



# **THE NATIONAL WILDLIFE FEDERATION**

## **Financial Statements**

*For the Years Ended August 31, 2019 and 2018*



**and  
Report Thereon**



**Reports Required in Accordance with  
Uniform Guidance**

*For the Year Ended August 31, 2019*



THE NATIONAL WILDLIFE FEDERATION

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For the Years Ended August 31, 2019 and 2018

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The National Wildlife Federation

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

We have audited the accompanying financial statements of The National Wildlife Federation (the Federation), which comprise the statement of financial position as of August 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Continued

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## **Opinion**

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the financial position of The National Wildlife Federation as of August 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Prior Period Financial Statements*

The Federation's 2018 financial statements were audited by Raffa, P.C., whose practice was combined with Marcum LLP, and whose report dated November 29, 2018, expressed an unmodified opinion on those statements.

### *Other Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019, on our consideration of the Federation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Federation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Federation's internal control over financial reporting and compliance.

*Marcum LLP*

Washington, DC  
December 5, 2019

**THE NATIONAL WILDLIFE FEDERATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**As of August 31, 2019 and 2018**  
**(in thousands)**

	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,365	\$ 2,296
Unrestricted investments	60,450	63,970
Grants and other restricted receivables, net	17,430	13,310
Bequests and other contributions receivable, net	3,014	2,445
Accounts receivable, net of allowance for doubtful accounts of \$387 and \$13, respectively	1,166	873
Inventory, nature education materials	948	746
Prepaid expenses	3,390	3,114
Charitable gift annuities and other trusts	11,428	11,657
Property, plant and equipment, net	16,585	16,757
Other assets	832	1,017
Permanently restricted investments	5,474	5,485
<b>TOTAL ASSETS</b>	<b>\$ 122,082</b>	<b>\$ 121,670</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 5,194	\$ 4,438
Accrued payroll and related costs	2,110	2,391
Deferred revenue	8,068	9,036
Deferred rent and lease incentives	1,747	1,646
Bonds payable, net of premium and unamortized financing fees	11,239	11,675
Accrued pension and post-retirement benefits	14,067	17,525
Charitable gift annuities and other trust obligations	3,442	3,398
<b>TOTAL LIABILITIES</b>	<b>45,867</b>	<b>50,109</b>
<b>Net Assets</b>		
<b>Without donor restrictions</b>		
Undesignated	18,674	19,681
Designated	7,037	9,007
<b>Total Net Assets Without Donor Restrictions</b>	<b>25,711</b>	<b>28,688</b>
<b>With donor restrictions</b>		
	<b>50,504</b>	<b>42,873</b>
<b>TOTAL NET ASSETS</b>	<b>76,215</b>	<b>71,561</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 122,082</b>	<b>\$ 121,670</b>

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

**THE NATIONAL WILDLIFE FEDERATION**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended August 31, 2019 and 2018**  
**(in thousands)**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUE AND SUPPORT</b>						
Contributions from individuals	\$ 24,038	\$ 11,792	\$ 35,830	\$ 23,394	\$ 11,316	\$ 34,710
Contributions from governments, foundations and corporations	5,589	30,476	36,065	7,117	19,447	26,564
Publications	14,562	-	14,562	12,470	-	12,470
Nature education materials	8,132	-	8,132	9,160	-	9,160
Investment income appropriated for operations	2,203	-	2,203	2,092	-	2,092
Royalties	590	-	590	556	-	556
Other	479	11	490	1,964	243	2,207
Net assets released from restrictions:						
Satisfaction of program restrictions	29,979	(29,979)	-	25,400	(25,400)	-
Expiration of time restrictions	4,669	(4,669)	-	4,152	(4,152)	-
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<b>90,241</b>	<b>7,631</b>	<b>97,872</b>	<b>86,305</b>	<b>1,454</b>	<b>87,759</b>
<b>OPERATING EXPENSES</b>						
Program Services:						
Conservation advocacy programs	38,862	-	38,862	35,370	-	35,370
Education outreach and publications	20,725	-	20,725	20,021	-	20,021
Other nature education programs	11,769	-	11,769	13,023	-	13,023
Membership education programs	7,171	-	7,171	7,144	-	7,144
<b>Total Program Services</b>	<b>78,527</b>	<b>-</b>	<b>78,527</b>	<b>75,558</b>	<b>-</b>	<b>75,558</b>
Supporting Services:						
Fundraising	8,494	-	8,494	7,781	-	7,781
General and administrative	5,516	-	5,516	4,204	-	4,204
<b>Total Supporting Services</b>	<b>14,010</b>	<b>-</b>	<b>14,010</b>	<b>11,985</b>	<b>-</b>	<b>11,985</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>92,537</b>	<b>-</b>	<b>92,537</b>	<b>87,543</b>	<b>-</b>	<b>87,543</b>
Change in net assets from operations	(2,296)	7,631	5,335	(1,238)	1,454	216
Nonoperating activities:						
Investment income (loss) in excess of earnings appropriated for operations	(1,450)	-	(1,450)	3,693	-	3,693
Pension and post-retirement related charges, including net periodoc benefit costs other than services cost	769	-	769	782	-	782
<b>CHANGE IN NET ASSETS</b>	<b>(2,977)</b>	<b>7,631</b>	<b>4,654</b>	<b>3,237</b>	<b>1,454</b>	<b>4,691</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>28,688</b>	<b>42,873</b>	<b>71,561</b>	<b>25,451</b>	<b>41,419</b>	<b>66,870</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 25,711</b>	<b>\$ 50,504</b>	<b>\$ 76,215</b>	<b>\$ 28,688</b>	<b>\$ 42,873</b>	<b>\$ 71,561</b>

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

**THE NATIONAL WILDLIFE FEDERATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended August 31, 2019**  
**(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	\$ 18,335	\$ 6,733	\$ 3,373	\$ 804	\$ 29,245	\$ 1,775	\$ 3,089	\$ 4,864	\$ 34,109
Consultants and contractors	7,704	2,525	2,389	1,180	13,798	1,396	632	2,028	15,826
Printing and production	203	4,254	1,291	2,371	8,119	2,322	397	2,719	10,838
Postage, mailing and shipping	43	3,891	1,266	2,009	7,209	2,118	370	2,488	9,697
Conservation assistance	6,456	267	-	-	6,723	-	1	1	6,724
Other	2,487	1,254	1,037	603	5,381	588	305	893	6,274
Occupancy and depreciation	1,881	1,011	396	189	3,477	219	642	861	4,338
Cost of goods sold	22	556	1,854	-	2,432	-	-	-	2,432
Travel	1,453	190	163	6	1,812	76	80	156	1,968
Donated advertising and other services	278	44	-	9	331	-	-	-	331
<b>TOTAL EXPENSES</b>	<b>\$ 38,862</b>	<b>\$ 20,725</b>	<b>\$ 11,769</b>	<b>\$ 7,171</b>	<b>\$ 78,527</b>	<b>\$ 8,494</b>	<b>\$ 5,516</b>	<b>\$ 14,010</b>	<b>\$ 92,537</b>

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

THE NATIONAL WILDLIFE FEDERATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2018

(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	\$ 17,565	\$ 7,297	\$ 3,445	\$ 790	\$ 29,097	\$ 1,671	\$ 2,121	\$ 3,792	\$ 32,889
Consultants and contractors	7,087	2,301	2,751	1,273	13,412	1,445	492	1,937	15,349
Printing and production	123	4,130	1,462	2,330	8,045	2,128	404	2,532	10,577
Postage, mailing and shipping	32	3,572	1,300	1,958	6,862	1,864	363	2,227	9,089
Other	2,610	885	1,013	511	5,019	321	85	406	5,425
Occupancy and depreciation	2,385	1,100	539	211	4,235	257	677	934	5,169
Conservation assistance	3,967	111	7	57	4,142	2	-	2	4,144
Cost of goods sold	1	222	2,324	-	2,547	3	-	3	2,550
Travel	1,563	216	182	3	1,964	67	62	129	2,093
Donated advertising and other services	37	187	-	11	235	23	-	23	258
<b>TOTAL EXPENSES</b>	<b>\$ 35,370</b>	<b>\$ 20,021</b>	<b>\$ 13,023</b>	<b>\$ 7,144</b>	<b>\$ 75,558</b>	<b>\$ 7,781</b>	<b>\$ 4,204</b>	<b>\$ 11,985</b>	<b>\$ 87,543</b>

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



**THE NATIONAL WILDLIFE FEDERATION**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended August 31, 2019 and 2018**  
**(in thousands)**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 4,654	\$ 4,691
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Bad debt expense	205	68
Depreciation and amortization	1,438	1,313
Realized and unrealized gains on investments and annuities	294	(5,475)
Unrecognized gain on pension and post-retirement plans	(769)	(1,746)
Changes in assets and liabilities:		
Grants and other restricted receivables	(4,120)	(76)
Bequests and other contributions receivable	(569)	(174)
Accounts receivable	(498)	(157)
Inventory, nature education materials	(202)	(16)
Prepaid expenses	(276)	(126)
Charitable gift annuities and other trusts	229	(121)
Other assets	185	(506)
Accounts payable and accrued expenses	756	(476)
Accrued payroll and related costs	(281)	(71)
Deferred revenue	(968)	425
Deferred rent and lease incentives	101	553
Accrued pension and post-retirement benefits	(2,689)	1,058
Charitable gift annuities and other trust obligations	44	(414)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(2,466)</b>	<b>(1,250)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(1,266)	(1,005)
Purchases of investments	(9,803)	(12,791)
Sales and maturities of investments	13,040	13,807
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>1,971</b>	<b>11</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on bonds and notes payable and line of credit	(10,984)	(12,233)
Borrowings under line of credit	10,548	-
Proceeds from issuance of bonds	-	12,077
Acquisition of financing costs	-	(401)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(436)</b>	<b>(557)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(931)</b>	<b>(1,796)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,296</b>	<b>4,092</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,365</b>	<b>\$ 2,296</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<b>\$ 451</b>	<b>\$ 264</b>

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

# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2019 and 2018 (in thousands)

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

#### **Organization**

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

#### **Basis of Presentation**

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

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

The Federation reports information regarding its financial position and activities according to two classes of net assets: with and without donor restrictions. Net assets with donor restrictions consist of contributions whose use by the Federation is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Federation related to those stipulations. Additionally, net assets with donor restrictions include contributions whose use by the Federation is limited by donor-imposed stipulations that the assets be maintained permanently.

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

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

#### **Investments**

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

# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2019 and 2018 (in thousands)

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

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

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

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

Because of the inherent uncertainty of valuation of the limited partnerships 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, 2019 and 2018. 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.

# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2019 and 2018 (in thousands)

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

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

The Federation has been named as beneficiary in split income gifts that include charitable gift annuities, charitable remainder and lead trusts, and perpetual trusts. The split interest gifts have been valued based on discount rates approved by the Internal Revenue Service (the IRS) on the date of the gift, which range from 1.2% to 9.4%. The Federation serves as the administrator for all charitable gift annuities and certain remainder trusts received. A third party holds amounts received and makes specified payments to annuitants. The excess in fair value of assets received over the liability assumed is recorded as either revenue with or without donor restrictions. The liabilities are included in the accompanying statements of financial position. The assets are adjusted each year based on the fair value of the investments held by the third party. The liability is adjusted each year based on the adjusted life expectancies of the annuitants. Changes in assets and liabilities are recorded in the accompanying statements of activities in other revenue with donor restrictions.

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

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

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

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

#### **Classification of Net Assets**

The Federation's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of the Federation at the discretion of The Federation's management and the Board of Directors (the Board). From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. The Board has designated \$1,085 of net assets without donor restrictions to serve as a working capital reserve to secure the Federation's long-term financial viability.

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# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2019 and 2018 (in thousands)

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

#### **Classification of Net Assets (continued)**

- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of the Federation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of December 31, 2019, The Federation had no net assets with donor restrictions that are required to be maintained in perpetuity.

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

The Federation reviews the carrying amounts of assets whenever events or circumstances indicate that such carrying amounts may not be recoverable. When an asset is considered impaired, the carrying amount of the asset is reduced by a charge to the statements of activities to its current fair value. As of August 31, 2019 and 2018, the Federation has not recognized an impairment loss.

#### **Contributed Property**

Contributed property, equipment and other noncash assets are recorded at their fair value at the date of donation. If donors stipulate how the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

#### **Conservation Properties**

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

#### **Revenue Recognition**

Revenues from contracts with customers is based on consideration defined in the contracts. The Federation's contracts with customers includes restricted contributions from grants, publication subscriptions to members as a benefit of membership, other magazine subscriptions described below, and several small subleasing arrangements.

#### **Contributions and Grants**

Contributions received are recorded as revenue with or without donor restrictions, depending on the existence and/or nature of any donor stipulations. Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the stipulation. When a restriction expires (that is, when a stipulated time restriction ends or purpose of a restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2019 and 2018 (in thousands)

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

### **Revenue Recognition (continued)**

A contribution, gift or grant is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until they become unconditional, that is, when the barrier(s) in the agreement are overcome.

### ***Membership and Publications***

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

### ***Nature Education Materials***

Revenue for nature education materials is recognized, when, or as, the performance obligation is satisfied. The performance obligation is satisfied when the order is placed with the third party service provider, who owns the goods sold and fulfills the orders, independently of the Federation.

### ***Royalties***

The Federation enters into several licensing and trademark agreements to use the intellectual property of the Federation. Revenue earned under the royalties is dependent on the performance obligation. Under fixed fee agreements, revenue is earned ratably over the period of the agreement for allowing the third party organization to use the Federation's intellectual property. Under variable agreements, revenue is recognized in the period in which sales of goods utilizing the Federation's intellectual property are reported.

### ***Investment Income***

Realized and unrealized gains and losses and investment income (losses) derived from investment transactions are included as income in the year earned.

# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2019 and 2018 (in thousands)

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

#### **Donated Services**

The Federation recognizes contribution revenue for certain services received at the fair value of those services. In the years ended August 31, 2019 and 2018, the Federation received \$331 and \$258, respectively, in donated professional legal, actuarial, and program advertising services used in program and fundraising activities that are recorded in the accompanying statements of activities. However, many individuals volunteer their time and perform a variety of tasks that assist the Federation with its conservation education programs but do not meet the criteria for recording contributed services in the financial statements.

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

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

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

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

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

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

Certain costs are allocated among benefiting program and supporting services in the accompanying statement of activities. Occupancy expenses are allocated directly to programs and supporting services where the property is used based on square footage. Other costs are allocated based on salary expense. General and administrative costs that have been allocated include utilities, repairs and maintenance, and other administrative departments, such as finance, human resources and information systems.

# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2019 and 2018 (in thousands)

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

#### **Promotional Costs**

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

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

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

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

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

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

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

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



# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2019 and 2018 (in thousands)

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

#### **Deferred Financing Costs and Amortization**

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

#### **Estimates**

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

#### **Reclassifications**

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

#### **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.

#### **New Accounting Pronouncements**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return for nonprofit organizations. The Federation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The Federation adopted ASU 2014-09 and related amendments on September 1, 2018 using the modified retrospective method and elected to apply the standard only to contracts that were not completed as of that date. The adoption of the standard did not impact the results of operations or change in net assets.

# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2019 and 2018 (in thousands)

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

#### **New Accounting Pronouncements (continued)**

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides additional guidance to be used to determine whether a contribution is conditional and when a transaction should be accounted for as a contribution versus an exchange. The Federation early adopted ASU 2018-08 as of September 1, 2018 and has applied the amendments of this standard on a modified prospective basis and elected to apply the standard only to agreements that were entered into after the effective date. This standard did not result in a material change to the consolidated financial statements or the timing of revenue recognition for the Federation's contributions and grants.

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires the Federation to present the service cost component of net benefit cost in the statement of activities line item where compensation costs are reported and that the remaining components be presented separately from those line items and outside of operations. The Federation adopted ASU 2017-07 as of September 1, 2018 with retrospective application, which resulted in the reclassification of all other components of net periodic benefit costs other than service cost totaling \$812 to nonoperating activities previously included in operating activities for the year ended August 31, 2018. On August 28, 2018 the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. The update addresses the inconsistencies in applications of certain fair value measurements by removing certain disclosures, modifying existing disclosures and adding certain disclosures for public entities in an effort to improve the effectiveness of the disclosures and promote consistent use. The Federation has elected to early implement the ASU and the organization has adjusted the presentation of these statements accordingly.

### 2. Grants and Other Restricted Receivables

At August 31, 2019 and 2018, grants and other restricted receivables included the following unconditional promises to give:

	<u>2019</u>	<u>2018</u>
Amount due in less than one year	\$ 13,645	\$ 11,456
Amount due in one to five years	<u>4,005</u>	<u>1,947</u>
Subtotal	17,650	13,403
Less: Discount (5%)	<u>(220)</u>	<u>(93)</u>
Total	<u>\$ 17,430</u>	<u>\$ 13,310</u>

Continued

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2019 and 2018**  
(in thousands)

2. Grants and Other Restricted Receivables (continued)

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 \$1.5 million and \$1.4 million as revenue for the years ended August 31, 2019 and 2018, respectively. The remaining amount is conditional upon annual parliamentary budget approval. As of August 31, 2019 and 2018, total conditional grants were approximately \$1.5 million and \$4 million, respectively.

3. Bequests and Other Contributions Receivable

At August 31, 2019 and 2018, bequests and other contributions receivable included the following unconditional promises to give:

	2019	2018
Amount due in less than one year	\$ 3,009	\$ 2,440
Amount due in one to five years	6	6
Subtotal	3,015	2,446
Less: Discount (5%)	(1)	(1)
Total	\$ 3,014	\$ 2,445

The Federation received \$2,546 and \$2,505 in the years ended August 31, 2019 and 2018, respectively, from a monthly donor program. The pledges from this program are deemed to be conditional because donors can cancel their participation at any time. Therefore, the pledges are recognized as revenue only when payment is received.

4. Investments and Permanently Restricted Investments

Investments, including permanently restricted investments, at fair value, consisted of the following as of August 31, 2019 and 2018:

	2019	2018
Common stocks	\$ 11,551	\$ 15,288
Money market funds	1,436	2,808
Limited partnerships and private investment funds	18,213	19,025
Mutual funds – fixed income	9,701	6,930
Mutual and index funds – equity	19,549	19,919
Total Unrestricted Investments	60,450	63,970
Limited partnerships and private Investment funds – permanently restricted	5,474	5,485
Total Investments	\$ 65,924	\$ 69,455

Continued

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2019 and 2018**  
(in thousands)

5. Charitable Gift Annuities and Other Trusts

Charitable gift annuities and other trusts consisted of the following as of August 31, 2019 and 2018:

	2019	2018
Charitable gift annuities	\$ 5,642	\$ 5,741
Charitable remainder trusts	1,571	1,528
Perpetual trusts	4,200	4,368
Charitable lead trusts	15	20
Total Charitable Gift Annuities and Other Trusts	\$ 11,428	\$ 11,657

The estimated liabilities for the above charitable gift annuities and other trusts consisted of the following as of August 31, 2019 and 2018:

	2019	2018
Charitable gift annuities	\$ 3,382	\$ 3,335
Charitable remainder trusts	60	63
Total Estimated Liabilities for Charitable Gift Annuities and Other Trusts	\$ 3,442	\$ 3,398

6. Property, Plant and Equipment

The Federation's property, plant and equipment consisted of the following as of August 31, 2019 and 2018:

	2019	2018
Land	\$ 3,947	\$ 3,947
Building and improvements	13,698	13,698
Equipment, furniture and vehicles	12,042	11,762
Leasehold improvements	1,125	1,122
Conservation properties	689	689
Total Property, Plant and Equipment	31,501	31,218
Less: Accumulated Depreciation and Amortization	(14,916)	(14,461)
Property, Plant and Equipment, Net	\$ 16,585	\$ 16,757

The Federation recorded depreciation and amortization expense on its property, plant and equipment of \$1,438 and \$1,313 for the years ended August 31, 2019 and 2018, respectively, and is included in occupancy and depreciation on the statements of functional expenses.

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**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2019 and 2018**  
(in thousands)

7. Bonds Payable and Line of Credit

The Federation had the following debt obligations as of August 31, 2019 and 2018:

	2019	2018
Taxable and non-taxable variable rate, Series 2018	\$ 10,440	\$ 10,790
Plus: Unamortized original issue premium	1,221	1,286
Less: Unamortized debt issuance costs	(323)	(308)
Less: Underwriter's discount	(99)	(93)
Total Bonds Payable, Net	\$ 11,239	\$ 11,675

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

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

The Federation is required to make interest payments twice a year on September 1 and March 1, and a principal payment annually on September 1. Aggregate annual maturities of the bonds are due as follows:

<u>For the Year Ending</u> <u>June 30,</u>	
2020	\$ -
2021	365
2022	380
2023	390
2024	405
Thereafter	8,900
Total Bonds Payable	10,440
Unamortized Premium	1,221
Unamortized Discount	(99)
Deferred Financing Fees	(323)
Total	\$ 11,239

The Federation has an unsecured operating line of credit based on two tiers from \$2,000 to \$8,000 that expires February 28, 2020. As of August 31, 2019 and 2018, there was no balance drawn on the line of credit. The line of credit bears interest at the LIBOR daily floating rate plus 0.65%, which was 2.6% and 2.72% at August 31, 2019 and 2018, respectively.

Continued

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2019 and 2018**  
(in thousands)

7. Bonds Payable and Line of Credit (continued)

Under the most restrictive financial covenant, the Federation must maintain a liquidity ratio of at least 1 to 1. At August 31, 2019 and 2018, the Federation was in compliance with this financial covenant.

For the years ended August 31, 2019 and 2018, the Federation recorded interest expense of \$451 and \$264, respectively. On the statements of functional expenses, interest expense is included in other expenses.

8. Net Assets

**Net Assets Without Donor Restrictions**

The net assets without donor restrictions as of August 31, 2019 and 2018, were as follows:

	2019	2018
Undesignated	\$ 18,674	\$ 19,691
Federation's fund	2,779	4,454
Board designated:		
Beere Fund	1,086	1,086
Conservation Program Reserve Fund	3,172	3,467
Total Net Assets Without Donor Restrictions	\$ 25,711	\$ 28,698

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

**Net Assets With Donor Restrictions**

The net assets with donor restrictions were available with the following purpose and time restrictions as of August 31, 2019 and 2018:

	2019	2018
Purpose:		
Conservation programs	\$ 6,575	\$ 4,967
Education outreach and publications	334	357
Time	3,488	3,748
Time and Purpose:		
Conservation programs	27,803	23,355
Education outreach and publications	2,618	593
Restricted in perpetuity	9,686	9,853
Total	\$ 50,504	\$ 42,873

Continued

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended August 31, 2019 and 2018  
(in thousands)

8. Net Assets (continued)

At August 31, 2019 and 2018, net assets with donor restrictions that were restricted in perpetuity, and the income from which these assets was expendable to support the following:

	<u>2019</u>	<u>2018</u>
Conservation and advocacy programs	\$ 254	\$ 253
Education outreach and publications	503	503
Any activities of the organization	<u>4,729</u>	<u>4,729</u>
Subtotal	5,486	5,485
Perpetual trusts	<u>4,200</u>	<u>4,368</u>
Total	<u>\$ 9,686</u>	<u>\$ 9,853</u>

**Endowment Net Assets**

ASC 958-205, *Reporting Endowment Funds* 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 net assets with donor restrictions (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 net assets with donor restrictions until those amounts are appropriated for expenditure by the Federation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- The duration and preservation of the fund
- The purposes of the Federation and the donor-restricted endowed fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Federation
- The investment policies of the Federation

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2019 and 2018**  
**(in thousands)**

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8. Net Assets (continued)

**Endowment 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 fair value of the endowment. Draws are used solely for the purposes set forth by the donor in the gift instrument, subject to the submission of a budget that has been reviewed and endorsed by executive management and approved by the Federation's Audit/Finance Committee.

The Federation's endowed funds consist of 18 funds established for a variety of purposes. All funds are donor-restricted. Net assets associated with endowed funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Endowment Funds with Deficits**

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 fair value of the funds is accounted for in net assets with donor restrictions. As of August 31, 2019 and 2018, there were no deficiencies for the endowed funds.



**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2019 and 2018**  
(in thousands)

8. Net Assets (continued)

**Endowment Net Assets (continued)**

Endowment Funds with Deficits (continued)

The endowment activity was as follows for the year ended August 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 5,485	\$ 5,485
Net investment gain	71	11	82
Appropriation of endowment assets for expenditure	<u>(71)</u>	<u>(10)</u>	<u>(81)</u>
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 5,486</u>	<u>\$ 5,486</u>

The endowment activity was as follows for the year ended August 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 5,613	\$ 5,613
Net investment gain	322	51	373
Contributions	-	1	1
Appropriation of endowment assets for expenditure	<u>(322)</u>	<u>(180)</u>	<u>(502)</u>
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 5,485</u>	<u>\$ 5,485</u>

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, the Federation announced that effective January 1, 2009, for employees then 55 years old and older, the Plan would continue to exist as it was. For employees in the Plan who were under age 55, the Plan would freeze their individual earned pension benefit as

**THE NATIONAL WILDLIFE FEDERATION**

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

**Defined Benefit Retirement Plan (continued)**

of December 31, 2008, and give them enhanced benefits under the Tax Deferred Annuity Plan (the TDA Plan). This preserved all the benefits they had earned to date and guaranteed them a monthly pension for life, as they had expected.

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

The changes in the funded status of the Plan for the years ended August 31, 2019 and 2018, were as follows:

	2019	2018
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ (37,842)	\$ (38,442)
Service cost	(469)	(589)
Interest cost	(1,390)	(1,416)
Actuarial gains	241	133
Settlements	-	-
Administrative expenses	490	561
Benefits paid	1,843	1,911
Benefit Obligation at End of Year	(37,127)	(37,842)
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 24,865	\$ 24,818
Employer contribution	3,373	662
Actual return on plan assets	1,999	1,857
Settlements	-	-
Administrative expenses	(490)	(561)
Benefits paid	(1,843)	(1,911)
Fair value of plan assets at end of year	27,904	24,865
Funded Status		
(Accrued Pension Liability)	\$ (9,223)	\$ (12,977)

In connection with the Federation's adoption of ASU 2017-07, the service cost component of the net periodic benefit costs are included in salaries and benefits within the various functional classifications and the remaining components are reported in postretirement-related charges, including net periodic benefit costs other than service cost within nonoperating activities on the statements of activities for the years ended August 31, 2019 and 2018. The accrued pension liability for the retirement plan is included in accrued pension and post-retirement benefits in the accompanying statements of financial position.

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2019 and 2018**  
(in thousands)

9. Employee Benefit Plans (continued)

**Defined Benefit Retirement Plan (continued)**

In determining the benefit obligation, a discount rate at August 31, 2019 and 2018, of 3.75% was assumed. The rate of increase in future compensation levels assumed was 0% at August 31, 2019 and 2018, since the final earnings in the Plan have been frozen. A rate of return on Plan assets of 7% at August 31, 2019 and 2018, was assumed. This assumption is based on historical returns and is adjusted from time to time to reflect actual plan asset experience.

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

The components of the Federation's net periodic pension cost for the years ended August 31, 2019 and 2018, consisted of the following:

	2019	2018
Employee service cost	\$ 469	\$ 589
Interest cost	1,390	1,416
Expected return on plan assets	(1,655)	(1,648)
Settlement charge	687	762
Net amortization and deferral:		
Unrecognized net actuarial loss	-	763
Unrecognized prior service cost	(11)	(14)
Total Net Periodic Pension Cost	\$ 880	\$ 1,868

Items not yet recognized as a component of net periodic pension cost for the years ended August 31, 2019 and 2018, consisted of the following:

	2019	2018
Prior service cost	\$ (41)	\$ (53)
Net actuarial loss	6,428	7,701
Total	\$ 6,387	\$ 7,648

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, 2019 and 2018.

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

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended August 31, 2019 and 2018  
(in thousands)

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9. Employee Benefit Plans (continued)

**Defined Benefit Retirement Plan (continued)**

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

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

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

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

The Plan's weighted average asset allocation at August 31, 2019 and 2018, by asset category, was as follows:

	<u>2019</u>	<u>2018</u>
Mutual Funds:		
Equity and money market funds	60%	60%
Fixed income	39%	39%
Other Investments	<u>1%</u>	<u>1%</u>
Total	<u>100%</u>	<u>100%</u>

Continued

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2019 and 2018**  
(in thousands)

9. Employee Benefit Plans (continued)

**Defined Benefit Retirement Plan (continued)**

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of August 31, 2019 and 2018:

	2019 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	\$ 151	\$ 151	\$ -	\$ -
Vanguard Investments Mutual Funds:				
Fixed income	11,041	11,041	-	-
Domestic stock funds	11,678	11,678	-	-
International stock funds	5,034	5,034	-	-
Total Assets	\$ 27,904	\$ 27,904	\$ -	\$ -
	2018 Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Vanguard Prime Money Market Fund	\$ 147	\$ 147	\$ -	\$ -
Vanguard Investments Mutual Funds:				
Fixed income	9,865	9,865	-	-
Domestic stock funds	10,623	10,623	-	-
International stock funds	4,230	4,230	-	-
Total Assets	\$ 24,865	\$ 24,865	\$ -	\$ -

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

	Prudential Experience Rating Fund
Balance as of August 31, 2017	\$ 247
Purchases, issuances, sales and settlements (net)	(247)
Balance as of August 31, 2018	-

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended August 31, 2019 and 2018  
(in thousands)

9. Employee Benefit Plans (continued)

**Defined Benefit Retirement Plan (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 \$1,068 to the Plan during the year ending August 31, 2020.

Other Information

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

	<u>2019</u>	<u>2018</u>
Net gain	\$ 1,273	\$ 1,864
Prior service (cost) credit	<u>(11)</u>	<u>(14)</u>
Total	<u>\$ 1,262</u>	<u>\$ 1,850</u>

Amounts in net assets without restrictions expected to be amortized into net periodic pension cost during the year ending August 31, 2019, consisted of:

Net loss	\$ 476
Prior service cost	<u>(9)</u>
Total	<u>\$ 467</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**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2019 and 2018**  
(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, 2019 and 2018, included the following:

	2019	2018
Service cost	\$ 284	\$ 223
Interest cost	179	178
Amortization of prior service costs	(493)	(493)
Net Periodic Post-Retirement Benefit Cost	\$ (30)	\$ (92)

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, 2019 and 2018, a discount rate of 3.75% was used to determine the accumulated benefit obligation. The effective discount rate was developed using the yield curve listed in the Citigroup Pension Liability Index.

The following sets forth the plan's changes in benefit obligation and accrued benefit costs reported in the accompanying statements of financial position at August 31, 2019 and 2018:

	2019	2018
Benefit obligation at beginning of year	\$ (4,549)	\$ (4,589)
Service cost	(284)	(223)
Interest cost	(179)	(178)
Actuarial gains	-	322
Participant contributions	(233)	(276)
Benefits paid	401	396
Benefit obligation at end of year	(4,844)	(4,548)
Plan assets at end of year	-	-
Funded Status (Accrued Benefit Liability)	\$ (4,844)	\$ (4,548)

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

Increasing or decreasing the assumed health care cost trend rates by one percentage point in 2019 would have the following effect:

	1% Increase	1% Decrease
Effect on total service and interest cost	\$ 114	\$ (85)
Effect on benefit obligation	\$ 928	\$ (710)

Continued

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2019 and 2018**  
(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 \$52 and \$(264) for the years ended August 31, 2019 and 2018, respectively. Items not yet recognized as a component of the net periodic post-retirement benefit cost for the years ended August 31, 2019 and 2018, consisted of the following:

	2019	2018
Prior service cost	\$ (3,266)	\$ (3,826)
Net actuarial gain	(481)	(483)
Total	\$ (3,747)	\$ (4,309)

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

**Contributions**

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

**Estimated Future Benefit Payments**

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

	Pension Benefits	Post- Retirement Benefits
2020	2,064	356
2021	2,083	373
2022	2,185	401
2023	2,227	413
2024	2,230	462
2025 to 2029	11,070	2,639

**Employee Tax Deferred Annuity Plan**

The Federation has a defined contribution plan for the benefit of its employees who have reached one year of service of a minimum of 1,000 hours. The Federation matches one dollar for each dollar contributed by the employee up to a maximum of 3% and 50 cents for each dollar above 3% contributed, up to a maximum of 5% of the employee's base compensation, based on length of service. The Federation contributed approximately \$1,353 and \$1,217 for the years ended August 31, 2019 and 2018, respectively.



# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2019 and 2018 (in thousands)

### 9. Employee Benefit Plans (continued)

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

The Federation maintains a self-insured medical plan for the benefit of its employees. A stop-loss policy is in effect, which limits the Federation's loss per individual employee to \$165 and an aggregate stop-loss of \$2,772. The plan is administered through a contractual relationship with an unrelated company. The Federation is solely responsible for all claims incurred up to the amount of the stop-loss provisions. The Federation's expense under the plan amounted to \$2,997 and \$2,707 for the years ended August 31, 2019 and 2018, respectively. The Federation included a provision for estimated claims incurred, but not yet reported, in accounts payable and accrued expenses in the accompanying statements of financial position in the amount of \$514 and \$586 as of August 31, 2019 and 2018, respectively.

### 10. Availability and Liquidity

The Federation regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. The Federation's financial assets available within one year of the statement of financial position date for general expenditures at August 31, 2019, were as follows:

Cash and cash equivalents	\$	1,365
Grants, bequest and other contributions receivable		20,444
Accounts receivable		1,166
Investments		<u>65,924</u>
Total Financial Assets Available Within One Year	\$	<u>88,899</u>
Less:		
Amounts unavailable for general expenditures within one year due to donor's restriction with purpose and time restriction		50,503
Amounts unavailable to management without Board approval:		
Board-designated for working capital reserve		<u>7,037</u>
Financial Assets Available to Meet General Expenditures Within One Year	\$	<u>31,359</u>

The Federation has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Federation throughout the year. This is done through monitoring and reviewing the Federation's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of the Federation's cash flow related to the Federation's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of its liquidity plan, excess cash is invested in publicly traded investment

# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2019 and 2018 (in thousands)

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### 10. Availability and Liquidity (continued)

vehicles, including mutual funds and equity securities, or to support organizational initiatives. The Federation can liquidate its investments anytime, and therefore the investments are available to meet current cash flow needs with the exceptions of the investments being held in perpetuity. To help manage unanticipated liquidity needs, the Federation has a committed line of credit of \$2 million to \$8 million, all of which was unused and available to draw upon as of August 31, 2019. Additionally, the Federation has board-designated net assets that could be available for current operations with Board approval, if necessary.

### 11. Commitments and Contingencies

#### **Operating Leases**

The Federation leases office space, vehicles and equipment under operating leases, the last of which expires in 2023. Certain office space leases include rent escalations, abatement periods and lease incentives. Under GAAP, all rental payments, including fixed rent increases, less any rental abatements and other incentives, are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is reflected, along with the lease incentives, as deferred rent and lease incentives in the accompanying statements of financial position. Deferred rent and lease incentives are being amortized ratably over the term of the lease. The total deferred rent and lease incentives as of August 31, 2019 and 2018, were \$1,747 and \$1,646, respectively.

Total rental expense for operating leases was approximately \$1,236 and \$1,155 for the years ended August 31, 2019 and 2018, respectively.

Future minimum rental payments on noncancelable operating leases at August 31, 2019, are as follows:

<u>For the Year Ending</u> <u>August 31,</u>	
2020	\$ 1,231
2021	989
2022	800
2023	741
2024	<u>689</u>
Total	<u>\$ 4,450</u>

#### **Compliance Audit**

The Federation has received federal grants that are subject to review, audit and adjustment by various federal agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures or claims

# THE NATIONAL WILDLIFE FEDERATION

## NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2019 and 2018 (in thousands)

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### 11. Commitments and Contingencies (continued)

#### **Compliance Audit (continued)**

disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal agencies cannot be determined at this time, although the Federation expects such amounts, if any, to be insignificant.

#### **Other**

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

### 12. Concentration of Credit Risk

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

While the amount at a given bank, at times, exceeds the amount guaranteed by federal agencies and, therefore, bears some risk, the Association has not experienced, nor does it anticipate, any losses on its funds. At August 31, 2019 and 2018, the amount in excess of the Federal Deposit Insurance Corporation insured limit of \$250 was approximately \$683 and \$1,654, respectively.

### 13. 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, 2019 and 2018, the Federation incurred joint costs of \$11,680 and \$11,114, respectively. Of those costs, \$5,635 and \$5,203 were allocated to fundraising expense, \$5,117 and \$5,051 were allocated to membership education and other nature education programs and \$928 and \$860 were allocated to general and administrative expense in 2019 and 2018, respectively. Other direct and allocated operating expenses of \$2,860 and \$2,962 were also incurred for fundraising activities during 2019 and 2018, respectively.

### 14. Income Taxes

The Federation has received determination letters from the Internal Revenue Service (IRS) that it has been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the IRC), except for tax on any income that may be a result of unrelated business transactions. Additionally, the IRS has classified the Federation as public

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2019 and 2018**  
**(in thousands)**

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14. Income Taxes (continued)

charities under IRC Section 509(a)(1). The Federation believes that operations are consistent with the nature of its exemptions granted by the IRS. The Federation is required to report unrelated business income to the IRS. The Federation's unrelated business income consists of advertising income in publications. There was no significant net unrelated business income for the years ended August 31, 2019 and 2018.

The Federation reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertainty in income taxes. For the years ended August 31, 2019 and 2018, management did not identify any uncertainty in income taxes requiring recognition or disclosure in these financial statements. It is the Federation's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. The Federation's tax returns are subject to possible examination by the taxing authorities, however, no examinations are currently in progress. For federal purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

15. National Wildlife Federation Action Fund

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

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

The Federation provided \$220 and \$211 in grants to NWF Action Fund in the years ended August 31, 2019 and 2018, respectively. In addition, NWF Action Fund reimburses the Federation for certain costs such as leased staff, benefits, miscellaneous expenses and overhead costs. As of August 31, 2019 and 2018, NWF Action Fund owed the Federation \$128 and \$29, respectively, for such costs. Additionally, as of August 31, 2019 and 2018, NWF Action Fund owed \$104 and \$118 to the Federation for contributions collected for the Federation.

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2019 and 2018**  
(in thousands)

16. Fair Value Measurement

The Federation's financial assets measured at fair value as of August 31, 2019 and 2018, are classified in the statements of financial position as follows:

	2019	2018
Charitable gift annuities and other trusts	\$ 11,428	\$ 11,657
Unrestricted investments	60,450	63,970
Permanently restricted investments	5,474	5,485
Total	\$ 77,352	\$ 81,112

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:

	2019 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	\$ 5,784	\$ -	\$ -	\$ 5,784
Investments and permanently restricted investments, including charitable gift annuity investments:				
Common stocks:				
Large cap	10,073	10,073	-	-
International equities	1,479	1,479	-	-
Fixed income mutual funds:				
Bond funds	10,345	10,345	-	-
Government securities	618	618	-	-
Equity mutual and index funds:				
Large blend	12,784	1,295	11,489	-
Small and mid blend	1,777	1,777	-	-
International equities	8,774	8,774	-	-
Money market fund	2,031	2,031	-	-
Subtotal	53,665	36,392	11,489	5,784
Limited partnerships and private investment funds <sup>(a)</sup>	23,687			
Total	\$ 77,352			

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2019 and 2018**  
(in thousands)

16. Fair Value Measurement (continued)

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

(a) These investments are measured at NAV or its equivalent as a practical expedient and have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The Federation has included in the tables below the category, fair value, redemption frequency and redemption notice period for those assets whose fair value is estimated using NAV per share or its equivalent for which fair value is not readily determinable as of August 31, 2019 and 2018. For the Federation, such investments include limited partnerships and private investment and hedge funds.

Continued

**THE NATIONAL WILDLIFE FEDERATION**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2019 and 2018**  
(in thousands)

16. Fair Value Measurement (continued)

The following table sets forth a summary of the Federation's investments with a reported NAV as of August 31, 2019:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Notice Period (Days)</u>
Long-short equity portfolio funds	\$ 6,022	Annually	90
Fund partnerships – International	6,340	Annually	65
Fund partnerships – International	1,863	Annually	15
Fund partnerships – International	2,197	Quarterly	60
Global Equity Fund	4,439	Quarterly	30
Fund partnerships – International	<u>2,826</u>	Monthly	30
Total	<u>\$ 23,687</u>		

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

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

There were no unfunded commitments or illiquid investments at August 31, 2019 and 2018.

17. Subsequent Events

The Federation has evaluated subsequent events through December 5, 2019, the date the financial statements were available to be issued. There were no subsequent events noted that required adjustment to or disclosure in these financial statements.

**INDEPENDENT AUDITORS' 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**

To the Board of Directors of  
The National Wildlife Federation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The National Wildlife Federation (the Federation), which comprise the statement of financial position as of August 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2019.

**Internal Control Over Financial Reporting**

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

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

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

Continued  
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## **Compliance and Other Matters**

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

## **Purpose of This Report**

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

*Marcum LLP*

Washington, DC  
December 5, 2019

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

To the Board of Directors of  
The National Wildlife Federation

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

We have audited The National Wildlife Federation's (Federation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Federation's major federal programs for the year ended August 31, 2019. The Federation's major federal programs are identified in the summary of auditors' 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.

***Auditors' 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* (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.

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

In our opinion, the Federation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

### **Report on Internal Control Over Compliance**

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

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

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

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

*Marcum LLP*

Washington, DC  
December 5, 2019

**THE NATIONAL WILDLIFE FEDERATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2019**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA)</b>				
<i>Pass-Through from the University Corporation for Atmospheric Research</i>				
Science	43.001	NNX17AD75A	\$ -	\$ 48,474
<b>Total NASA</b>			<u>-</u>	<u>48,474</u>
<b>U.S. DEPARTMENT OF THE INTERIOR</b>				
<u>Bureau of Land Management</u>				
<i>Pass-Through from the National Fish and Wildlife Foundation</i>				
Fish, Wildlife and Plant Conservation Resource Management	15.231	2503.18.061946	-	16,120
Fish, Wildlife and Plant Conservation Resource Management	15.231	0801.19.063102	-	33,084
Total Bureau of Land Management for CFDA 15.231			<u>-</u>	<u>49,204</u>
<u>Fish and Wildlife Service</u>				
Partners for Fish and Wildlife	15.631	F17AC00847	-	1,278
Total Fish and Wildlife Service Programs for CFDA 15.631			<u>-</u>	<u>1,278</u>
Coastal	15.630	F18AC00792	-	16,920
Total Fish and Wildlife Service Programs for CFDA 15.630			<u>-</u>	<u>16,920</u>
<u>U.S. Geological Survey</u>				
<i>Pass-Through from North Carolina State University</i>				
National and Regional Climate Adaptation Science Centers	15.820	G15AP00162	-	123,440
Total U.S. Geological Survey Programs for CFDA 15.820			<u>-</u>	<u>123,440</u>
<i>Pass-Through from the U.S. National Park Service</i>				
Cooperative Research and Training Programs – Resources of the National Park System	15.945	P13AC00443	-	32,994
Total U.S. National Park Service Programs for CFDA 15.945			<u>-</u>	<u>32,994</u>
<b>Total U.S. Department of the Interior</b>			<u>-</u>	<u>223,836</u>

See accompanying notes to this schedule.

Continued

**THE NATIONAL WILDLIFE FEDERATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2019**

(Continued)

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>U.S. DEPARTMENT OF COMMERCE</b>				
<u>National Oceanic and Atmospheric Administration (NOAA)</u>				
<i>Pass-Through from the Research Foundation of CUNY</i>				
NOAA Mission-Related Educaiton Awards	11.008	NA16SEC0080004-1	\$ -	\$ 68,411
Total National Oceanic and Atmospheric Administration Programs for CFDA 11.008			-	68,411
<i>Pass-Through from the National Fish and Wildlife Foundation</i>				
Office of Coastal Management	11.473	0318.18.062169	-	95,432
Total National Oceanic and Atmospheric Administration Programs for CFDA 11.473			-	95,432
<b>Total U.S. Department of Commerce</b>			<b>-</b>	<b>163,843</b>
<b>ENVIRONMENTAL PROTECTION AGENCY (EPA)</b>				
<u>Office of Water</u>				
<i>Pass-Through from the National Fish and Wildlife Foundation</i>				
Chesapeake Bay Program	66.466	0600.18.061082	-	45,000
Chesapeake Bay Program	66.466	0600.17.058780	-	11,838
<i>Pass-Through from CB Trust</i>				
Chesapeake Bay Program	66.466	44573	-	20,509
Total Office of Water Programs for CFDA 66.466			-	77,347
<u>Office of Environmental Education</u>				
Environmental Education Grants	66.951	N/A	-	58,640
Environmental Education Grants	66.951	N/A	-	74,992
<i>Pass-Through from New York University</i>				
Environmental Education Grants	66.951	NE96259518-0	-	4,262
Total Office of Environmental Education for CFDA 66.951			-	137,894
<b>Total EPA</b>			<b>-</b>	<b>215,241</b>

See accompanying notes to this schedule.

Continued

**THE NATIONAL WILDLIFE FEDERATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2019**

(Continued)

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<u>Natural Resources Conservation Service</u>				
<i>Pass-Through from the National Fish and Wildlife Foundation</i>				
Conservation Stewardship Program	10.924	1903.18.059416	\$ -	\$ 20,609
Total Natural Resources Conservation Service for CFDA 10.924			-	20,609
<i>Pass-Through from the National Fish and Wildlife Foundation</i>				
Environmental Quality Incentives Program	10.912	1903.18.059416	-	17,664
Total Natural Resources Conservation Service for CFDA 10.912			-	17,664
<i>Pass-Through from the National Fish and Wildlife Foundation</i>				
Soil and Water Conservation	10.902	1903.18.059416	-	16,567
Soil and Water Conservation	10.902	2503.18.061946	-	5,320
Total Natural Resources Conservation Service for CFDA 10.902			-	21,887
<i>Pass-Through from the National Fish and Wildlife Foundation</i>				
Conservation Reserve Program	10.069	2503.18.061946	-	2,660
Total Natural Resources Conservation Service for CFDA 10.069			-	2,660
<i>Pass-Through from the National Fish and Wildlife Foundation</i>				
Agricultural Conservation Easement Program	10.931	2503.18.061946	-	2,660
Total Natural Resources Conservation Service for CFDA 10.931			-	2,660
<u>United States Forest Service</u>				
<i>Pass-Through from the National Fish and Wildlife Foundation</i>				
National Fish and Wildlife Foudnation	10.683	1903.18.059555	-	69,021
Total United States Forest Service for CFDA 10.683			-	69,021
Cooperative Forestry Assistance	10.664	1903.18.059416	-	8,437
Total United States Forest Service for CFDA 10.664			-	8,437

See accompanying notes to this schedule.

Continued

**THE NATIONAL WILDLIFE FEDERATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2019**

(Continued)

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>U.S. DEPARTMENT OF AGRICULTURE (continued)</b>				
<i>Pass-Through from North Carolina State University</i> Agriculture and Food Research Initiative	10.310	2018-68011-28372	\$ -	\$ 36,555
Total Office of Advocacy and Outreach for CFDA 10.310			-	36,555
<i>Pass-Through from University of Minnesota</i> Sustainable Agriculture Research and Education	10.215	2018-38640-28416	-	25,932
Total Office of Advocacy and Outreach for CFDA 10.215			-	25,932
<b>Total U.S. Department of Agriculture</b>			-	<b>205,425</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<u>Federal Highway Administration</u> <i>Pass-Through from University of Montana</i> Highway Planning and Construction	20.205	PG18 62841 01	-	7,993
<b>Total U.S. Department of Transportation</b>			-	<b>7,993</b>
<b>U.S. Department of Homeland Security</b>				
Cooperating Technical Partners	97.045	N/A	-	94,379
<b>Total U.S. Department of Homeland Security</b>			-	<b>94,379</b>
<b>U.S. DEPARTMENT OF DEFENSE</b>				
Legacy Resource Management Program	12.632	N/A	-	70,789
<b>Total U.S. Department of Defense</b>			-	<b>70,789</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ -</b>	<b>\$ 1,029,980</b>

See accompanying notes to this schedule.

## THE NATIONAL WILDLIFE FEDERATION

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended August 31, 2019

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1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of The National Wildlife Federation (the Federation) under programs of the federal government for the year ended August 31, 2019. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Federation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Federation.

2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rates

The Federation has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance as the Federation already has a negotiated, predetermined indirect cost rate with the federal government.



**THE NATIONAL WILDLIFE FEDERATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended August 31, 2019**

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**Financial Statements**

Type of auditors’ report issued on whether financial statements audited were prepared in accordance with GAAP:

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 auditors’ report issued on compliance for major federal programs:

Unmodified     Qualified  
 Adverse         Disclaimer

Internal control over major federal 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 Federal Program(s):

CFDA Numbers	Program Titles
66.951	Environmental Education Grants Program
12.632	Legacy Resource Management Program

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

Auditee qualified as a low-risk auditee?         Yes     No

**SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT**

None required to be reported.

**THE NATIONAL WILDLIFE FEDERATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended August 31, 2019**

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**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

None required to be reported.

**SECTION IV – STATUS OF PRIOR YEAR FINDINGS**

**Financial Statement Audit Findings**

None required to be reported.

**Major Federal Award Programs Audit Findings and Questioned Costs**

None required to be reported.