

NATIONAL WILDLIFE REFUGE ASSOCIATION
Washington, D.C.
FINANCIAL STATEMENTS
For the Year Ending June 30, 2012

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(1964-2008)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Wildlife Refuge Association

We have audited the accompanying statement of financial position of National Wildlife Refuge Association (a nonprofit organization) as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Wildlife Refuge Association as of June 30, 2012, and the results of its operations and changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

OAO Mohn and Allen P.C.

October 23, 2012

NATIONAL WILDLIFE REFUGE ASSOCIATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS

Cash and cash equivalents	\$ 85,837
Prepaid expenses	2,880
Unconditional promises to give	9,052
Program services receivable	5,500
Grants receivable	155,000
Investments	248,705
Furniture and equipment (net of accumulated depreciation of \$28,901)	14,195
Security deposit	7,033

TOTAL ASSETS	\$ 528,202
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LIABILITIES

Accounts payable and accrued expenses	\$ 113,837
Line of credit	15,475
Accrued vacation payable	14,181

TOTAL LIABILITIES	143,493
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NET ASSETS

Unrestricted net assets	(260,267)
Temporarily restricted net assets	272,018
Permanently restricted net assets	372,958

TOTAL NET ASSETS	384,709
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TOTAL LIABILITIES AND NET ASSETS	\$ 528,202
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NATIONAL WILDLIFE REFUGE ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	UNRESTRICTED NET ASSETS	TEMPORARILY RESTRICTED NET ASSETS	PERMANENTLY RESTRICTED NET ASSETS	TOTAL
<u>REVENUE AND OTHER SUPPORT</u>				
Contributions	\$ 256,338	\$ -	\$ 1,000	\$ 257,338
Combined Federal Campaign	35,214	-	-	35,214
Grants	769,657	272,018	-	1,041,675
Program services revenue	7,000	-	-	7,000
Conference revenue	-	17,730	-	17,730
Bequests	70,713	-	3,765	74,478
Investment loss	(822)	-	-	(822)
Interest income	230	-	-	230
Net assets released from restriction	594,086	(594,086)	-	-
TOTAL REVENUE AND OTHER SUPPORT	1,732,416	(304,338)	4,765	1,432,843
 <u>FUNCTIONAL EXPENSES</u>				
Program services	1,960,664	-	-	1,960,664
Management	95,346	-	-	95,346
Fundraising	45,910	-	-	45,910
TOTAL FUNCTIONAL EXPENSES	2,101,920	-	-	2,101,920
CHANGE IN NET ASSETS	(369,504)	(304,338)	4,765	(669,077)
NET ASSETS AT BEGINNING OF YEAR	109,237	576,356	368,193	1,053,786
NET ASSETS AT END OF YEAR	\$ (260,267)	\$ 272,018	\$ 372,958	\$ 384,709

See accompanying notes to financial statements.

NATIONAL WILDLIFE REFUGE ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	PROGRAM			TOTAL
	SERVICES	MANAGEMENT	FUNDRAISING	
Salaries	\$ 691,126	\$ 61,275	\$ 31,203	\$ 783,604
Payroll taxes	51,424	4,338	2,083	57,845
Pension	13,164	1,111	533	14,808
Insurance	37,195	3,138	1,506	41,839
Total salaries and related expenses	792,909	69,862	35,325	898,096
Accounting	28,603	2,413	1,158	32,174
Awards program	7,636	72	34	7,742
Banking and credit card fees	3,665	209	101	3,975
Board meeting	1,872	13,034	-	14,906
Conferences, conventions and meetings	160,157	159	-	160,316
Consulting	516,995	11	5	517,011
Depreciation	3,006	253	122	3,381
Grants to other organizations	65,416	-	-	65,416
Liability insurance	3,808	321	154	4,283
Interest expense	2,444	254	122	2,820
Office supplies	11,620	188	298	12,106
Online Outreach	11,125	-	-	11,125
Photocopying and other printing	13,389	-	-	13,389
Postage and delivery	3,360	156	5,429	8,945
Registration fees	3,628	259	124	4,011
Relocation	1,892	160	77	2,129
Rent	49,124	3,807	1,827	54,758
Staff development and training	660	900	-	1,560
Subscriptions, dues and references	10,471	16	358	10,845
Telephone and internet costs	21,132	801	385	22,318
Travel	247,752	2,471	391	250,614
Total Functional Expenses	<u>\$ 1,960,664</u>	<u>\$ 95,346</u>	<u>\$ 45,910</u>	<u>\$ 2,101,920</u>

See accompanying notes to financial statements.

NATIONAL WILDLIFE REFUGE ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (669,077)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	3,381
Unrealized loss on investments	25,984
Change in operating assets and liabilities:	
(Increase) decrease in:	
Prepaid expenses	110,699
Unconditional promises to give	1,388
Grants receivable	272,379
Program services receivable	(5,500)
Security deposit	(2,028)
Increase (decrease) in:	
Accounts payable and accrued expenses	30,871
Accrued vacation payable	1,562
	(230,341)
NET CASH USED BY OPERATING ACTIVITIES	(230,341)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from line of credit	100,000
Principal payments on line of credit	(84,525)
NET CASH PROVIDED BY FINANCING ACTIVITIES	15,475

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of equipment	(7,338)
Proceeds from sale of investments	382,833
Purchase of investments	(307,163)
NET CASH PROVIDED BY INVESTING ACTIVITIES	68,332

NET DECREASE IN CASH AND CASH EQUIVALENTS (146,534)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 232,371

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 85,837

SUPPLEMENTAL CASH FLOW DISCLOSURE:

Cash paid for interest \$ 2,820

NATIONAL WILDLIFE REFUGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - NATURE OF ORGANIZATION

National Wildlife Refuge Association (NWRA and the Association) was organized as a nonprofit corporation in Minnesota in 1975 and is the only national NGO devoted to supporting the health and welfare of the Refuge System and promoting wildlife refuges and vital conservation lands beyond their boundaries as safe havens for our country's most threatened and disappearing landscapes, anchors of landscape-scale conservation, and outdoor classrooms for visitors of all ages. Through advocacy, public outreach and landscape conservation, NWRA works to strengthen the ecological integrity of our national wildlife refuges and thus ensure a diverse spectrum of plants and wildlife for future generations. Headquartered in Washington, D.C., the association is supported primarily through grants and contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of National Wildlife Refuge Association have been prepared on the accrual basis of accounting whereby, revenue is recognized when earned rather than when received, and expenses are recognized when the related liability is incurred rather than when paid.

Basis of Presentation

Financial statement presentation follows FASB Accounting Standards Codifications Topic 958 *Not-for-Profit Entities*. In accordance with the topic, National Wildlife Refuge Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

The Association considers cash equivalents to include money market funds and certificates of deposit with a maturity date of less than one year.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions.

NATIONAL WILDLIFE REFUGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation

Equipment is recorded at cost and is being depreciated over the estimated useful lives using the straight-line method of depreciation. It is the Association's practice to capitalize assets costing \$500 or more. However, equipment specifically provided for in government grants is expensed in the year purchased.

Income Tax Status

National Wildlife Refuge Association qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not considered to be a private foundation within the meaning of Section 509(a) of the Code. Contributions to National Wildlife Refuge Association are tax deductible to donors under Section 170 of the Internal Revenue Code. National Wildlife Refuge Association is required to report unrelated business income to the IRS and the District of Columbia taxing authority. The Association did not have any unrelated business income for the year ended June 30, 2012.

National Wildlife Refuge Association has adopted the accounting of uncertainty in income taxes as required by the Income Taxes topic (Topic 740) of the FASB Accounting Standards Codification. Topic 740 requires National Wildlife Refuge Association to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is more than fifty percent likely of being realized upon ultimate settlement, which could result in National Wildlife Refuge Association recording a tax liability that would reduce National Wildlife Refuge Association's net assets.

Management has analyzed National Wildlife Refuge Association's tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open tax years (2008-2010), or expected to be taken in its 2011 tax return. National Wildlife Refuge Association is not aware of any tax positions for which it believes that there is a reasonable possibility that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

Functional Expenses

Indirect functional expenses have been allocated between Program services, Management and Fundraising based on personnel time spent for each activity. Direct functional expenses are respectively recorded by activity.

Promises to Give

Unconditional promises to give are recognized as revenue in the period that the promise is received and are recorded as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of June 30, 2012 promises to give were expected to be collected within one year.

NATIONAL WILDLIFE REFUGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

The Association does not invest in derivative financial instruments. The carrying amounts of cash, promises to give, program services receivable and grants receivable approximate fair value because of the short maturity of those financial instruments. The carrying amounts (which are fair value) of long-term investments are based on quoted market values.

Concentration of Credit Risk

The Association maintains its cash balances at various banks. Accounts at banks are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. National Wildlife Refuge Association had no bank deposits at one institution that exceeded the FDIC insurance level at June 30, 2012.

Investments

Investments consist primarily of mutual funds and are carried at the fair value of the securities.

NOTE 3 – FAIR VALUE MEASUREMENTS

In accordance with Fair Value Measurement and Disclosures topic (Topic 820) of the FASB Accounting Standards codification, National Wildlife Refuge Association has categorized its financial instruments, based on the priority of the inputs to the valuations technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation technique as follows:

Level 1 – These are instruments where values are based on unadjusted quoted prices for an identical asset in an active market National Wildlife Refuge Association has the ability to access.

Level 2 – These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments.

Level 3 – These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect certain assumptions by management about the assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

NATIONAL WILDLIFE REFUGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets recorded on the Statement of Financial Position are categorized based on the inputs to the valuation technique as follows for the year ended June 30, 2012:

Asset Category -	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and Cash Equivalents:				
Cash Accounts	\$ 65,283	\$ -	\$ -	\$ 65,283
Money Market Funds	20,554	-	-	20,554
Total Cash and Cash Equivalents	85,837	-	-	85,837
Investments:				
Equity Mutual Funds	248,705	-	-	248,705
Total Investments	248,705	-	-	248,705
Total	\$ 334,542	\$ -	\$ -	\$ 334,542

NOTE 4 – IN-KIND AND DONATED SERVICES

The Association recognized \$16,964 of in-kind contributions which represents donated furniture and equipment and corporations and board members' in-kind donations. Contribution revenue was determined based on the fair market value of those items donated.

In addition, numerous individuals provide various services on a voluntary basis. The value of these volunteer services is not reflected in the accompanying financial statements since there are no objective basis available by which to measure the value of such services.

NOTE 5 - PENSION PLAN

The Association adopted a defined contribution pension plan under Internal Revenue Code 403(b) in November of 1994 that covers substantially all employees. The Association ceased the matching contribution to the pension plan effective February 1, 2009. On behalf of qualified employees, the Association reinstated the matching contribution effective January 1, 2010 and made a matching contribution of a maximum of five-percent of compensation for the year ended June 30, 2012. The plan allows voluntary deductions from employees' wages to be deposited into individual tax sheltered accounts. The Association contributed \$14,808 to the plan for the year ended June 30, 2012.

NOTE 6 - ALLOCATION OF JOINT COSTS

There were no joint costs of information materials for the year ended June 30, 2012.

NATIONAL WILDLIFE REFUGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 7 - GRANTS

	<u>UNRESTRICTED*</u>	<u>RESTRICTED*</u>	<u>TOTAL</u>
The Orvis Company	\$ 22,459	\$ -	\$ 22,459
McKnight Foundation	-	80,000	80,000
Lazard Capital Markets LLC	25,000	-	25,000
Tides Foundation	10,000		10,000
National Fish and Wildlife Foundation	43,482	46,518	90,000
Wilburforce Foundation	160,000		160,000
U.S. Fish and Wildlife Service	226,000	120,500	346,500
Stephen Bechtel Fund	25,000		25,000
Walton Family Foundation	66,666		66,666
Compton Foundation	10,000		10,000
Everglades Foundation	25,000	25,000	50,000
Elizabeth Ordway Dunn Foundation	20,000		20,000
Foundation for the Carolinas	30,000		30,000
Arthur K. Watson Charitable Trust	25,000		25,000
McClelland Foundation	15,000		15,000
Curtis and Edith Munson Foundation	10,000		10,000
Foothills Foundation	40,000		40,000
Others (\$5,000 and less)	16,050		16,050
Total	\$ 769,657	\$ 272,018	\$ 1,041,675

*If restrictions are met during the current period, amounts are shown as unrestricted.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets in the amount of \$272,018 were available for the following:

Friends Capacity Building	\$ 105,500
Lower Mississippi and Gulf	80,000
Invasives - Conte Watershed	46,518
Everglades	25,000
Beyond the Boundaries Handbook	15,000
	<u>\$ 272,018</u>

NATIONAL WILDLIFE REFUGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 9 - PERMANENTLY RESTRICTED NET ASSETS (ENDOWMENT)

Permanently restricted net assets consist of the National Wildlife Refuge Association established an Endowment Fund during the year ending June 30, 2007. During the year ending June 30, 2012, two contributions totaling \$4,765 were received. The principal amount, currently \$372,958, is permanently restricted, and is to be invested for growth and income. The annual income represented by interest and dividends is available for operations.

It is the policy of NWRA to manage these funds in compliance with the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). It is the purpose of this policy to establish a framework both for managing these funds in compliance with the UPMIFA and for making accounting disclosures required by FASB Topic 958-205 (formerly FAS 117-1).

The objective of investing the Endowment is to preserve and augment the purchasing power of the assets under management against inflationary erosion. In order to achieve this objective, the investment policies and strategies are designed to earn a total return (dividends, interest and capital gains, net of fees and expenses) over the long term in excess of the endowment spending rate plus inflation.

The Finance Committee shall recommend a “draw” percentage on an annual basis for the Endowment. It is the Board’s general expectation that the annual “draw” be the lesser of 4 percent (4%) or the amount that is available after protecting the Endowment’s purchasing power.

During a board meeting held on June 7, 2012, the board approved a \$100,000 loan from the endowment fund. The loan from the endowment fund shall bear interest at 7% per annum, compounded annually.

If an individual restricted endowment fund amount is determined to fall below the market value for that fund, that fund is considered to be “underwater”. As the market value of the portfolio increases, the deficiency is reduced. The value of underwater endowment accounts was less than their original fair value by \$3,699 as of June 30, 2012.

Changes in Endowment Assets	<div style="display: flex; justify-content: space-around; font-size: small;"> Unrestricted Temporarily Restricted Permanently Restricted Total </div>			
	Endowment Net Assets, June 30, 2011	\$ 7,576	\$ -	\$ 360,617
Contributions	-	-	4,765	4,765
Net change in investments value	(3,877)		3,877	-
Loan to unrestricted net assets	100,000		(100,000)	-
Endowment Net Assets, June 30, 2012	\$ 103,699	\$ -	\$ 269,259	\$ 372,958

NATIONAL WILDLIFE REFUGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 10 - UNCONDITIONAL PROMISES TO GIVE, PROGRAM SERVICES RECEIVABLE AND GRANTS RECEIVABLE

Unconditional promises to give at June 30, 2012 are as follows:

Balances expected to be collected in less than one year	
Pledged Donations	\$ 9,052
	\$ 9,052

Program services receivable at June 30, 2012 are as follows:

Balances expected to be collected in less than one year	
Program services receivables	\$ 5,500
	\$ 5,500

Grants receivable at June 30, 2012 are as follows:

Grants expected to be collected in less than one year:	
National Fish and Wildlife Foundation	\$ 85,000
McKnight Foundation	30,000
The Everglades Foundation	25,000
McClelland Foundation	15,000
	\$ 155,000

NOTE 11 – INVESTMENTS AND RETURN (LOSS) ON INVESTMENTS

Investments are carried at fair value of securities. Investments are composed of the following:

INVESTMENTS	
Mutual funds	248,705
Cost of investments	234,400
Unrealized gain, end of year	14,305
Unrealized gain, beginning of year	40,289
Unrealized loss, current year	(25,984)
Dividends and gain on sales	25,162
TOTAL RETURN (LOSS)	(822)

NATIONAL WILDLIFE REFUGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 12 - OPERATING LEASES

On January 23, 2012, National Wildlife Refuge Association entered into a sub-lease for office space expiring on September 30, 2019. The lease requires monthly rental payments of \$7,033 for the first year, subject to a 2.50% increase each year thereafter.

The future minimum rental commitment for this lease is as follows:

Year ended June 30, 2013	\$ 85,277
Year ended June 30, 2014	87,409
Year ended June 30, 2015	89,594
Year ended June 30, 2016	91,834
Year ended June 30, 2017	94,130
Year ended June 30, 2018 and thereafter	<u>218,828</u>
Total future minimum rentals	<u>\$ 667,072</u>

NOTE 13 – LINE OF CREDIT

In May 2011, National Wildlife Refuge Association signed a line of credit agreement with a local bank. The maximum amount of the line of credit is \$100,000 and the interest rate on all outstanding balances is 7.75%. The outstanding balance of the line of credit as of June 30, 2012 was \$ 15,475.

NOTE 14 – RELATED PARTY TRANSACTION

In May 2012, an officer of the Association advanced the Association \$20,000. In June 2012, the Association repaid the entire advance of \$20,000.

NOTE 15 – SUBSEQUENT EVENTS

As required by the Subsequent Events topic (Topic 855) of the FASB Accounting Standards Codification, National Wildlife Refuge Association has evaluated the impact of its financial statements and disclosures of certain transactions occurring subsequent to its year-end through October 23, 2012, which is the date National Wildlife Refuge Association's financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.