



# **THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE**

## **Consolidated Financial Statements**

*For the Years Ended August 31, 2016 and 2015*



**and  
Report Thereon**



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

*For the Year Ended August 31, 2016*



THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

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For the Years Ended August 31, 2016 and 2015

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*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the accompanying consolidated financial statements of the National Wildlife Federation (NWF) and its affiliate, the National Wildlife Federation Endowment, Inc. (the Endowment) (collectively referred to as the Federation), which comprise the consolidated statements of financial position as of August 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

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

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

**Continued**

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the National Wildlife Federation and Affiliate as of August 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated 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 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016, on our consideration of the Federation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Federation's internal control over financial reporting and compliance.

*Raffa, P.C.*

**Raffa, P.C.**

Washington, DC  
November 28, 2016

**THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**As of August 31, 2016 and 2015**  
**(in thousands)**

	2016	2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,316	\$ 204
Investments	54,264	48,006
Grants and other restricted receivables, net	9,983	9,662
Bequests and other contributions receivable, net	4,534	6,584
Accounts receivable, net of allowance for doubtful accounts of \$11 and \$36, respectively	826	854
Inventory, nature education materials	745	745
Prepaid expenses	2,846	1,928
Charitable gift annuities and other trusts	11,034	11,850
Property, plant and equipment, net	15,927	16,546
Other assets	476	668
Permanently restricted investments	5,474	5,458
<b>TOTAL ASSETS</b>	<b>\$ 107,425</b>	<b>\$ 102,505</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 4,487	\$ 4,958
Accrued payroll and related costs	2,329	2,267
Line of credit	248	1,632
Deferred revenue	8,773	8,277
Notes payable	12,958	13,648
Accrued pension and post-retirement benefits	20,966	21,977
Charitable gift annuities and other trust obligations	3,953	3,403
Other liabilities	-	15
<b>TOTAL LIABILITIES</b>	<b>53,714</b>	<b>56,177</b>
<b>Net Assets</b>		
Unrestricted net assets		
Undesignated	7,213	1,820
Designated	8,607	6,327
Total Unrestricted	15,820	8,147
Temporarily restricted net assets	28,439	28,797
Permanently restricted net assets	9,452	9,384
<b>TOTAL NET ASSETS</b>	<b>53,711</b>	<b>46,328</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 107,425</b>	<b>\$ 102,505</b>

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

**THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**For the Years Ended August 31, 2016 and 2015**  
(in thousands)

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>OPERATING REVENUE AND SUPPORT</b>								
Contributions from individuals	\$ 27,747	\$ 10,440	\$ 10	\$ 38,197	\$ 25,218	\$ 14,997	\$ -	\$ 40,215
Contributions from governments, foundations and corporations	1,870	15,755	-	17,625	992	10,010	-	11,002
Publications	11,202	-	-	11,202	11,273	-	-	11,273
Nature education materials	8,955	-	-	8,955	9,491	-	-	9,491
Investment income appropriated for operations	2,355	-	-	2,355	2,567	-	-	2,567
Royalties	513	-	-	513	516	-	-	516
Gain (loss) on sale of property	-	-	-	-	1,110	-	-	1,110
Other	474	285	58	817	1,213	764	(314)	1,663
Net assets released from restrictions:								
Satisfaction of program restrictions	19,692	(19,692)	-	-	18,260	(18,260)	-	-
Expiration of time restrictions	7,146	(7,146)	-	-	2,768	(2,768)	-	-
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<b>79,954</b>	<b>(358)</b>	<b>68</b>	<b>79,664</b>	<b>73,408</b>	<b>4,743</b>	<b>(314)</b>	<b>77,837</b>
<b>OPERATING EXPENSES</b>								
Program Services:								
Conservation advocacy programs	27,872	-	-	27,872	25,000	-	-	25,000
Education outreach and publications	16,706	-	-	16,706	15,961	-	-	15,961
Other nature education programs	11,778	-	-	11,778	10,740	-	-	10,740
Membership education programs	8,045	-	-	8,045	8,625	-	-	8,625
<b>Total Program Services</b>	<b>64,401</b>	<b>-</b>	<b>-</b>	<b>64,401</b>	<b>60,326</b>	<b>-</b>	<b>-</b>	<b>60,326</b>
Supporting Services:								
Fundraising	7,371	-	-	7,371	8,611	-	-	8,611
General and administrative	4,798	-	-	4,798	5,823	-	-	5,823
<b>Total Supporting Services</b>	<b>12,169</b>	<b>-</b>	<b>-</b>	<b>12,169</b>	<b>14,434</b>	<b>-</b>	<b>-</b>	<b>14,434</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>76,570</b>	<b>-</b>	<b>-</b>	<b>76,570</b>	<b>74,760</b>	<b>-</b>	<b>-</b>	<b>74,760</b>
Change in net assets from operations	3,384	(358)	68	3,094	(1,352)	4,743	(314)	3,077
Nonoperating activities:								
Investment income (loss) in excess of earnings appropriated for operations	2,238	-	-	2,238	(4,799)	-	-	(4,799)
Pension and post-retirement related changes other than net periodic benefit cost	2,051	-	-	2,051	(3,532)	-	-	(3,532)
<b>CHANGE IN NET ASSETS</b>	<b>7,673</b>	<b>(358)</b>	<b>68</b>	<b>7,383</b>	<b>(9,683)</b>	<b>4,743</b>	<b>(314)</b>	<b>(5,254)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>8,147</b>	<b>28,797</b>	<b>9,384</b>	<b>46,328</b>	<b>17,830</b>	<b>24,054</b>	<b>9,698</b>	<b>51,582</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 15,820</b>	<b>\$ 28,439</b>	<b>\$ 9,452</b>	<b>\$ 53,711</b>	<b>\$ 8,147</b>	<b>\$ 28,797</b>	<b>\$ 9,384</b>	<b>\$ 46,328</b>

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

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

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

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

**THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended August 31, 2015  
(in thousands)

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

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



**THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended August 31, 2016 and 2015**  
**Increase (Decrease) in Cash and Cash Equivalents**  
**(in thousands)**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 7,383	\$ (5,254)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	386	220
Depreciation and amortization	1,036	1,028
Amortization of financing costs and debt discount	20	42
Realized and unrealized losses (gains) on investments and annuities	(3,934)	3,310
Gain on sale of property	-	(1,110)
Unrecognized loss (gain) on pension and post-retirement plans	(2,051)	3,532
Changes in assets and liabilities:		
Grants and other restricted receivables	(321)	2,751
Bequests and other contributions receivable	1,800	(4,155)
Accounts receivable	(108)	383
Inventory, nature education materials	-	147
Prepaid expenses	(918)	177
Charitable gift annuities and other trusts	816	570
Other assets	172	517
Accounts payable and accrued expenses	(471)	1,383
Accrued payroll and related costs	62	(954)
Deferred revenue	496	(694)
Accrued pension and post-retirement benefits	1,040	(8)
Charitable gift annuities and other trust obligations	550	(145)
Other liabilities	(15)	(7)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>5,943</b>	<b>1,733</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(417)	(758)
Proceeds from sale of property, plant and equipment	-	6,150
Purchases of investments	(10,245)	(10,802)
Sales and maturities of investments	7,905	17,404
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(2,757)</b>	<b>11,994</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on notes payable and line of credit	(13,637)	(35,470)
Borrowings under notes payable and line of credit	11,563	21,676
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(2,074)</b>	<b>(13,794)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,112</b>	<b>(67)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>204</b>	<b>271</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,316</b>	<b>\$ 204</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<b>\$ 289</b>	<b>\$ 311</b>

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

# THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2016 and 2015

(in thousands)

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

#### **Organization**

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

#### **Basis of Presentation**

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

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

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

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

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

#### **Investments**

Investments are reported at fair value. Investments in common stock, fixed income funds and equity mutual and index funds are stated at quoted market values. Investments in limited partnerships, hedge funds and private investment funds are reported at fair value based on the net asset value (NAV) as determined by the external partnership or fund manager.

As permitted by accounting principles generally accepted in the United States (GAAP), the Federation uses NAV as a practical expedient to estimate the fair value of the Federation's ownership interest in limited partnerships, hedge funds and private investment funds, unless it

# THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2016 and 2015

(in thousands)

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

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

is probable that all or a portion of the investment will be sold for an amount different from NAV. The Federation performs due diligence procedures related to these investments to support recognition at fair value at fiscal year-end. Because many of these investments are not readily marketable, the estimates of fair value involve assumptions and estimation methods which are uncertain, and therefore the estimates could differ from actual results.

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

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

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

Unconditional promises to give, including grants, contributions and bequests, that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows using a discount rate commensurate with the risks identified. Amortization of the discounts is included in contribution revenue. The allowance method is used to determine the uncollectible amounts. The Federation records an allowance for doubtful accounts on its outstanding receivables based on its collection history, analysis of subsequent collections and specific identification of uncollectible accounts. No allowance was deemed necessary as of August 31, 2016 and 2015. 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 several split income gifts that include charitable gift annuities, charitable remainder and lead trusts, and perpetual trusts. The split interest gifts have been valued based on discount rates approved by the Internal Revenue

Continued

# THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2016 and 2015

(in thousands)

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

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

Service (the IRS) on the date of the gift, which range from 1.2% to 9.6%. The Federation serves as the administrator for all charitable gift annuities and certain remainder trusts received. A third party holds amounts received and makes specified payments to annuitants. The excess in fair value of assets received over the liability assumed is recorded as either unrestricted or temporarily restricted revenue. The liabilities are included in the accompanying consolidated statements of financial position. The assets are adjusted each year based on the fair value of the investments held by the third party. The liability is adjusted each year based on the adjusted life expectancies of the annuitants. Changes in assets and liabilities are recorded in the accompanying consolidated statements of activities in temporarily restricted other revenue.

Charitable remainder and lead trusts for which the Federation is not the trustee are recorded as temporarily restricted 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 consolidated statements of activities in temporarily restricted net assets as other revenue.

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

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

The Federation capitalizes all purchases of capital assets that are greater than \$1,000. Building and improvements are recorded at cost and depreciated using the straight-line method over their estimated useful lives of 20 to 50 years. Equipment, furniture and software are recorded at cost and depreciated using the straight-line method over their estimated useful lives of 3 to 8 years. Leasehold improvements are amortized over the lesser of 10 years or the life of the lease. Maintenance and repairs are charged to expense as incurred.

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

The Federation reviews the carrying amounts of assets whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced, by a charge to the consolidated statements of activities, to its current fair value.

#### **Contributed Property**

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

Continued

# THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2016 and 2015

(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 consolidated statements of financial position. The carrying value is adjusted if the market value is less than the recorded value. Covenants on certain properties restrict their future use to conservation activities.

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

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

#### **Revenue Recognition**

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

Donations, bequests, grants and federal and state grant awards are recorded in the reporting period they are received at the expected realizable value. Unconditional promises to give are recognized as revenue and assets in the period the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

#### **Donated Services and In-Kind Contributions**

The Federation recognizes contribution revenue for certain goods or services received at the fair value of those goods and services. In the years ended August 31, 2016 and 2015, the Federation received \$123 and \$97, respectively, in donated professional legal, actuarial, training and program advertising services and goods used in program and fundraising activities that are recorded in the accompanying consolidated statements of activities. However, many individuals volunteer their time and perform a variety of tasks that assist the Federation with its conservation education programs but do not meet the criteria for recording contributed services in the consolidated financial statements.

# THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2016 and 2015

(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 consolidated statements of activities. Accordingly, certain costs have been allocated among program and supporting services based on total direct expenses or total salaries, benefits and related expenses.

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

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

#### **Promotional Costs**

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

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

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value in accordance with 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 AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2016 and 2015

(in thousands)

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

#### **Estimates**

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

#### **Reclassifications**

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

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

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

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**THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Years Ended August 31, 2016 and 2015**

(in thousands)

2. Grants and Other Restricted Receivables

At August 31, 2016 and 2015, grants and other restricted receivables included the following unconditional promises to give:

	<u>2016</u>	<u>2015</u>
Amount due in less than one year	\$ 8,943	\$ 8,613
Amount due in one to five years	<u>1,104</u>	<u>1,101</u>
Subtotal	10,047	9,714
Less: Discount (5%)	<u>(64)</u>	<u>(52)</u>
Total	<u>\$ 9,983</u>	<u>\$ 9,662</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 as revenue for the year ended August 31, 2016. The remaining amount is conditional upon annual parliamentary budget approval.

3. Bequests and Other Contributions Receivable

At August 31, 2016 and 2015, bequests and other contributions receivable included the following unconditional promises to give:

	<u>2016</u>	<u>2015</u>
Amount due in less than one year	\$ 4,246	\$ 6,292
Amount due in one to five years	298	301
Amount due in more than five years	<u>5</u>	<u>6</u>
Subtotal	4,549	6,599
Less: Discount (5%)	<u>(15)</u>	<u>(15)</u>
Total	<u>\$ 4,534</u>	<u>\$ 6,584</u>

The Federation received \$2,386 and \$2,390 in the years ended August 31, 2016 and 2015, respectively, from a monthly donor program. The pledges from this program are deemed to be conditional because donors can cancel their participation at any time. Therefore, the pledges are recognized as revenue only when payment is received.



**THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Years Ended August 31, 2016 and 2015**

(in thousands)

4. Investments and Permanently Restricted Investments

Investments, at market, consisted of the following as of August 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Common stock	\$ 5,571	\$ 4,471
Limited partnerships and private investment funds	15,342	15,168
Hedge fund	3,451	3,279
Mutual funds – fixed income	7,194	7,049
Mutual and index funds – equity	<u>22,706</u>	<u>18,039</u>
Total unrestricted investments	54,264	48,006
Limited partnerships and private investment funds – permanently restricted	<u>5,474</u>	<u>5,458</u>
Total investments	<u>\$ 59,738</u>	<u>\$ 53,464</u>

Investment return consisted of the following for the year ended August 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Dividends and interest income	\$ 659	\$ 1,078
Net realized gains	1,109	3,923
Net unrealized gains (losses)	<u>2,825</u>	<u>(7,233)</u>
Net investment gains (losses)	4,593	(2,232)
Less: earnings appropriated for operations	<u>(2,355)</u>	<u>(2,567)</u>
Investment income (loss) in excess of earnings appropriated for operations	<u>\$ 2,238</u>	<u>\$ (4,799)</u>

Investment expenses were \$294 and \$341 for the years ended August 31, 2016 and 2015, respectively, and are included in total program and supporting services expenses in the accompanying consolidated statements of activities.

5. Charitable Gift Annuities and Other Trusts

Charitable gift annuities and other trusts consisted of the following as of August 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Charitable gift annuities	\$ 5,492	\$ 5,367
Charitable remainder trusts	1,540	2,534
Perpetual trusts	3,978	3,926
Charitable lead trusts	<u>24</u>	<u>23</u>
Total	<u>\$ 11,034</u>	<u>\$ 11,850</u>

Continued

**THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Years Ended August 31, 2016 and 2015**

(in thousands)

5. Charitable Gift Annuities and Other Trusts (continued)

The estimated liabilities for the above charitable gift annuities and other trusts consisted of the following as of August 31, 2016 and 2015:

	2016	2015
Charitable gift annuities	\$ 3,896	\$ 3,347
Charitable remainder trusts	57	56
Total	\$ 3,953	\$ 3,403

6. Property, Plant and Equipment

The Federation's property, plant and equipment consisted of the following as of August 31, 2016 and 2015:

	2016	2015
Land	\$ 3,947	\$ 3,947
Building and improvements	13,815	13,177
Equipment, furniture and software	10,599	11,109
Conservation properties	689	692
Total property, plant and equipment	29,050	28,925
Less: accumulated depreciation and amortization	(13,123)	(12,379)
Property, plant and equipment, net	\$ 15,927	\$ 16,546

The Federation recorded depreciation and amortization expense on its property, plant and equipment of \$1,036 and \$1,028 for the years ended August 31, 2016 and 2015. Additionally, during the year ended August 31, 2015, the Federation sold a warehouse for \$6,150, resulting in a net gain of \$1,110.

7. Notes Payable and Line of Credit

The Federation had the following debt obligations as of August 31, 2016 and 2015:

	2016	2015
Term loan of \$14,976 with the Bank of America (terms are described below)	\$ 12,958	\$ 13,648
Operating line of credit (terms are described below)	248	1,632
Total	\$ 13,206	\$ 15,280

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THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2016 and 2015

(in thousands)

7. Notes Payable and Line of Credit (continued)

A term loan was entered into with Bank of America on July 31, 2013, in the amount of \$14,976 for the purpose of purchasing the Federation's headquarters building. This loan has a five year term with interest at the LIBOR daily floating rate plus 1.55%, which was 2.72% and 1.69% at August 31, 2016 and 2015, respectively. A balloon payment in the amount of the remaining principal balance of \$11,586 is due at the end of the five year term. Under the most restrictive covenants associated with the term loan, the Federation is required to maintain: (1) a debt service coverage ratio of at least 1.1 to 1, measured annually as of the last day of each fiscal year, commencing with the fiscal year ending August 31, 2013, 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, commencing with the fiscal quarter ending August 31, 2013. At August 31, 2016 and 2015, the Federation was in compliance with its covenants. Costs associated with the term loan issuance have been capitalized under other assets and are being amortized over the five year term.

NWF has an unsecured operating line of credit based on two tiers from \$2,000 to \$8,000 that expires February 28, 2017. As of August 31, 2016 and 2015, \$248 and \$1,632 were drawn on the line of credit, respectively. The line of credit bears interest at the LIBOR daily floating rate plus 1%, which was 2.17% and 1.13% at August 31, 2016 and 2015, respectively. Under the most restrictive covenant, the Federation must maintain a liquidity ratio of at least 0.33 to 1. At August 31, 2016 and 2015, the Federation was in compliance with this covenant.

For the years ended August 31, 2016 and 2015, the Federation recorded interest expense of \$289 and \$659, respectively. On the consolidated statements of functional expenses, interest expense is included in occupancy and depreciation.

As of August 31, 2016, NWF is required to make the following minimum principal payments on the notes payable:

For the Year Ending	
<u>August 31,</u>	
2017	\$ 708
2018	<u>12,250</u>
Total	<u>\$ 12,958</u>

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**THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Years Ended August 31, 2016 and 2015**

(in thousands)

8. Net Assets

The temporarily restricted net assets of the Federation were available for the following programs or future time periods as of August 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Purpose:		
Conservation programs	\$ 5,075	\$ 3,827
Education outreach and publications	314	520
Time	5,898	8,984
Time and Purpose:		
Conservation programs	16,067	13,543
Education outreach and publications	<u>1,085</u>	<u>1,923</u>
Total	<u>\$ 28,439</u>	<u>\$ 28,797</u>

At August 31, 2016 and 2015, permanently restricted net assets were restricted in perpetuity, the income from which was expendable to support the following:

	<u>2016</u>	<u>2015</u>
Conservation and advocacy programs	\$ 252	\$ 252
Education outreach and publications	503	503
Any activities of the organization	<u>4,719</u>	<u>4,703</u>
Subtotal	5,474	5,458
Perpetual trusts	<u>3,978</u>	<u>3,926</u>
Total	<u>\$ 9,452</u>	<u>\$ 9,384</u>

The unrestricted net assets as of August 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Undesignated	\$ 7,213	\$ 1,820
NWF designated	3,857	1,863
Board designated:		
Beere fund	1,086	1,086
Conservation Program Reserve Fund	<u>3,664</u>	<u>3,378</u>
Total	<u>\$ 15,820</u>	<u>\$ 8,147</u>

Board designated net assets represent amounts designated for specific uses. The Beere Fund was designated by the Board after receipt of a bequest in 1993 permitting the Board to determine the use for these funds. The funds can be used at the Board's discretion. The Conservation Program Reserve Fund, formerly known as the Endangered Species Fund, was established as a separate Board designated net asset fund in 1986 from the sale of property donated to the Federation in 1976. The Conservation Program Reserve Fund may be used to fund conservation programs. In the year ended August 31, 2016, NWF management internally

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# THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2016 and 2015

(in thousands)

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### 8. Net Assets (continued)

designated net assets of \$2,000 for future investments. In the year ended August 31, 2015, NWF management internally designated net assets of \$107 for affiliate support, \$356 for compensation reserve, and \$1,400 for future investments.

#### **Permanently Restricted Net Assets and Endowment**

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

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

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

1. The duration and preservation of the fund
2. The purposes of the Federation and the donor-restricted endowed fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Federation
7. The investment policies of the Federation

From time to time, the fair value of assets associated with individual donor-restricted endowed funds may fall below the level that the donor requires the Federation to retain as a fund of perpetual duration. In this situation, the decline in market value of the funds is accounted for in unrestricted net assets and not in the endowed funds under temporarily restricted net assets. As of August 31, 2016 and 2015, due to market conditions, unrestricted net assets had no deficiencies for the endowed funds.

**THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Years Ended August 31, 2016 and 2015**

(in thousands)

8. Net Assets (continued)

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

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

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

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowed net assets,				
Beginning of year	\$ 5,618	\$ -	\$ 154	\$ 5,464
Contributions	10	-	-	10
Investment return - unrealized	37	-	37	-
Investment return - realized	9	-	9	-
Appropriation of endowed assets for expenditure	(46)	-	(46)	-
Endowed net assets, End of year	\$ 5,628	\$ -	\$ 154	\$ 5,474

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**THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Years Ended August 31, 2016 and 2015**

(in thousands)

8. Net Assets (continued)

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

The following table represents the changes in endowed net assets for the year ended August 31, 2015:

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

9. Employee Benefit Plans

**Defined Benefit Retirement Plan**

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

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

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

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**THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Years Ended August 31, 2016 and 2015**

(in thousands)

9. Employee Benefit Plans (continued)

**Defined Benefit Retirement Plan (continued)**

The changes in the funded status of the Federation's retirement plan for the years ended August 31, 2016 and 2015, were as follows:

	2016	2015
Change in benefit obligation		
Benefit obligation at beginning of year	\$ (42,180)	\$ (40,097)
Service cost	(424)	(377)
Interest cost	(1,658)	(1,572)
Actuarial gains (losses)	(1,132)	482
Impact of change in mortality tables	315	(2,814)
Administrative expenses	427	363
Benefits paid	1,756	1,835
Benefit obligation at end of year	(42,896)	(42,180)
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 25,225	\$ 27,324
Employer contribution	469	535
Actual return on plan assets	2,728	(436)
Administrative expenses	(427)	(363)
Benefits paid	(1,756)	(1,835)
Fair value of plan assets at end of year	26,239	25,225
Funded status (accrued pension liability)	\$ (16,657)	\$ (16,955)

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

In determining the benefit obligation, a discount rate at August 31, 2016 and 2015 of 3.75%, and 4.00%, respectively, was assumed. The rate of increase in future compensation levels assumed was 0% at August 31, 2016 and 2015 since the final earnings in the Plan have been frozen. A rate of return on Plan assets of 7% at August 31, 2016 and 2015 was assumed. This assumption is based on historical returns and is adjusted from time to time to reflect actual plan asset experience. During the years ended August 31, 2016 and 2015, the Society of Actuaries released revised mortality tables that affected the Plan's benefit obligation by decreasing the liability by \$315 and increasing the liability by \$2,814 at August 31, 2016 and 2015, respectively.



**THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Years Ended August 31, 2016 and 2015**

(in thousands)

9. Employee Benefit Plans (continued)

**Defined Benefit Retirement Plan (continued)**

The components of the Federation's net periodic pension cost for the years ended August 31, 2016 and 2015 consisted of the following:

	2016	2015
Employee service cost	\$ 425	\$ 377
Interest cost	1,658	1,572
Expected return on plan assets	(1,685)	(2,093)
Net amortization and deferral:		
Unrecognized net actuarial loss	1,246	650
Unrecognized prior service cost	(18)	(19)
Total	\$ 1,626	\$ 487

Items not yet recognized as a component of net periodic pension cost for the years ended August 31, 2016 and 2015 consisted of the following:

	2016	2015
Prior service cost	\$ (83)	\$ (101)
Net actuarial loss	12,338	13,810
Total	\$ 12,255	\$ 13,709

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, 2016 and 2015.

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

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

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

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

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**THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Years Ended August 31, 2016 and 2015**

(in thousands)

9. Employee Benefit Plans (continued)

**Defined Benefit Retirement Plan (continued)**

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

The Plan's weighted average asset allocation at August 31, 2016 and 2015 by asset category is as follows:

	<u>2016</u>	<u>2015</u>
Mutual Funds:		
Equity and money market funds	59%	60%
Fixed income	39%	39%
Guaranteed Investment Contracts	<u>2%</u>	<u>1%</u>
Total	<u>100%</u>	<u>100%</u>

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of August 31, 2016 and 2015:

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

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**THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Years Ended August 31, 2016 and 2015**

(in thousands)

9. Employee Benefit Plans (continued)

**Defined Benefit Retirement Plan (continued)**

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

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

	<u>Prudential Experience Rating Fund</u>
Balance as of August 31, 2014	\$ 388
Realized gains (losses)	-
Unrealized gains (losses) relating to units held at reporting date	-
Purchases, issuances, sales and settlements (net)	<u>(64)</u>
Balance as of August 31, 2015	<u>324</u>
Realized gains (losses)	-
Unrealized gains (losses) relating to units held at reporting date	-
Purchases, issuances, sales and settlements (net)	<u>(59)</u>
Balance as of August 31, 2016	<u>\$ 265</u>

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THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2016 and 2015

(in thousands)

9. Employee Benefit Plans (continued)

**Contributions**

Generally, the Federation's funding policy is to contribute annually an amount in accordance with ERISA guidelines. Based upon projections from its actuary, management of the Federation expects to contribute approximately \$475 to the Plan during the year ending August 31, 2017.

**Other Information**

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

	<u>2016</u>	<u>2015</u>
Net (loss) gain	\$ 1,472	\$ (4,249)
Prior service (cost) credit	<u>(18)</u>	<u>19</u>
Total	<u>\$ 1,454</u>	<u>\$ (4,230)</u>

Amounts in unrestricted net assets expected to be amortized into net periodic pension cost during the year ending August 31, 2017, consist of:

Net loss (gain)	\$ 1,087
Prior service cost	<u>(16)</u>
Total	<u>\$ 1,071</u>

**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.

**THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Years Ended August 31, 2016 and 2015**

(in thousands)

9. Employee Benefit Plans (continued)

**Post-Retirement Benefits (continued)**

Components of the net periodic post-retirement benefit cost for the years ended August 31, 2016 and 2015, included the following:

	<u>2016</u>	<u>2015</u>
Service cost	\$ 216	\$ 258
Interest cost	206	235
Amortization of unrecognized loss	29	111
Amortization of prior service costs	<u>(493)</u>	<u>(493)</u>
Net periodic post-retirement benefit cost	<u>\$ (42)</u>	<u>\$ 111</u>

A national 9% annual rate of increase in the per capita costs of covered health care benefits was assumed, gradually decreasing to 4% by the year 2031. At August 31, 2016 and 2015, a discount rate of 4.0% and 3.75%, respectively, was used to determine the accumulated benefit obligation. The effective discount rate was developed using the yield curve listed in the Citigroup Pension Liability Index.

The following sets forth the plan's changes in benefit obligation and accrued benefit costs reported in the accompanying consolidated statements of financial position at August 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Benefit obligation at beginning of year	\$ (5,022)	\$ (5,679)
Service cost	(216)	(258)
Interest cost	(206)	(235)
Actuarial gains (losses)	1,010	1,009
Participant contributions	(265)	(275)
Benefits paid	<u>390</u>	<u>416</u>
Benefit obligation at end of year	(4,309)	(5,022)
Plan assets at end of year	<u>-</u>	<u>-</u>
Funded status (accrued benefit liability)	<u>\$ (4,309)</u>	<u>\$ (5,022)</u>

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

Increasing or decreasing the assumed health care cost trend rates by one percentage point in 2016 would have the following effect:

	<u>1%</u> <u>Increase</u>	<u>1%</u> <u>Decrease</u>
Effect on total service and interest cost	\$ 104	\$ (76)
Effect on benefit obligation	\$ 775	\$ (597)

Continued

**THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Years Ended August 31, 2016 and 2015**

(in thousands)

9. Employee Benefit Plans (continued)

**Post-Retirement Benefits (continued)**

Other changes in benefit obligations recognized in other than net periodic benefit cost are \$597 and \$698 for the years ended August 31, 2016 and 2015, respectively. Items not yet recognized as a component of the net periodic post-retirement benefit cost for the years ended August 31, 2016 and 2015, consisted of the following:

	2016	2015
Prior service cost	\$ (4,743)	\$ (5,236)
Net actuarial (gain) loss	(162)	877
Total	\$ (4,905)	\$ (4,359)

Of the cumulative unrecognized amount as of August 31, 2016, \$493 is expected to be included in net periodic post-retirement benefit cost for the year ending August 31, 2017.

**Contributions**

Benefits are funded on a pay as you go basis. Management of the Federation contributed \$125 during the year ended August 31, 2016. Based upon projections from its actuary, management expects to contribute \$102 to its post-retirement plan during the year ending August 31, 2017.

**Estimated Future Benefit Payments**

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

	Pension Benefits	Post- retirement Benefits
2017	1,860	358
2018	1,990	396
2019	2,054	426
2020	2,138	442
2021	2,161	452
2022 to 2026	11,590	2,586

**Employee Tax Deferred Annuity Plan**

The Federation has a defined contribution plan for the benefit of its employees who have reached one (1) year of service of a minimum of 1,000 hours. The Federation matches one dollar for each dollar contributed by the employee up to a maximum of 3% and 50 cents for each dollar above 3% contributed up to a maximum of 5% of the employee's base compensation based on length of service. The Federation contributed approximately \$1,033 and \$1,010 for the years ended August 31, 2016 and 2015, respectively.

Continued

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2016 and 2015

(in thousands)

9. Employee Benefit Plans (continued)

**Self-Insured Medical Plan**

NWF maintains a self-insured medical plan for the benefit of its employees. A stop-loss policy is in effect, which limits NWF's loss per individual employee to \$165 and an aggregate stop-loss of \$2,772. The plan is administered through a contractual relationship with an unrelated company. NWF is solely responsible for all claims incurred up to the amount of the stop-loss provisions. NWF's expense under the plan amounted to \$2,228 and \$2,260 for the years ended August 31, 2016 and 2015, respectively. NWF included a provision for estimated claims incurred but not yet reported in accounts payable and accrued expenses in the accompanying statements of financial position in the amount of \$291 and \$374 as of August 31, 2016 and 2015, respectively.

10. Commitments and Contingencies

**Operating Lease**

The Federation leases office space, vehicles and equipment under operating leases, the last of which expires in 2022. Total rental expense for operating leases was approximately \$904 and \$619 for the years ended August 31, 2016 and 2015, respectively. Future minimum rental payments on noncancelable operating leases at August 31, 2016, are as follows:

<u>For the Year Ending August 31,</u>	
2017	\$ 869
2018	795
2019	778
2020	459
2021	198
Thereafter	<u>198</u>
Total	<u>\$ 3,297</u>

**Federal and State Grant Awards**

Amounts received and expended by the Federation under various federal and state grant awards are subject to audit by government agencies. Management believes that adjustments, if any, which might result from such audits would not have a material impact on the consolidated financial position of the Federation.

**Other**

The Federation may also be party to various legal actions and claims arising in the ordinary course of business. However, as of August 31, 2016, management was not aware of any such actions or claims.

## THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2016 and 2015

(in thousands)

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#### 11. 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, 2016 and 2015, the Federation incurred joint costs of \$12,078 and \$15,821, respectively. Of those costs, \$4,775 and \$6,087 were allocated to fundraising expense, \$6,163 and \$8,097 were allocated to membership education and other nature education programs and \$1,140 and \$1,637 were allocated to general and administrative expense in 2016 and 2015, respectively. Other direct and allocated operating expenses of \$2,512 and \$2,524 were also incurred for fundraising activities during 2016 and 2015, respectively.

#### 12. Income Taxes

NWF and the Endowment have received determination letters from the IRS that they have been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the IRC), except for tax on any income that may be a result of unrelated business transactions. Additionally, the IRS has classified NWF and the Endowment as public charities under IRC Section 509(a)(1). NWF and the Endowment believe that their operations are consistent with the nature of their exemptions granted by the IRS. NWF is required to report unrelated business income to the IRS. NWF's unrelated business income consists of advertising income in publications and income from the Winchester warehouse leases. There was no net unrelated business income for the years ended August 31, 2016 and 2015.

The Federation's management believes it has no material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the years ended August 31, 2016 and 2015, the Federation did not recognize any interest or penalties.

#### 13. National Wildlife Federation Action Fund

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

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



**THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Years Ended August 31, 2016 and 2015**

(in thousands)

13. National Wildlife Federation Action Fund (continued)

NWF provided \$200 and \$258 in grants to NWF Action Fund in the years ended August 31, 2016 and 2015, respectively. In addition, NWF Action Fund reimburses NWF for certain costs such as leased staff, benefits, miscellaneous expenses and overhead costs. As of August 31, 2016 and 2015, NWF Action Fund owed NWF \$119 and \$85, respectively, for such costs. Additionally, as of August 31, 2016 and 2015, the NWF Action Fund owed \$152 and \$160 to NWF for contributions collected for NWF.

14. Fair Value Disclosure of Financial Instruments

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

	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,316	\$ 1,316	\$ 204	\$ 204
Grants and other restricted receivables	\$ 9,983	\$ 9,983	\$ 9,662	\$ 9,662
Bequests and other contributions receivable	\$ 4,534	\$ 4,534	\$ 6,584	\$ 6,584
Charitable gift annuities and other trusts	\$ 11,034	\$ 11,034	\$ 11,850	\$ 11,850
Investments	\$ 54,264	\$ 54,264	\$ 48,006	\$ 48,006
Permanently restricted investments	\$ 5,474	\$ 5,474	\$ 5,458	\$ 5,458
<b>Liabilities:</b>				
Notes payable and line of credit	\$ 13,206	\$ 13,206	\$ 15,280	\$ 15,280
Trusts and annuity obligations	\$ 3,953	\$ 3,953	\$ 3,403	\$ 3,403

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

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

*Grants and other restricted receivables and bequests and other contributions receivable* – These receivables are recorded at fair value on a nonrecurring basis when the grant or contribution is promised. The fair value is estimated by discounting the estimated future cash flows to their present values at the date of the promise. Carrying amounts are deemed to approximate fair value, as changes in the discount rate after the date of promise are not material.

Continued

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2016 and 2015

(in thousands)

14. Fair Value Disclosure of Financial Instruments (continued)

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

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

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

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

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

The balance of the Federation's financial assets as of August 31, 2016 and 2015 are classified in the consolidated statements of financial position as follows:

	<u>2016</u>	<u>2015</u>
Charitable gift annuities and trusts	\$ 11,034	\$ 11,850
Investments	54,264	48,006
Permanently restricted investments	<u>5,474</u>	<u>5,458</u>
Total	<u>\$ 70,772</u>	<u>\$ 65,314</u>

In May 2015, FASB issued amended guidance on the disclosures for investments in certain entities that calculate NAV per share (or its equivalent). The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The amendments also remove the

Continued

**THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Years Ended August 31, 2016 and 2015**

**(in thousands)**

14. Fair Value Disclosure of Financial Instruments (continued)

requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. Rather, those disclosures are limited to investments for which the entity has not elected to measure the fair value using that practical expedient. The guidance is effective for fiscal years beginning after December 15, 2015 and for interim periods within those years. As permitted under the guidance, the Federation has elected to early adopt for the fiscal year ended August 31, 2015. In accordance with the guidance, previously reported amounts have been revised to conform with the current presentation.

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:

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

Continued

**THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Years Ended August 31, 2016 and 2015**

(in thousands)

14. Fair Value Disclosure of Financial Instruments (continued)

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

Continued

**THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Years Ended August 31, 2016 and 2015**

(in thousands)

14. Fair Value Disclosure of Financial Instruments (continued)

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

	<u>Charitable remainder and perpetual trusts</u>
Balance as of August 31, 2014	6,259
Unrealized gains (losses)	440
Realized gains	-
Purchases	-
Sales	(216)
Transfers in	-
Transfers out	-
	<hr/>
Balance as of August 31, 2015	6,483
Unrealized gains (losses)	(1,277)
Realized gains	-
Purchases	336
Sales	-
Transfers in	-
Transfers out	-
	<hr/>
Balance as of August 31, 2016	<u>\$ 5,542</u>

The Federation has included in the table below the category, fair value, redemption frequency, and redemption notice period for those assets whose fair value is estimated using NAV per share or its equivalent for which fair value is not readily determinable as of August 31, 2016 and 2015. For the Federation, such investments include limited partnerships and private investment and hedge funds.

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

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

Continued

**THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Years Ended August 31, 2016 and 2015**

(in thousands)

14. Fair Value Disclosure of Financial Instruments (continued)

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

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

There are no unfunded commitments or illiquid investments at August 31, 2016 and 2015.

15. Subsequent Events

The Federation evaluated subsequent events through November 28, 2016, which is the date the consolidated financial statements were available to be issued. There were no events noted that required adjustment to or disclosure in these consolidated financial statements.



Certified Public Accountants

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

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the National Wildlife Federation (NWF) and its affiliate, the National Wildlife Federation Endowment, Inc. (the Endowment) (collectively referred to as the Federation), which comprise the consolidated statement of financial position as of August 31, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 28, 2016.

***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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Federation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Federation's internal control.

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

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

Continued

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Federation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

*Raffa, P.C.*

**Raffa, P.C.**

Washington, DC  
November 28, 2016





*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 and Affiliate

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

We have audited the National Wildlife Federation (NWF) and its affiliate, the National Wildlife Federation Endowment, Inc. (the Endowment) (collectively referred to as the Federation) compliance with the types of compliance requirements described in the *OMB 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, 2016. 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 its major federal programs for the year ended August 31, 2016.

Continued

## Report on Internal Control Over Compliance

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

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

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

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

*Raffa, P.C.*

**Raffa, P.C.**

Washington, DC  
November 28, 2016

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2016

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>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA)</b>				
<i>Pass-Through from University Corporation for Atmospheric Research:</i>				
NRA/Research Opportunities in Space and Earth Sciences - 2013	43.001	N/A	\$ -	\$ 81,048
Land Use Implications on Tropical Deforestation and Carbon Loss: Case Studies in Asia and Brazil	43.001	N/A	-	<u>17,902</u>
			Total for NASA and CFDA 43.001	98,950
<b>U.S. DEPARTMENT OF THE INTERIOR</b>				
<i>Pass-Through from National Fish and Wildlife Foundation:</i>				
Coastal Resiliency Planning and Ecosystem Enhancement for Northeast Massachusetts	15.153	N/A	-	1,133,577
<i>Pass-Through from New Jersey Audubon Society:</i>				
Assessing Coastal Impoundment Vulnerability And Resilience in the Northeast	15.153	N/A	-	93,758
<i>Pass-Through from New Jersey Department of Environmental Protection:</i>				
Building Ecological Solutions to Coastal Community Hazards	15.153	N/A	-	<u>183,240</u>
			Total for CFDA 15.153	1,410,575
Advancing Urban Conservation Through Increasing Pollinator Habitat in Metro Atlanta	15.631	N/A	-	1,329
Outdoor Classrooms/Pollinator Gardens to Support Pollinators in Austin, TX	15.631	N/A	-	<u>12,000</u>
			Total for CFDA 15.631	13,329
Climate Change Vulnerability Training	15.649	N/A	-	15,803
Capacity Building for Monarch Butterfly Restoration	15.649	N/A	-	<u>1,612</u>
			Total for CFDA 15.649	17,415
<i>Pass-Through from National Fish and Wildlife Foundation:</i>				
Long Leaf Pine Restoration on Private Land II	15.608	N/A	-	69,651
Launching Monarch Butterfly Recovering in the Central Flyway through Urban Outreach	15.608	N/A	-	<u>96,973</u>
			Total for CFDA 15.608	166,624

See accompanying notes to this schedule.

Continued

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2016

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 National Fish and Wildlife Foundation:</i>				
Fence-flagging to Reduce Conflicts between Sage Grouse Conservation and Livestock Grazing	15.231	N/A	-	62,944
<i>Pass-Through from North Carolina State University:</i>				
Conservation Adaption Planning for Landscape and Climate Change in the Southeast	15.820	N/A	-	81,728
<i>Pass-Through from U.S. National Park Service:</i>				
Climate Adaptation Planning and Activities Integrating Climate-Smart Principles into NPS	15.945	N/A	-	70,138
Total U.S. Department of the Interior				1,822,753
<b>U.S. DEPARTMENT OF COMMERCE</b>				
The Central Role of the Mississippi River and its Delta in the Oceanography and Economy of the Gulf of Mexico Large Marine	11.451	N/A	-	6,785
<i>Pass-Through from University of Michigan:</i>				
Enhancing Manager and Stakeholder Awareness of and Responses to Changing Climatic Conditions and Their Impacts on Lake Erie	11.431	N/A	-	2,189
Total U.S. Department of Commerce				8,974
<b>ENVIRONMENTAL PROTECTION AGENCY (EPA)</b>				
<i>Pass-Through from National Fish and Wildlife Foundation:</i>				
Deep Green Community: Benefits Wildlife and Water in Baltimore	66.466	N/A	-	147,792
Documenting Project Implementation and Nutrient Reductions with Common Cloud	66.466	N/A	-	13,897
Documenting Restoration Outcomes with FieldDoc	66.466	N/A	-	13,005
<i>Pass-Through from Maryland Department of Natural Resources:</i>				
Chesapeake Bay Implementation Grant Section 117	66.466	N/A	-	54,721
Total for EPA and CFDA 66.466				229,415

See accompanying notes to this schedule.

Continued

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2016

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 AGRICULTURE</b>				
<i>Pass-Through from National Fish and Wildlife Foundation:</i>				
Deep Green Community: Benefits Wildlife and Water in Baltimore	10.678	N/A	-	<u>11,369</u>
		Total U.S. Department of Agriculture		<u>11,369</u>
<b>U.S. DEPARTMENT OF DEFENSE</b>				
Integrated Natural Resource Management Plans	12.632	N/A	-	<u>5,324</u>
		Total U.S. Department of Defense		<u>5,324</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<u><u>\$ 2,176,785</u></u>

See accompanying notes to this schedule.

**THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2016**

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1. Summary of Significant Accounting Policies

**Basis of Accounting**

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

**Cost Principles**

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

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

Expenditures per Schedule of	
Expenditures of Federal Awards	\$ 2,176,785
Plus: Nonfederal revenue	<u>15,447,909</u>
Contributions from governments, foundations and corporations per Consolidated Statement of Activities	<u>\$ 17,624,694</u>

THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended August 31, 2016

A. SUMMARY OF AUDITOR'S RESULTS

**Financial Statements**

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

Yes  No

**Federal Awards**

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

Unmodified  Qualified  
 Adverse  Disclaimer

Internal control over major program(s):

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, 200 516(a)?

Yes  No

Identification of Major Program(s):

<u>CFDA #</u>	<u>Program Title</u>
15.153	Hurricane Sandy Disaster Relief – Coastal Resiliency Grants
66.466	Chesapeake Bay Program

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

Auditee qualified as a low-risk auditee?  Yes  No

**THE NATIONAL WILDLIFE FEDERATION AND AFFILIATE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended August 31, 2016**

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**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None required to be reported.

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

None required to be reported.