</b>	<b>\$ 9,656</b>	<b>\$ 66,870</b>

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

**THE NATIONAL WILDLIFE FEDERATION**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended August 31, 2018**  
**(in thousands)**

	Program Services				Supporting Services				
	Conservation Advocacy Programs	Education Outreach and Publications	Other Nature Education Programs	Membership Education Programs	Total Program Services	Fundraising	General and Administrative	Total Supporting Services	Total Expenses
Salaries and benefits	\$ 16,850	\$ 6,897	\$ 3,184	\$ 647	\$ 27,578	\$ 1,512	\$ 2,835	\$ 4,347	\$ 31,925
Consultants and contractors	7,039	2,275	2,734	1,264	13,312	1,435	485	1,920	15,232
Printing and production	123	4,130	1,462	2,330	8,045	2,128	404	2,532	10,577
Postage, mailing and shipping	29	3,570	1,299	1,957	6,855	1,863	363	2,226	9,081
Other	2,512	829	977	491	4,809	451	137	588	5,397
Conservation assistance	4,349	111	6	57	4,523	2	-	2	4,525
Information systems	1,726	968	629	345	3,668	384	253	637	4,305
Occupancy and depreciation	1,528	620	227	40	2,415	67	555	622	3,037
Cost of goods sold	1	223	2,324	-	2,548	3	-	3	2,551
Travel	1,553	210	178	1	1,942	67	60	127	2,069
In-kind services	37	187	-	11	235	23	-	23	258
<b>TOTAL EXPENSES</b>	<b>\$ 35,747</b>	<b>\$ 20,020</b>	<b>\$ 13,020</b>	<b>\$ 7,143</b>	<b>\$ 75,930</b>	<b>\$ 7,935</b>	<b>\$ 5,092</b>	<b>\$ 13,027</b>	<b>\$ 88,957</b>

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

THE NATIONAL WILDLIFE FEDERATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2017

(in thousands)

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

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

**THE NATIONAL WILDLIFE FEDERATION**

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended August 31, 2018 and 2017**  
**Increase (Decrease) in Cash and Cash Equivalents**  
**(in thousands)**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 4,691	\$ 13,159
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	68	121
Depreciation and amortization	1,313	1,014
Realized and unrealized gains on investments and annuities	(5,475)	(7,314)
Loss on sale of property	-	36
Unrecognized gain on pension and post-retirement plans	(1,746)	(2,265)
Changes in assets and liabilities:		
Grants and other restricted receivables	(76)	(3,251)
Bequests and other contributions receivable	(174)	2,263
Accounts receivable	(157)	(79)
Inventory, nature education materials	(16)	15
Prepaid expenses	(126)	(142)
Charitable gift annuities and other trusts	(121)	(502)
Other assets	(506)	(73)
Accounts payable and accrued expenses	(476)	(515)
Accrued payroll and related costs	(71)	133
Deferred revenue	425	(162)
Deferred rent and lease incentives	553	1,093
Accrued pension and post-retirement benefits	1,058	(488)
Charitable gift annuities and other trust obligations	(414)	(141)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(1,250)</b>	<b>2,902</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(1,005)	(1,246)
Purchases of investments	(12,791)	(15,599)
Sales and maturities of investments	13,807	17,655
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>11</b>	<b>810</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on notes payable and line of credit	(12,233)	(9,952)
Borrowings under notes payable and line of credit	-	9,016
Proceeds from issuance of bonds	12,077	-
Acquisition of financing costs	(401)	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(557)</b>	<b>(936)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,796)</b>	<b>2,776</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>4,092</b>	<b>1,316</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 2,296</b>	<b>\$ 4,092</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<b>\$ 264</b>	<b>\$ 280</b>
<b>NONCASH FINANCING AND INVESTING ACTIVITIES</b>		
Leasehold improvements	\$ -	\$ (942)
Deferred lease incentive	-	942
	<b>\$ -</b>	<b>\$ -</b>

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

# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2018 and 2017 (in thousands)

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

#### **Organization**

The National Wildlife Federation (the Federation) is a not-for-profit organization that was formed in the District of Columbia for the purpose of promoting the wise use and proper management of our natural resources. Founded in 1936, the Federation, its member supporters and a national network of affiliated organizations work to inspire Americans to protect wildlife for our children's future. Support is provided primarily by individuals, foundations and corporations, along with some federal and state grants. Other major revenue sources are memberships, subscriptions to magazines published by the Federation, sales of nature educational materials and royalties.

#### **Basis of Presentation**

The financial statements have been prepared on the accrual basis of accounting.

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

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

#### **Cash and Cash Equivalents**

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

#### **Investments**

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

# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2018 and 2017 (in thousands)

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

#### **Investments (continued)**

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

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

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

#### **Grants and Other Contributions Receivable**

Unconditional promises to give, including grants, contributions and bequests that are expected to be collected within one year, are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows using a discount rate commensurate with the risks identified. Amortization of the discounts is included in contribution revenue. The allowance method is used to determine the uncollectible amounts. The Federation records an allowance for doubtful accounts on its outstanding receivables based on its collection history, analysis of subsequent collections and specific identification of uncollectible accounts. No allowance was deemed necessary as of August 31, 2018 and 2017. Credit risk with respect to grants and other contributions receivable is limited because the Federation deals with a large number of foundations, grant makers and donors with a wide range of awards and geographic area.

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

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

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

The Federation has been named as beneficiary in split income gifts that include charitable gift annuities, charitable remainder and lead trusts, and perpetual trusts. The split interest gifts have been valued based on discount rates approved by the Internal Revenue Service (the

# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2018 and 2017 (in thousands)

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

### **Charitable Gift Annuities and Other Trusts (continued)**

IRS) on the date of the gift, which range from 1.2% to 9.4%. The Federation serves as the administrator for all charitable gift annuities and certain remainder trusts received. A third party holds amounts received and makes specified payments to annuitants. The excess in fair value of assets received over the liability assumed is recorded as either unrestricted or temporarily restricted revenue. The liabilities are included in the accompanying statements of financial position. The assets are adjusted each year based on the fair value of the investments held by the third party. The liability is adjusted each year based on the adjusted life expectancies of the annuitants. Changes in assets and liabilities are recorded in the accompanying statements of activities in temporarily restricted other revenue.

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

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

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

The Federation capitalizes all purchases of capital assets that are greater than \$1,000. Building and improvements are recorded at cost and depreciated using the straight-line method over their estimated useful lives of 20 to 50 years. Equipment, furniture and software are recorded at cost and depreciated using the straight-line method over their estimated useful lives of three to eight years. Leasehold improvements are amortized over the lesser of 10 years or the life of the lease. Maintenance and repairs are charged to expense as incurred.

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

The Federation reviews the carrying amounts of assets whenever events or circumstances indicate that such carrying amounts may not be recoverable. When an asset is considered impaired, the carrying amount of the asset is reduced by a charge to the statements of activities to its current fair value. As of August 31, 2018 and 2017, the Federation has not recognized an impairment loss.

### **Contributed Property**

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

# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2018 and 2017 (in thousands)

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

#### **Conservation Properties**

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

#### **Restricted and Unrestricted Revenue**

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

#### **Revenue Recognition**

The Federation's contribution program promotes subscriptions to National Wildlife® magazine as a benefit of membership in the Federation. Therefore, a portion of the membership revenue is considered to be a contribution and a portion is considered to be an exchange transaction for the magazine. The amount of the contribution less the value to fulfill the magazine benefit is recognized as contribution revenue in these financial statements. The remaining amount is recorded as deferred revenue and recognized ratably over one year. Subscription revenue for Ranger Rick®, Ranger Rick Cub®, and Ranger Rick Junior® is recognized as publications revenue ratably over the subscription period, with the unearned portion classified as deferred revenue in the accompanying statements of financial position. Donations, bequests, grants and federal and state grant awards are recorded in the reporting period in which they are received at the expected realizable value. Unconditional promises to give are recognized as revenue and assets in the period in which the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

#### **Donated Services**

The Federation recognizes contribution revenue for certain services received at the fair value of those services. In the years ended August 31, 2018 and 2017, the Federation received \$258 and \$2,284, respectively, in donated professional legal, actuarial, and program advertising services used in program and fundraising activities that are recorded in the accompanying statements of activities. However, many individuals volunteer their time and perform a variety of tasks that assist the Federation with its conservation education programs but do not meet the criteria for recording contributed services in the financial statements.

#### **Pension and Retiree Medical Benefits**

The Federation sponsors a noncontributory defined benefit pension plan and a contributory defined contribution savings plan covering substantially all full-time employees. Liabilities and expenses under the defined benefit pension plan are actuarially determined.

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# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2018 and 2017 (in thousands)

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

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

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

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

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

#### **Promotional Costs**

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

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

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

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2018 and 2017**  
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1. Organization, Purpose and Summary of Significant Accounting Policies (continued)

**Fair Value of Financial Instruments (continued)**

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

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

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

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

The Federation follows the accounting guidance that permits, as a practical expedient, the fair value of investments within its scope to be estimated using NAV or its equivalent. NAV or its equivalent is the value per share or value of ownership interest in partner's capital, as provided by the partnership or fund, whose financial statements are prepared in a manner consistent with the measurement principles of an investment company or that has the attributes of an investment company. In accordance with the standard, investment funds measured at NAV are excluded from the fair value hierarchy.

**Deferred Financing Costs and Amortization**

Deferred financing costs are presented as a reduction of the carrying amount of the related debt liability and the related amortization charge is included in interest expense. Financing costs are amortized over the term of the debt liability using the straight-line method. GAAP requires that the effective yield method be used to amortize financing costs. However, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method.

**Estimates**

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

**Reclassifications**

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

# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2018 and 2017 (in thousands)

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

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

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

### 2. Grants and Other Restricted Receivables

At August 31, 2018 and 2017, grants and other restricted receivables included the following unconditional promises to give:

	<u>2018</u>	<u>2017</u>
Amount due in less than one year	\$ 11,456	\$ 12,767
Amount due in one to five years	<u>1,947</u>	<u>534</u>
Subtotal	13,403	13,301
Less: Discount (5%)	<u>(93)</u>	<u>(67)</u>
Total	<u>\$ 13,310</u>	<u>\$ 13,234</u>

During 2016, the Federation received a grant award from a foreign government agency of approximately \$6.8 million, to be paid over five years, to support a conservation program. The Federation recognized approximately \$1.4 million and \$1.5 million as revenue for the years ended August 31, 2018 and 2017, respectively. The remaining amount is conditional upon annual parliamentary budget approval. In addition, during the year ended August 31, 2017, the Federation was awarded approximately \$2.3 million in conditional grants receivable from two donors, which were not reflected in the accompanying statement of financial position. The conditional project grants require the Federation's completion of contractual tasks, milestones and other matching requirements which are subject to periodic donor review and approval before the project may continue. During year ended August 31, 2018, the Federation recognized approximately \$1.3 million for the completion of certain milestones, while the remaining grant balances are subject to the fulfillment of additional tasks or milestones. In addition, during the year ended August 31, 2018, the Federation was awarded approximately \$500 in conditional grant receivable from a donor, which was not reflected in the accompanying statement of financial position. As of August 31, 2018 and 2017, total conditional grants were approximately \$4 million and \$6.2 million, respectively.

Continued

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2018 and 2017**  
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3. Bequests and Other Contributions Receivable

At August 31, 2018 and 2017, bequests and other contributions receivable included the following unconditional promises to give:

	2018	2017
Amount due in less than one year	\$ 2,440	\$ 2,265
Amount due in one to five years	6	7
Subtotal	2,446	2,272
Less: Discount (5%)	(1)	(1)
Total	\$ 2,445	\$ 2,271

The Federation received \$2,505 and \$2,365 in the years ended August 31, 2018 and 2017, respectively, from a monthly donor program. The pledges from this program are deemed to be conditional because donors can cancel their participation at any time. Therefore, the pledges are recognized as revenue only when payment is received.

4. Investments and Permanently Restricted Investments

Investments, including permanently restricted investments, at market, consisted of the following as of August 31, 2018 and 2017:

	2018	2017
Common stocks	\$ 15,288	\$ 5,943
Money market funds	2,808	4,215
Limited partnerships and private investment funds	19,025	17,323
Hedge fund	-	3,653
Mutual funds – fixed income	6,930	3,481
Mutual and index funds – equity	19,919	24,897
Total Unrestricted Investments	63,970	59,512
Limited partnerships and private Investment funds – permanently restricted	5,485	5,484
Total Investments	\$ 69,455	\$ 64,996

Investment return consisted of the following for the years ended August 31, 2018 and 2017:

	2018	2017
Dividends and interest income	\$ 760	\$ 655
Net realized gains	3,550	3,663
Net unrealized gains	1,925	3,651
Net Investment Gains	6,235	7,969
Less: Earnings Appropriated for Operations	(2,092)	(2,173)
Investment Income in Excess of Earnings Appropriated for Operations	\$ 4,143	\$ 5,796

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2018 and 2017**  
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4. Investments and Permanently Restricted Investments (continued)

Investment expenses were \$450 and \$452 for the years ended August 31, 2018 and 2017, respectively, and are included in total program and supporting services expenses in the accompanying statements of activities.

5. Charitable Gift Annuities and Other Trusts

Charitable gift annuities and other trusts consisted of the following as of August 31, 2018 and 2017:

	2018	2017
Charitable gift annuities	\$ 5,741	\$ 5,853
Charitable remainder trusts	1,528	1,489
Perpetual trusts	4,368	4,172
Charitable lead trusts	20	22
Total Charitable Gift Annuities and Other Trusts	\$ 11,657	\$ 11,536

The estimated liabilities for the above charitable gift annuities and other trusts consisted of the following as of August 31, 2018 and 2017:

	2018	2017
Charitable gift annuities	\$ 3,335	\$ 3,755
Charitable remainder trusts	63	57
Total Estimated Liabilities for Charitable Gift Annuities and Other Trusts	\$ 3,398	\$ 3,812

6. Property, Plant and Equipment

The Federation's property, plant and equipment consisted of the following as of August 31, 2018 and 2017:

	2018	2017
Land	\$ 3,947	\$ 3,947
Building and improvements	13,698	13,712
Equipment, furniture and vehicles	11,762	10,898
Leasehold improvements	1,122	1,037
Conservation properties	689	689
Total Property, Plant and Equipment	31,218	30,283
Less: Accumulated Depreciation and Amortization	(14,461)	(13,218)
Property, Plant and Equipment, Net	\$ 16,757	\$ 17,065

Continued

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2018 and 2017**  
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6. Property, Plant and Equipment (continued)

The Federation recorded depreciation and amortization expense on its property, plant and equipment of \$1,313 and \$1,014 for the years ended August 31, 2018 and 2017, respectively.

7. Bonds and Notes Payable and Line of Credit

The Federation had the following debt obligations as of August 31, 2018 and 2017:

	2018	2017
Term loan of \$14,976 with Bank of America (terms are described below)	\$ -	\$ 12,250
Taxable and non-taxable variable rate, Series 2018	10,790	-
Plus: Unamortized original issue premium	1,286	-
Less: Unamortized debt issuance costs	(308)	(18)
Less: Underwriter's discount	(93)	-
Total Bonds and Notes Payable, Net	\$ 11,675	\$ 12,232

In August 2018, the Federation issued through, the Fairfax Economic Development Authority, \$8,820 of Series 2018A Tax-exempt Green Bonds and \$1,970 of Series 2018B Taxable Green Bonds. The Series A Bond was issued at premium of \$1,286. There was an underwriter's discount of \$93 and a cost of issuance of \$308.

Costs associated with the issuance of bonds have been deferred and are amortized over the terms of the bonds. The Federation uses the straight-line method, which approximates the effective interest method. The bond issuance costs are presented as a direct deduction from the face amount of the debt.

The Federation is required to make interest payments twice a year on September 1 and March 1, and a principal payment annually on September 1. The principal payments increase each year from \$350 in 2019 to a final payment of \$815 in 2038. The interest payments range from \$294 in 2019 to \$20 in 2039.

The bond proceeds were used to refinance the Bank of America term loan described below, which came due on August 1, 2018.

A term loan was entered into with Bank of America on July 31, 2013, in the amount of \$14,976 for the purpose of purchasing the Federation's headquarters building. This loan has a five year term with interest at the LIBOR daily floating rate plus 1.55%, which was 2.78% at August 31, 2017. In July 2018, the Federation obtained an extension of the term loan through August 31, 2018. In August 2018, a balloon payment in the amount of the remaining principal balance of \$11,586 was made to pay off the term loan. Under the most restrictive covenants associated with the term loan, the Federation is required to maintain: (1) a debt service coverage ratio of at least 1.1 to 1, measured annually as of the last day of each fiscal year,

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2018 and 2017**  
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7. Bonds and Notes Payable and Line of Credit (continued)

and (2) a liquidity coverage ratio of at least 0.75 to 1, measured semi-annually as of the last day of the second and fourth fiscal quarters in each fiscal year. At August 31, 2017, the Federation was in compliance with its covenants. Costs associated with the term loan issuance have been capitalized as a reduction of the carrying amount of the note liability and are being amortized over the five year term, which concluded during the year ended August 31, 2018.

The Federation has an unsecured operating line of credit based on two tiers from \$2,000 to \$8,000 that expires February 28, 2019. As of August 31, 2018 and 2017, there was no balance drawn on the line of credit. The line of credit bears interest at the LIBOR daily floating rate plus 0.65%, which was 2.72% and 2.23% at August 31, 2018 and 2017, respectively. Under the most restrictive covenant, the Federation must maintain a liquidity ratio of at least 1 to 1. At August 31, 2018 and 2017, the Federation was in compliance with this covenant.

For the years ended August 31, 2018 and 2017, the Federation recorded interest expense of \$264 and \$280, respectively. On the statements of functional expenses, interest expense is included in occupancy and depreciation.

8. Net Assets

The temporarily restricted net assets of the Federation were available with the following purpose and time restrictions as of August 31, 2018 and 2017:

	2018	2017
Purpose:		
Conservation programs	\$ 4,967	\$ 4,644
Education outreach and publications	357	445
Time	3,748	3,578
Time and Purpose:		
Conservation programs	23,355	21,917
Education outreach and publications	593	1,179
Total	\$ 33,020	\$ 31,763

At August 31, 2018 and 2017, permanently restricted net assets were restricted in perpetuity, and the income from which these assets was expendable to support the following:

	2018	2017
Conservation and advocacy programs	\$ 253	\$ 252
Education outreach and publications	503	503
Any activities of the organization	4,729	4,729
Subtotal	5,485	5,484
Perpetual trusts	4,368	4,172
Total	\$ 9,853	\$ 9,656

Continued

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
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8. Net Assets (continued)

The unrestricted net assets as of August 31, 2018 and 2017, were as follows:

	2018	2017
Undesignated	\$ 19,691	\$ 16,687
Federation's fund	4,454	3,857
Board designated:		
Beere Fund	1,086	1,086
Conservation Program Reserve Fund	3,467	3,821
Total Unrestricted Net Assets	\$ 28,698	\$ 25,451

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

**Permanently Restricted Net Assets and Endowment**

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

The Federation has interpreted the Commonwealth of Virginia's UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowed funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Federation classifies as permanently restricted net assets (a) the original value of gifts donated to a permanent endowed fund, and (b) the original value of subsequent gifts to the permanent endowed funds. The associated gains and income on donor-restricted endowed funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Federation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- The duration and preservation of the fund
- The purposes of the Federation and the donor-restricted endowed fund
- General economic conditions

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
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8. Net Assets (continued)

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

- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Federation
- The investment policies of the Federation

From time to time, the fair value of assets associated with individual donor-restricted endowed funds may fall below the level that the donor requires the Federation to retain as a fund of perpetual duration. In this situation, the decline in market value of the funds is accounted for in unrestricted net assets and not in the endowed funds under temporarily restricted net assets. As of August 31, 2018 and 2017, due to market conditions, unrestricted net assets had no deficiencies for the endowed funds.

**Endowed Investments and Spending Policies**

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

The primary financial objective of the investment policy is to maintain intergenerational equity by preserving and enhancing real purchasing power, while at all times keeping in mind the utmost importance of protecting capital. The primary investment objective of the investment policy is to secure sufficient income and portfolio growth over time to meet the ongoing requirements of the Federation. The total return objective is an average annual real rate of return of 6% as measured over a full market cycle, generally three to five years. The Federation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters. The Federation's spending policy governs the use of resources in the various endowed funds for program expenses and administrative costs. Endowed funds are used for the specified purpose, or over the specified time period, as indicated by the donor. Endowed funds for which there is some discretion in how the funds are expended are not used to cover operating deficits in specific units.

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

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
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8. Net Assets (continued)

**Endowed Investments and Spending Policies**

The Federation's endowed funds consist of 18 funds established for a variety of purposes. All funds are donor-restricted. Net assets associated with endowed funds are classified and reported based on the existence or absence of donor-imposed restrictions. The following table represents the changes in endowed net assets for the year ended August 31, 2018:

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowed net assets, beginning of year	\$ 5,613	\$ -	\$ 129	\$ 5,484
Contributions	1	-	-	1
Dividends and interest	39	34	5	-
Net appreciation (realized and unrealized)	334	288	46	-
Appropriation of endowed assets for expenditure	(426)	(322)	(104)	-
Endowed Net Assets, End of Year	\$ 5,561	\$ -	\$ 76	\$ 5,485

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

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

9. Employee Benefit Plans

**Defined Benefit Retirement Plan**

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

**THE NATIONAL WILDLIFE FEDERATION**

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

**Defined Benefit Retirement Plan (continued)**

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

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

The changes in the funded status of the Plan for the years ended August 31, 2018 and 2017, were as follows:

	2018	2017
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ (38,442)	\$ (42,896)
Service cost	(589)	(543)
Interest cost	(1,416)	(1,584)
Actuarial gains (losses)	133	869
Settlements	-	3,330
Administrative expenses	561	591
Benefits paid	1,911	1,791
Benefit Obligation at End of Year	(37,842)	(38,442)
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 24,818	\$ 26,239
Employer contribution	662	1,724
Actual return on plan assets	1,857	2,567
Settlements	-	(3,330)
Administrative expenses	(561)	(591)
Benefits paid	(1,911)	(1,791)
Fair value of plan assets at end of year	24,865	24,818
Funded Status (Accrued Pension Liability)	\$ (12,977)	\$ (13,624)

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

**THE NATIONAL WILDLIFE FEDERATION**

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

**Defined Benefit Retirement Plan (continued)**

In determining the benefit obligation, a discount rate at August 31, 2018 and 2017, of 3.75% was assumed. The rate of increase in future compensation levels assumed was 0% at August 31, 2018 and 2017, since the final earnings in the Plan have been frozen. A rate of return on Plan assets of 7% at August 31, 2018 and 2017, was assumed. This assumption is based on historical returns and is adjusted from time to time to reflect actual plan asset experience.

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

The components of the Federation's net periodic pension cost for the years ended August 31, 2018 and 2017, consisted of the following:

	2018	2017
Employee service cost	\$ 589	\$ 543
Interest cost	1,416	1,584
Expected return on plan assets	(1,648)	(1,754)
Settlement charge	762	-
Net amortization and deferral:		
Unrecognized net actuarial loss	763	1,088
Unrecognized prior service cost	(14)	(16)
Total Net Periodic Pension Cost	\$ 1,868	\$ 1,445

Items not yet recognized as a component of net periodic pension cost for the years ended August 31, 2018 and 2017, consisted of the following:

	2018	2017
Prior service cost	\$ (53)	\$ (67)
Net actuarial loss	7,701	9,565
Total	\$ 7,648	\$ 9,498

The Plan also follows ASC 820 (see Note 1) for the valuation of investments in the Plan. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2018 and 2017.

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

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended August 31, 2018 and 2017  
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9. Employee Benefit Plans (continued)

**Defined Benefit Retirement Plan (continued)**

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

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

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

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

The Plan's weighted average asset allocation at August 31, 2018 and 2017, by asset category, was as follows:

	<u>2018</u>	<u>2017</u>
Mutual Funds:		
Equity and money market funds	60%	59%
Fixed income	39%	39%
Other Investments	<u>1%</u>	<u>2%</u>
Total	<u>100%</u>	<u>100%</u>

Continued

**THE NATIONAL WILDLIFE FEDERATION**

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

**Defined Benefit Retirement Plan (continued)**

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of August 31, 2018 and 2017:

	2018 Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Vanguard Prime Money Market Fund	\$ 147	\$ 147	\$ -	\$ -
Vanguard Investments Mutual Funds:				
Fixed income	9,865	9,865	-	-
Domestic stock funds	10,623	10,623	-	-
International stock funds	4,230	4,230	-	-
Total Assets	\$ 24,865	\$ 24,865	\$ -	\$ -
	2017 Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Vanguard Prime Money Market Fund	\$ 141	\$ 141	\$ -	\$ -
Vanguard Investments Mutual Funds:				
Fixed income	9,762	9,762	-	-
Domestic stock funds	10,269	10,269	-	-
International stock funds	4,399	4,399	-	-
Immediate Participation Guarantee Contracts, at contract value:				
Prudential experience rating fund	247	-	-	247
Total Assets	\$ 24,818	\$ 24,571	\$ -	\$ 247

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

**Defined Benefit Retirement Plan (continued)**

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

	<u>Prudential Experience Rating Fund</u>
Balance as of August 31, 2016	\$ 265
Realized gains (losses)	-
Unrealized gains (losses) relating to units held at reporting date	-
Purchases, issuances, sales and settlements (net)	<u>(18)</u>
Balance as of August 31, 2017	<u>247</u>
Realized gains (losses)	-
Unrealized gains (losses) relating to units held at reporting date	-
Purchases, issuances, sales and settlements (net)	<u>(247)</u>
Balance as of August 31, 2018	<u><u>\$ -</u></u>

**Contributions**

Generally, the Federation's funding policy is to contribute annually an amount in accordance with ERISA guidelines. Based upon projections from its actuary, management of the Federation expects to contribute approximately \$879 to the Plan during the year ending August 31, 2019.

**Other Information**

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

	<u>2018</u>	<u>2017</u>
Net gain	\$ 1,864	\$ 2,773
Prior service (cost) credit	<u>(14)</u>	<u>(16)</u>
Total	<u><u>\$ 1,850</u></u>	<u><u>\$ 2,757</u></u>

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

Net loss	\$ 687
Prior service cost	<u>(11)</u>
Total	<u><u>\$ 676</u></u>

Continued

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2018 and 2017**  
(in thousands)

9. Employee Benefit Plans (continued)

**Post-Retirement Benefits**

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

Components of the net periodic post-retirement benefit cost for the years ended August 31, 2018 and 2017, included the following:

	2018	2017
Service cost	\$ 223	\$ 215
Interest cost	178	168
Amortization of prior service costs	(493)	(493)
Net Periodic Post-Retirement Benefit Cost	\$ (92)	\$ (110)

A national 9% annual rate of increase in the per capita costs of covered health care benefits was assumed, gradually decreasing to 4% by the year 2031. At August 31, 2018 and 2017, a discount rate of 3.75% was used to determine the accumulated benefit obligation. The effective discount rate was developed using the yield curve listed in the Citigroup Pension Liability Index.

The following sets forth the plan's changes in benefit obligation and accrued benefit costs reported in the accompanying statements of financial position at August 31, 2018 and 2017:

	2018	2017
Benefit obligation at beginning of year	\$ (4,589)	\$ (4,309)
Service cost	(223)	(215)
Interest cost	(178)	(168)
Actuarial gains	322	-
Participant contributions	(276)	(256)
Benefits paid	396	359
Benefit obligation at end of year	(4,548)	(4,589)
Plan assets at end of year	-	-
Funded Status (Accrued Benefit Liability)	\$ (4,548)	\$ (4,589)

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2018 and 2017**  
(in thousands)

9. Employee Benefit Plans (continued)

**Post-Retirement Benefits (continued)**

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

Increasing or decreasing the assumed health care cost trend rates by one percentage point in 2018 would have the following effect:

	1% Increase	1% Decrease
Effect on total service and interest cost	\$ 103	\$ (76)
Effect on benefit obligation	\$ 813	\$ (626)

Other changes in benefit obligations recognized in other than net periodic benefit cost are \$172 and \$492 for the years ended August 31, 2018 and 2017, respectively. Items not yet recognized as a component of the net periodic post-retirement benefit cost for the years ended August 31, 2018 and 2017, consisted of the following:

	2018	2017
Prior service cost	\$ (3,826)	\$ (4,251)
Net actuarial gain	(483)	(162)
Total	\$ (4,309)	\$ (4,413)

Of the cumulative unrecognized amount as of August 31, 2018, \$493 is expected to be included in net periodic post-retirement benefit cost for the year ending August 31, 2019.

**Contributions**

Benefits are funded on a pay as you go basis. Management of the Federation contributed \$121 during the year ended August 31, 2018. Based upon projections from its actuary, management expects to contribute \$127 to its post-retirement plan during the year ending August 31, 2019.

**Estimated Future Benefit Payments**

The following benefit payments are expected to be paid for the next 10 years ending August 31:

	Pension Benefits	Post- retirement Benefits
2019	2,014	360
2020	2,058	356
2021	2,078	373
2022	2,166	401
2023	2,209	413
2024 to 2028	11,066	2,537

Continued

## THE NATIONAL WILDLIFE FEDERATION

### NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2018 and 2017 (in thousands)

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

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

The Federation has a defined contribution plan for the benefit of its employees who have reached one year of service of a minimum of 1,000 hours. The Federation matches one dollar for each dollar contributed by the employee up to a maximum of 3% and 50 cents for each dollar above 3% contributed, up to a maximum of 5% of the employee's base compensation, based on length of service. The Federation contributed approximately \$1,217 and \$1,166 for the years ended August 31, 2018 and 2017, respectively.

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

The Federation maintains a self-insured medical plan for the benefit of its employees. A stop-loss policy is in effect, which limits the Federation's loss per individual employee to \$165 and an aggregate stop-loss of \$2,772. The plan is administered through a contractual relationship with an unrelated company. The Federation is solely responsible for all claims incurred up to the amount of the stop-loss provisions. The Federation's expense under the plan amounted to \$2,307 and \$2,374 for the years ended August 31, 2018 and 2017, respectively. The Federation included a provision for estimated claims incurred, but not yet reported, in accounts payable and accrued expenses in the accompanying statements of financial position in the amount of \$586 and \$334 as of August 31, 2018 and 2017, respectively.

#### 10. Commitments and Contingencies

##### **Operating Leases**

The Federation leases office space, vehicles and equipment under operating leases, the last of which expires in 2023. Certain office space leases include rent escalations, abatement periods and lease incentives. Under GAAP, all rental payments, including fixed rent increases, less any rental abatements and other incentives, are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is reflected, along with the lease incentives, as deferred rent and lease incentives in the accompanying statement of financial position. Deferred rent and lease incentives are being amortized ratably over the term of the lease. The total deferred rent and lease incentives as of August 31, 2018 and 2017, were \$1,646 and \$1,093, respectively.

Total rental expense for operating leases was approximately \$1,155 and \$983 for the years ended August 31, 2018 and 2017, respectively.

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended August 31, 2018 and 2017  
(in thousands)

10. Commitments and Contingencies (continued)

**Operating Leases (continued)**

Future minimum rental payments on noncancelable operating leases at August 31, 2018, are as follows:

<u>For the Year Ending</u> <u>August 31,</u>	
2019	\$ 1,212
2020	1,034
2021	863
2022	704
2023	614
Thereafter	<u>2,573</u>
Total	<u>\$ 7,000</u>

**Federal and State Grant Awards**

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

**Other**

The Federation may also be party to various legal actions and claims arising in the ordinary course of business. However, as of August 31, 2018, management was not aware of any such actions or claims.

11. Concentration of Credit Risk

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

While the amount at a given bank, at times, exceeds the amount guaranteed by federal agencies and, therefore, bears some risk, the Association has not experienced, nor does it anticipate, any losses on its funds. At August 31, 2018 and 2017, the amount in excess of the Federal Deposit Insurance Corporation insured limit of \$250 was approximately \$1,654 and \$3,476, respectively.

## THE NATIONAL WILDLIFE FEDERATION

### NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2018 and 2017 (in thousands)

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#### 12. Allocation of Joint Costs

The Federation accounts for joint costs incurred for informational materials and activities that are included in fundraising appeals in accordance with ASC 958-720-45, *Accounting for Costs of Activities That Include Fundraising*, in determining costs to be allocated. For the years ended August 31, 2018 and 2017, the Federation incurred joint costs of \$11,114 and \$12,910, respectively. Of those costs, \$5,203 and \$6,120 were allocated to fundraising expense, \$5,051 and \$5,820 were allocated to membership education and other nature education programs and \$860 and \$971 were allocated to general and administrative expense in 2018 and 2017, respectively. Other direct and allocated operating expenses of \$2,962 and \$2,537 were also incurred for fundraising activities during 2018 and 2017, respectively.

#### 13. Income Taxes

The Federation has received determination letters from the IRS that it has been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the IRC), except for tax on any income that may be a result of unrelated business transactions. Additionally, the IRS has classified the Federation as public charities under IRC Section 509(a)(1). The Federation believes that operations are consistent with the nature of its exemptions granted by the IRS. The Federation is required to report unrelated business income to the IRS. The Federation's unrelated business income consists of advertising income in publications. There was no net unrelated business income for the years ended August 31, 2018 and 2017.

The Federation reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof, to identify any uncertainty in income taxes. For the years ended August 31, 2018 and 2017, the Federation did not identify any uncertainty in income taxes requiring recognition or disclosure in these financial statements. The Federation's tax returns are subject to possible examination by the taxing authorities. For federal purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

#### 14. National Wildlife Federation Action Fund

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

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2018 and 2017**  
**(in thousands)**

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14. National Wildlife Federation Action Fund (continued)

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

The Federation provided \$2,685 and \$271 in grants to NWF Action Fund in the years ended August 31, 2018 and 2017, respectively. In addition, NWF Action Fund reimburses the Federation for certain costs such as leased staff, benefits, miscellaneous expenses and overhead costs. As of August 31, 2018 and 2017, NWF Action Fund owed the Federation \$17 and \$11, respectively, for such costs. Additionally, as of August 31, 2018 and 2017, NWF Action Fund owed \$42 and \$53 to the Federation for contributions collected for the Federation.

15. Fair Value Measurement

The Federation's financial assets measured at fair value as of August 31, 2018 and 2017, are classified in the statements of financial position as follows:

	<u>2018</u>	<u>2017</u>
Charitable gift annuities and other trusts	\$ 11,657	\$ 11,536
Unrestricted Investments	63,970	59,512
Permanently restricted investments	<u>5,485</u>	<u>5,484</u>
Total	<u>\$ 81,112</u>	<u>\$ 76,532</u>

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2018 and 2017**  
(in thousands)

15. Fair Value Measurement (continued)

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

	<u>2018 Total</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Charitable remainder and perpetual trusts	\$ 5,916	\$ -	\$ -	\$ 5,916
Investments and permanently restricted investments, including charitable gift annuity investments:				
Common stocks:				
Large cap	13,810	13,810	-	-
International equities	1,478	1,478	-	-
Fixed income mutual funds:				
Bond funds	7,519	7,519	-	-
Government securities	592	592	-	-
Equity mutual and index funds:				
Large blend	12,850	1,432	11,418	-
Small and mid blend	1,801	1,801	-	-
International equities	9,260	9,260	-	-
Money market fund	<u>3,376</u>	<u>3,376</u>	<u>-</u>	<u>-</u>
Subtotal	56,602	<u>39,268</u>	<u>11,418</u>	<u>5,916</u>
Limited partnerships and private investment funds <sup>(a)</sup>	<u>24,510</u>			
Total	<u>\$ 81,112</u>			

Continued

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2018 and 2017**  
(in thousands)

15. Fair Value Measurement (continued)

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

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

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2018 and 2017**  
(in thousands)

15. Fair Value Measurement (continued)

FASB has issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. The standard eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost. The standard is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted for all financial statements of fiscal years that have not yet been issued. The Federation has adopted this accounting pronouncement for the years ended August 31, 2018 and 2017, and accordingly omitted disclosure for the fair value of financial instruments measured at amortized cost as of August 31, 2018 and 2017.

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

	<u>Charitable remainder and perpetual trusts</u>
Balance as of August 31, 2016	5,542
Unrealized gains	283
Realized gains	-
Purchases	-
Sales	(142)
Transfers in	-
Transfers out	-
	-
Balance as of August 31, 2017	5,683
Unrealized gains	233
Realized gains	-
Purchases	-
Sales	-
Transfers in	-
Transfers out	-
	-
Balance as of August 31, 2018	<u>\$ 5,916</u>

The Federation has included in the tables below the category, fair value, redemption frequency and redemption notice period for those assets whose fair value is estimated using NAV per share or its equivalent for which fair value is not readily determinable as of August 31, 2018 and 2017. For the Federation, such investments include limited partnerships and private investment and hedge funds.

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2018 and 2017**  
(in thousands)

15. Fair Value Measurement (continued)

The following table sets forth a summary of the Federation's investments with a reported NAV as of August 31, 2018:

<u>Investment type</u>	<u>Fair Value</u>	<u>Redemption frequency</u>	<u>Notice period (days)</u>
Long-short equity portfolio funds	\$ 6,054	Annually	90
Fund partnerships – International	6,253	Annually	65
Fund partnerships – International	1,874	Annually	15
Fund partnerships – International	2,130	Quarterly	60
Global Equity Fund	5,142	Quarterly	30
Fund partnerships – International	<u>3,057</u>	Monthly	30
Total	<u>\$ 24,510</u>		

The following table sets forth a summary of the Federation's investments with a reported NAV as of August 31, 2017:

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

There were no unfunded commitments or illiquid investments at August 31, 2018 and 2017.

16. Subsequent Events

The Federation has evaluated subsequent events through November 29, 2018, the date the financial statements were available to be issued. There were no subsequent events noted that required adjustment to or disclosure in these financial statements.



*Certified Public Accountants*

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

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
The National Wildlife Federation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The National Wildlife Federation (the Federation), which comprise the statement of financial position as of August 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 29, 2018.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

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

#### **Purpose of This Report**

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

Raffa, P.C.

**Raffa, P.C.**

Washington, DC  
November 29, 2018

*Certified Public Accountants*

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

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
The National Wildlife Federation

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

We have audited The National Wildlife Federation's (Federation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Federation's major federal programs for the year ended August 31, 2018. The Federation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Federation's compliance.

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

In our opinion, the Federation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018.

## Report on Internal Control Over Compliance

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

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

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

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

Raffa, P.C.

**Raffa, P.C.**

Washington, DC  
November 29, 2018

**THE NATIONAL WILDLIFE FEDERATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2018**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA)</b>				
<i>Pass-Through from the University Corporation for Atmospheric Research</i> NRA/Research Opportunities in Space and Earth Sciences – 2013	43.001	Z15-16286	\$ -	\$ 43,264
<b>Total NASA</b>			<u>-</u>	<u>43,264</u>
<b>U.S. DEPARTMENT OF THE INTERIOR</b>				
<u>Office of the Secretary</u>				
<i>Pass-Through from the National Fish and Wildlife Foundation</i> Coastal Resiliency Planning and Ecosystem Enhancement for Northeast Massachusetts	15.153	2300.14.042878	-	643
<i>Pass-Through from the New Jersey Audubon Society</i> Assessing Coastal Impoundment Vulnerability and Resilience in the Northeast	15.153	2300.14.041766	-	206,904
Total Office of the Secretary Programs for CFDA 15.153			<u>-</u>	<u>207,547</u>
<u>Fish and Wildlife Service</u>				
Capacity Building for Monarch Butterfly Restoration	15.649	N/A	-	20,735
Total Fish and Wildlife Service Programs for CFDA 15.649			<u>-</u>	<u>20,735</u>
Advancing Urban Conservation Through Increasing Pollinator Habitat in Metro Atlanta	15.631	N/A	-	5,668
Capacity Building for Monarch Butterfly Restoration	15.631	N/A	-	23,713
Total Fish and Wildlife Service Programs for CFDA 15.631			<u>-</u>	<u>29,381</u>
<u>U.S. Geological Survey</u>				
<i>Pass-Through from North Carolina State University</i> Conservation Adaption Planning for Landscape and Climate Change in the Southeast	15.820	2014-3086-02	-	116,405
Total U.S. Geological Survey Programs for CFDA 15.820			<u>-</u>	<u>116,405</u>

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

Continued

**THE NATIONAL WILDLIFE FEDERATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2018**

(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF THE INTERIOR (continued)</b>				
<i>Pass-Through from the U.S. National Park Service</i>				
Climate Adaptation Planning and Activities Integrating Climate-Smart Principles into NPS	15.945	P13AC00443	\$ -	\$ 16,431
Total U.S. Geological Survey Programs for CFDA 15.945			-	16,431
<b>Total U.S. Department of the Interior</b>			-	<b>390,499</b>
<b>U.S. DEPARTMENT OF COMMERCE</b>				
<u>National Oceanic and Atmospheric Administration</u>				
<i>Pass-Through from the Research Foundation of CUNY</i>				
Resilient School Consortium (RISC) Program	11.008	49929A	-	63,204
Total National Oceanic and Atmospheric Administration Programs for CFDA 11.008			-	63,204
Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology	11.451	N/A	-	25,794
Total National Oceanic and Atmospheric Administration Programs for CFDA 11.451			-	25,794
<b>Total U.S. Department of Commerce</b>			-	<b>88,998</b>
<b>ENVIRONMENTAL PROTECTION AGENCY (EPA)</b>				
<u>Office of Water</u>				
<i>Pass-Through from the National Fish and Wildlife Foundation</i>				
Schoolyard Habitats in Baltimore City	66.466	0603.16.053453	-	99,729
Choose Clean Water Conference	66.466	0600.18.061082	-	45,000
Documenting Restoration Outcomes with FieldDoc	66.466	0600.17.058780	-	38,107
<i>Pass-Through from CB Trust:</i>				
Promoting Meaningful Stormwater Mitigation on Urban/Suburban School Grounds	66.466	44573	-	34,047
Total Office of Water Programs for CFDA 66.466			-	216,883

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

Continued

**THE NATIONAL WILDLIFE FEDERATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2018**

(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>ENVIRONMENTAL PROTECTION AGENCY (EPA) (continued)</b>				
<i>Office of the Administrator</i>				
School Ground for Learning	66.951	N/A	\$ -	\$ 67,757
<b>Total EPA</b>			-	<b>284,640</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Natural Resources Conservation Service</i>				
<i>Pass-Through from the National Fish and Wildlife Foundation</i>				
Schoolyard Habitats in Baltimore City	10.683	0603.16.053453	-	42,741
<b>Total U.S. Department of Agriculture</b>			-	<b>42,741</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<i>Federal Highway Administration</i>				
<i>Pass-Through from The Nature Conservancy</i>				
Highway Planning and Construction	20.205	03032017VTFO	-	979
<b>Total U.S. Department of Transportation</b>			-	<b>979</b>
<b>U.S. DEPARTMENT OF DEFENSE</b>				
Integrated Natural Resource Management Plans	12.632	N/A	-	73,785
<b>Total U.S. Department of Defense</b>			-	<b>73,785</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ -</b>	<b>\$ 924,906</b>

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

THE NATIONAL WILDLIFE FEDERATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2018

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1. Summary of Significant Accounting Policies

**Basis of Accounting**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Federation under programs of the federal government for the year ended August 31, 2018. 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* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Federation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Federation.

**Cost Principles**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Federal expenditures were recognized following 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* (the Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Federation has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance as the Federation already has a negotiated, predetermined indirect cost rate with the federal government.

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

Expenditures per schedule of expenditures of federal awards	\$	924,906
Plus: Nonfederal revenue		<u>25,639,345</u>
Contributions from Governments, Foundations and Corporations per the Statement of Activities		<u>\$26,564,251</u>

