



THE NATIONAL WILDLIFE FEDERATION

Financial Statements

For the Years Ended August 31, 2021 and 2020



**and
Report Thereon**



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

For the Year Ended August 31, 2021



THE NATIONAL WILDLIFE FEDERATION

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For the Years Ended August 31, 2021 and 2020

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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 statements of financial position as of August 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The National Wildlife Federation as of August 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 January 31, 2022, 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
January 31, 2022

THE NATIONAL WILDLIFE FEDERATION
STATEMENTS OF FINANCIAL POSITION
As of August 31, 2021 and 2020
(in thousands)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 3,397	\$ 2,800
Unrestricted investments	89,764	67,792
Grants and other restricted receivables, net	16,007	12,624
Bequests and other contributions receivable, net	3,328	1,415
Accounts receivable, net of allowance for doubtful accounts of \$100 and \$72, respectively	1,604	787
Inventory, nature education materials	632	977
Prepaid expenses	3,064	3,611
Charitable gift annuities and other trusts	15,727	12,105
Property, plant and equipment, net	16,499	16,201
Right-of-use asset	4,788	4,787
Other assets	427	611
Permanently restricted investments	5,487	5,486
TOTAL ASSETS	\$ 160,724	\$ 129,196
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 4,321	\$ 3,867
Accrued payroll and related costs	2,967	2,952
Deferred revenue	10,000	7,940
Lease liability	6,268	6,413
Bonds payable, net of premium and unamortized financing fees	10,469	10,867
Note payable	-	6,030
Accrued pension and post-retirement benefits	11,528	14,099
Charitable gift annuities and other trust obligations	3,143	3,318
TOTAL LIABILITIES	48,696	55,486
Net Assets		
Without donor restrictions		
Undesignated	45,744	22,954
Designated	11,117	7,453
Total Net Assets Without Donor Restrictions	56,861	30,407
With donor restrictions	55,167	43,303
TOTAL NET ASSETS	112,028	73,710
TOTAL LIABILITIES AND NET ASSETS	\$ 160,724	\$ 129,196

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

THE NATIONAL WILDLIFE FEDERATION

STATEMENTS OF ACTIVITIES
For the Years Ended August 31, 2021 and 2020
(in thousands)

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT						
Contributions from individuals	\$ 28,588	\$ 16,176	\$ 44,764	\$ 28,012	\$ 12,197	\$ 40,209
Contributions from governments, foundations and corporations	9,873	27,338	37,211	5,623	14,374	19,997
Publications	14,218	-	14,218	14,001	-	14,001
Nature education materials	11,161	-	11,161	8,858	-	8,858
Investment income appropriated for operations	-	-	-	2,305	-	2,305
Royalties	1,094	-	1,094	899	-	899
Forgiveness of PPP loan	5,994	-	5,994	-	-	-
Other	3,853	-	3,853	1,279	-	1,279
Net assets released from restrictions:						
Satisfaction of program restrictions	26,916	(26,916)	-	27,623	(27,623)	-
Expiration of time restrictions	4,734	(4,734)	-	6,149	(6,149)	-
TOTAL OPERATING REVENUE AND SUPPORT	106,431	11,864	118,295	94,749	(7,201)	87,548
OPERATING EXPENSES						
Program Services:						
Conservation programs	30,607	-	30,607	30,672	-	30,672
Education outreach and publications	24,305	-	24,305	26,605	-	26,605
Membership and other nature education programs	31,384	-	31,384	23,244	-	23,244
Total Program Services	86,296	-	86,296	80,521	-	80,521
Supporting Services:						
Fundraising	8,141	-	8,141	8,812	-	8,812
General and administrative	6,190	-	6,190	5,755	-	5,755
Total Supporting Services	14,331	-	14,331	14,567	-	14,567
TOTAL OPERATING EXPENSES	100,627	-	100,627	95,088	-	95,088
Change in net assets from operations	5,804	11,864	17,668	(339)	(7,201)	(7,540)
Nonoperating activities:						
Investment income (loss) in excess of earnings appropriated for operations	19,001	-	19,001	3,929	-	3,929
Pension and post-retirement related charges, including net periodic benefit costs other than services cost	1,649	-	1,649	1,106	-	1,106
CHANGE IN NET ASSETS	26,454	11,864	38,318	4,696	(7,201)	(2,505)
NET ASSETS, BEGINNING OF YEAR	30,407	43,303	73,710	25,711	50,504	76,215
NET ASSETS, END OF YEAR	\$ 56,861	\$ 55,167	\$ 112,028	\$ 30,407	\$ 43,303	\$ 73,710

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, 2021

(in thousands)

	Program Services				Supporting Services			
	Conservation Programs	Education Outreach and Publications	Membership and Other Nature Education Programs	Total Program Services	Fundraising	General and Administrative	Total Supporting Services	Total Expenses
Salaries and benefits	\$ 16,705	\$ 7,722	\$ 8,596	\$ 33,023	\$ 1,610	\$ 3,452	\$ 5,062	\$ 38,085
Consultants and contractors	7,586	4,711	6,050	18,347	1,181	1,023	2,204	20,551
Printing and production	120	3,758	4,237	8,115	2,284	365	2,649	10,764
Postage, mailing and shipping	28	4,180	3,769	7,977	2,282	359	2,641	10,618
Other	1,065	1,457	3,436	5,958	671	192	863	6,821
Occupancy and depreciation	1,601	1,094	776	3,471	110	789	899	4,370
Conservation assistance	3,116	845	6	3,967	-	-	-	3,967
Cost of goods sold	15	368	2,871	3,254	-	-	-	3,254
Donated advertising and other services	310	143	1,633	2,086	-	-	-	2,086
Travel	61	27	10	98	3	10	13	111
TOTAL EXPENSES	\$ 30,607	\$ 24,305	\$ 31,384	\$ 86,296	\$ 8,141	\$ 6,190	\$ 14,331	\$ 100,627

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, 2020

(in thousands)

	Program Services				Supporting Services			
	Conservation Programs	Education Outreach and Publications	Membership and Other Nature Education Programs	Total Program Services	Fundraising	General and Administrative	Total Supporting Services	Total Expenses
Salaries and benefits	\$ 16,434	\$ 9,050	\$ 7,011	\$ 32,495	\$ 1,882	\$ 3,456	\$ 5,338	\$ 37,833
Consultants and contractors	6,489	3,846	4,236	14,571	1,226	560	1,786	16,357
Printing and production	114	3,498	3,753	7,365	2,492	416	2,908	10,273
Postage, mailing and shipping	19	4,167	3,313	7,499	2,317	387	2,704	10,203
Conservation assistance	3,239	2,560	-	5,799	-	-	-	5,799
Other	1,306	1,037	1,860	4,203	597	408	1,005	5,208
Occupancy and depreciation	1,736	1,243	642	3,621	255	459	714	4,335
Cost of goods sold	18	432	2,244	2,694	-	9	9	2,703
Donated advertising and other services	587	572	35	1,194	-	-	-	1,194
Travel	730	200	150	1,080	43	60	103	1,183
TOTAL EXPENSES	\$ 30,672	\$ 26,605	\$ 23,244	\$ 80,521	\$ 8,812	\$ 5,755	\$ 14,567	\$ 95,088

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, 2021 and 2020
(in thousands)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 38,318	\$ (2,505)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	150	221
Depreciation and amortization	1,474	1,432
Realized and unrealized gains on investments and annuities	(17,713)	(5,704)
Forgiveness of PPP loan	(5,994)	-
Unrecognized gain on pension and post-retirement plans	(1,649)	(1,106)
Changes in assets and liabilities:		
Grants and other restricted receivables	(3,383)	4,806
Bequests and other contributions receivable	(1,913)	1,599
Accounts receivable	(967)	157
Inventory, nature education materials	345	(29)
Prepaid expenses	547	(221)
Charitable gift annuities and other trusts	(3,622)	(677)
Right of use assets	(1)	(4,787)
Other assets	184	221
Accounts payable and accrued expenses	454	(1,327)
Accrued payroll and related costs	15	842
Deferred revenue	2,060	(128)
Lease liability	(145)	4,666
Accrued pension and post-retirement benefits	(922)	1,138
Charitable gift annuities and other trust obligations	(175)	(124)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	7,063	(1,526)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(1,772)	(1,048)
Purchases of investments	(17,296)	(10,981)
Sales and maturities of investments	13,036	9,331
NET CASH USED IN INVESTING ACTIVITIES	(6,032)	(2,698)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on bonds and notes payable and line of credit	(434)	(4,003)
Borrowings under line of credit	-	3,632
Proceeds from issuance of note payable	-	6,030
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(434)	5,659
NET INCREASE IN CASH AND CASH EQUIVALENTS	597	1,435
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,800	1,365
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,397	\$ 2,800
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 425	\$ 436
NONCASH INVESTING ACTIVITIES		
Forgiveness of PPP loan	\$ 5,994	\$ -

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, 2021 and 2020 (in thousands)

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 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 highly liquid 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, 2021 and 2020 (in thousands)

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. GAAP realized gains and losses from security transactions are recorded on the average cost basis, and are recorded in the accompanying statements 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, 2021 and 2020. Credit risk with respect to grants and other contributions receivable is limited because the Federation deals with a large number of foundations, grant makers and donors with a wide range of awards and geographic area.

Accounts Receivable and Allowance for Doubtful Accounts

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

Charitable Gift Annuities and Other Trusts

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

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

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

Charitable Gift Annuities and Other Trusts (continued)

IRS) on the date of the gift, which range from 0.4% 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 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.

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, 2021 and 2020, the Federation has not recognized an impairment loss.

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).

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

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

Classification of Net Assets (continued)

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 Federation's management has designated \$1,086 of net assets without donor restrictions to serve as a working capital reserve to secure the Federation's long-term financial viability.

- 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 August 31, 2021 and 2020, the Federation had \$10,761 and \$9,989, respectively, of net assets with donor restrictions that are required to be maintained in perpetuity.

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 fair 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 fair value is less than the recorded value. Covenants on certain properties restrict their future use to conservation activities.

Revenue Recognition

Contributions and Grants

Unconditional 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.

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.

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

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

Revenue Recognition (continued)

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. Unconditional 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.

Donated Services

The Federation recognizes contribution revenue for certain services received at the fair value of those services. In the years ended August 31, 2021 and 2020, the Federation received \$2,086 and \$1,194, 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.

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

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

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 statements 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.

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

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

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

Fair Value of Financial Instruments (continued)

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.

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.

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

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

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. To clarify net assets from operations without and with donor restrictions, under GAAP, unconditional promises to give are recognized as revenue when received, including contributions with donor-imposed restrictions. When the restriction expires, that is, when the specified purpose for which the contribution was restricted has been fulfilled and/or when the specified time has elapsed, net assets with donor restrictions are released and reclassified as net assets without donor restrictions. Due to these timing differences, net assets released from restrictions may exceed revenue recognized from donor-restricted contributions, resulting in a reduction in net assets with donor restrictions. All expenses are recorded as without donor restrictions.

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.

Adoption of New Accounting Pronouncements

In February 2016, FASB issued ASU No. 2016-02, *Leases* (Topic 842). Under the new guidance lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. The new standard applies to capital or operating leases entered into or continuing after the standard was issued. NWF adopted the standard in 2021.

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

2. Grants and Other Restricted Receivables

At August 31, 2021 and 2020, grants and other restricted receivables included the following unconditional promises to give:

	<u>2021</u>	<u>2020</u>
Amount due in less than one year	\$ 14,115	\$ 11,350
Amount due in one to five years	<u>1,963</u>	<u>1,337</u>
Subtotal	16,078	12,687
Less: Discount (5%)	<u>(71)</u>	<u>(63)</u>
Total	<u>\$ 16,007</u>	<u>\$ 12,624</u>

During 2016, the Federation received a grant award from a foreign government agency of approximately \$6,800, to be paid over five years, to support a conservation program. The Federation recognized approximately \$1,500 as revenue for the year ended August 31, 2020. During 2021, the Federation received a grant award from a foreign government agency of approximately \$4,200, to be paid over five years, to support a conservation program. The Federation recognized approximately \$850 as revenue for the year ended August 31, 2021. The remaining amount is conditional upon annual parliamentary budget approval. As of August 31, 2021, and 2020, total conditional grants were approximately \$3,350 and \$0, respectively.

3. Bequests and Other Contributions Receivable

At August 31, 2021 and 2020, bequests and other contributions receivable included the following unconditional promises to give:

	<u>2021</u>	<u>2020</u>
Amount due in less than one year	\$ 2,963	\$ 1,399
Amount due in one to five years	<u>385</u>	<u>18</u>
Subtotal	3,348	1,417
Less: Discount (5%)	<u>(20)</u>	<u>(2)</u>
Total	<u>\$ 3,328</u>	<u>\$ 1,415</u>

The Federation received \$2,757 and \$2,525 in the years ended August 31, 2021 and 2020, respectively, from a monthly donor program. The pledges from this program are deemed to be conditional because donors can cancel their participation at any time. Therefore, the pledges are recognized as revenue only when payment is received.

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

4. Investments and Permanently Restricted Investments

Investments, including permanently restricted investments, at fair value, consisted of the following as of August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Common stocks	\$ 15,219	\$ 15,119
Money market funds	11,803	8,428
Limited partnerships and private investment funds	26,275	16,493
Mutual funds – fixed income	8,990	7,810
Mutual and index funds – equity	<u>27,477</u>	<u>19,942</u>
Total Unrestricted Investments	89,764	67,792
Limited partnerships and private Investment funds – permanently restricted	<u>5,487</u>	<u>5,486</u>
Total Investments	<u>\$ 95,251</u>	<u>\$ 73,278</u>

5. Charitable Gift Annuities and Other Trusts

Charitable gift annuities and other trusts consisted of the following as of August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Charitable gift annuities	\$ 6,571	\$ 5,578
Charitable remainder trusts	3,880	2,013
Perpetual trusts	5,274	4,503
Charitable lead trusts	<u>2</u>	<u>11</u>
Total Charitable Gift Annuities and Other Trusts	<u>\$ 15,727</u>	<u>\$ 12,105</u>

The estimated liabilities for the above charitable gift annuities and other trusts consisted of the following as of August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Charitable gift annuities	\$ 2,930	\$ 3,066
Charitable remainder trusts	<u>213</u>	<u>252</u>
Total Estimated Liabilities for Charitable Gift Annuities and Other Trusts	<u>\$ 3,143</u>	<u>\$ 3,318</u>

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

6. Property, Plant and Equipment

The Federation's property, plant and equipment consisted of the following as of August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 3,947	\$ 3,947
Building and improvements	13,874	13,698
Equipment, furniture and vehicles	14,352	12,868
Leasehold improvements	1,345	1,345
Conservation properties	<u>689</u>	<u>689</u>
Total Property, Plant and Equipment	34,207	32,547
Less: Accumulated Depreciation and Amortization	<u>(17,708)</u>	<u>(16,346)</u>
Property, Plant and Equipment, Net	<u>\$ 16,499</u>	<u>\$ 16,201</u>

The Federation recorded depreciation and amortization expense on its property, plant and equipment of \$1,474 and \$1,432 for the years ended August 31, 2021 and 2020, respectively, and is included in occupancy and depreciation on the statements of functional expenses.

7. Bonds Payable, Note Payable and Line of Credit

The Federation had the following debt obligations as of August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Note Payable	\$ -	\$ 6,030
Taxable and non-taxable variable rate, Series 2018	9,695	10,074
Plus: Unamortized original issue premium	1,099	1,160
Less: Unamortized debt issuance costs	(250)	(286)
Less: Underwriter's discount	<u>(75)</u>	<u>(81)</u>
Total Bonds and Notes Payable, Net	<u>\$ 10,469</u>	<u>\$ 16,897</u>

For the years ended August 31, 2021 and 2020, the Federation recorded interest expense of \$425 and \$436, respectively. On the statements of functional expenses, interest expense is included in other expenses.

Bonds Payable

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 \$1,287. There was an underwriter's discount of \$93 and a cost of issuance of \$361.

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

7. Bonds Payable, Note Payable and Line of Credit (continued)

Bonds Payable (continued)

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:

For the Year Ending August 31,	
2022	\$ -
2023	390
2024	405
2025	420
2026	440
Thereafter	<u>8,040</u>
Total Bonds Payable	9,695
Unamortized Premium	1,099
Unamortized Discount	(75)
Deferred Financing Fees	<u>(250)</u>
Total	<u>\$ 10,469</u>

Line of Credit

The Federation has an unsecured operating line of credit based on two tiers from \$2,000 to \$8,000 that expires February 28, 2022. As of August 31, 2021 and 2020, there was no balance drawn on the line of credit. The line of credit bears interest at the London Inter-Bank Offered Rate daily floating rate plus 0.75%, which was 0.83% and 0.81% at August 31, 2021 and 2020, respectively.

Under the most restrictive financial covenant, the Federation must maintain a liquidity ratio of at least 1 to 1. At August 31, 2021 and 2020, the Federation was in compliance with this financial covenant.

Note Payable

On May 2, 2020, the Federation entered into a Small Business Administration loan with its financial institution under the Paycheck Protection Program (PPP) for the amount of \$6 million. The loan is to mature on May 2, 2022, with a fixed interest rate of 1% per annum. Monthly payments of principal and interest would commence ten months after the end of the forgiveness covered period. The loan amount was eligible for forgiveness pursuant to the

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

7. Bonds Payable, Note Payable and Line of Credit (continued)

Note Payable (continued)

PPP, which established minimum amounts of the loan to be used to cover payroll costs and the remainder can be used for mortgage interest, rent and utility costs over a specified period of time after the loan is made; and the number of employees and compensation levels are maintained. On June 23, 2021, the Federation applied for forgiveness of the PPP loan, and on August 30, 2021, received approval of the PPP loan forgiveness request. As a result, the Federation recognized the forgiveness of the loan's principal in the amount of \$5,994 in the accompanying statement of activities.

8. Net Assets

Net Assets Without Donor Restrictions

The net assets without donor restrictions as of August 31, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 45,774	\$ 22,954
Federation's fund	5,625	2,882
Board designated:		
Beere Fund	1,086	1,086
Conservation Program Reserve Fund	<u>4,406</u>	<u>3,485</u>
Total Net Assets Without Donor Restrictions	<u>\$ 56,861</u>	<u>\$ 30,407</u>

Board designated net assets represent amounts designated for specific uses. The Beere Fund was designated by the Board after receipt of a bequest in 1993 permitting the Board to determine the use for these funds. The funds can be used at the Board's discretion. The Conservation Program Reserve Fund, formerly known as the Endangered Species Fund, was established as a separate Board designated net asset fund in 1986 from the sale of property donated to the Federation in 1976. The Conservation Program Reserve Fund may be used to fund conservation programs. 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Purpose:		
Conservation programs	\$ 8,468	\$ 6,572
Education outreach and publications	1,121	904
Time	5,497	2,816

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

8. Net Assets (continued)

Net Assets With Donor Restrictions (continued)

	<u>2021</u>	<u>2020</u>
<i>(continued)</i>		
Time and Purpose:		
Conservation programs	\$ 24,582	\$ 19,564
Education outreach and publications	4,738	3,458
Restricted in perpetuity	<u>10,761</u>	<u>9,989</u>
Total	<u>\$ 55,167</u>	<u>\$ 43,303</u>

At August 31, 2021 and 2020, net assets with donor restrictions that were restricted in perpetuity, and the income from which these assets was expendable to support the following:

	<u>2021</u>	<u>2020</u>
Conservation and advocacy programs	\$ 255	\$ 254
Education outreach and publications	503	503
Any activities of the organization	<u>4,729</u>	<u>4,729</u>
Subtotal	5,487	5,486
Perpetual trusts	<u>5,274</u>	<u>4,503</u>
Total	<u>\$ 10,761</u>	<u>\$ 9,989</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.

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

8. Net Assets (continued)

Endowment Net Assets (continued)

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

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.

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

8. Net Assets (continued)

Endowment Net Assets (continued)

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, 2021 and 2020, there were no deficiencies for the endowed funds.

The endowment activity was as follows for the year ended August 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 5,486	\$ 5,486
Net investment gain	6	180	186
Appropriation of endowment assets for expenditure	<u>(6)</u>	<u>(179)</u>	<u>(185)</u>
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 5,487</u>	<u>\$ 5,487</u>

The endowment activity was as follows for the year ended August 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 5,486	\$ 5,486
Net investment gain	501	80	581
Appropriation of endowment assets for expenditure	<u>(501)</u>	<u>(80)</u>	<u>(581)</u>
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 5,486</u>	<u>\$ 5,486</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).

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

9. Employee Benefit Plans (continued)

Defined Benefit Retirement Plan (continued)

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

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

The changes in the funded status of the Plan for the years ended August 31, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ (25,270)	\$ (37,127)
Service cost	(334)	(489)
Interest cost	(624)	(1,363)
Actuarial gains	229	527
Settlements	-	11,834
Administrative expenses	-	-
Benefits paid	<u>1,124</u>	<u>1,348</u>
Benefit Obligation at End of Year	<u>(24,875)</u>	<u>(25,270)</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 17,445	\$ 27,904
Employer contribution	1,624	1,068
Actual return on plan assets	3,005	2,334
Settlements	0	(11,834)
Administrative expenses	(350)	(679)
Benefits paid	<u>(1,124)</u>	<u>(1,348)</u>
Fair value of plan assets at end of year	<u>20,600</u>	<u>17,445</u>
Funded Status		
(Accrued Pension Liability)	<u>\$ (4,275)</u>	<u>\$ (7,825)</u>

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

9. Employee Benefit Plans (continued)

Defined Benefit Retirement Plan (continued)

In accordance with ASC 715, 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, 2021 and 2020. The accrued pension liability for the retirement plan is included in accrued pension and post-retirement benefits in the accompanying statements of financial position.

In determining the benefit obligation, a discount rate at August 31, 2021 and 2020, of 2.50% and 3.75% was assumed, respectively. The rate of increase in future compensation levels assumed was 0% at August 31, 2021 and 2020, since the final earnings in the Plan have been frozen. A rate of return on Plan assets of 5.5% and 7% at August 31, 2021 and 2020, respectively, was assumed. This assumption is based on historical returns and is adjusted from time to time to reflect actual plan asset experience.

In December 2019, 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 as of December 1, 2019, were eligible to elect to receive their Plan benefit in an immediate lump sum payment. During the year ended August 31, 2021, the Federation settled the pension obligations of 239 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, 2020 and 2019, consisted of the following:

	<u>2021</u>	<u>2020</u>
Employee service cost	\$ 334	\$ 489
Interest cost	624	1,363
Expected return on plan assets	(958)	(1,865)
Settlement charge	0	1,797
Net amortization and deferral:		
Unrecognized net actuarial loss	243	476
Unrecognized prior service credit	<u>(8)</u>	<u>(9)</u>
Total Net Periodic Pension Cost	<u>\$ 235</u>	<u>\$ 2,251</u>

Items not yet recognized as a component of net periodic pension cost for the years ended August 31, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Prior service cost	\$ (25)	\$ (32)
Net actuarial loss	<u>1,669</u>	<u>3,837</u>
Total	<u>\$ 1,644</u>	<u>\$ 3,805</u>

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

9. Employee Benefit Plans (continued)

Defined Benefit Retirement Plan (continued)

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, 2021 and 2020.

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

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

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

The preceding methods 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, 2021 and 2020, by asset category, was as follows:

	<u>2021</u>	<u>2020</u>
Mutual Funds:		
Equity and money market funds	62%	62%
Fixed income	37%	37%
Other Investments	<u>1%</u>	<u>1%</u>
Total	<u>100%</u>	<u>100%</u>

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (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, 2021 and 2020:

	2021 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	\$ 112	\$ 112	\$ -	\$ -
Vanguard Investments Mutual Funds:				
Fixed income	7,772	7,772	-	-
Domestic stock funds	7,770	7,770	-	-
International stock funds	4,946	4,946	-	-
Total Assets	<u>\$ 20,600</u>	<u>\$ 20,600</u>	<u>\$ -</u>	<u>\$ -</u>
	2020 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	\$ 87	\$ 87	\$ -	\$ -
Vanguard Investments Mutual Funds:				
Fixed income	6,461	6,461	-	-
Domestic stock funds	6,683	6,683	-	-
International stock funds	4,214	4,214	-	-
Total Assets	<u>\$ 17,445</u>	<u>\$ 17,445</u>	<u>\$ -</u>	<u>\$ -</u>

Contributions

Generally, the Federation's funding policy is to contribute annually an amount in accordance with ERISA guidelines. Based upon projections from its actuary, management of the Federation expects to contribute approximately \$234 to the Plan during the year ending August 31, 2021.

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

9. Employee Benefit Plans (continued)

Defined Benefit Retirement Plan (continued)

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>2021</u>	<u>2020</u>
Net gain	\$ 2,169	\$ 2,591
Prior service (cost) credit	<u>(8)</u>	<u>(9)</u>
Total	<u>\$ 2,161</u>	<u>\$ 12,582</u>

Amounts in net assets without restrictions expected to be amortized into net periodic pension cost during the year ending August 31, 2021, consisted of:

Net loss	\$ 0
Prior service cost	<u>(8)</u>
Total	<u>\$ (8)</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.

Components of the net periodic post-retirement benefit cost for the years ended August 31, 2021 and 2020, included the following:

	<u>2021</u>	<u>2020</u>
Service cost	\$ 398	\$ 295
Interest cost	172	192
Amortization of prior service costs	<u>(493)</u>	<u>(493)</u>
Net Periodic Post-Retirement Benefit Cost	<u>\$ 77</u>	<u>\$ (6)</u>

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

9. Employee Benefit Plans (continued)

Post-Retirement Benefits (continued)

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, 2021 and 2020, a discount rate of 2.75 and 3.75%, respectively, was used to determine the accumulated benefit obligation. The effective discount rate was developed using the yield curve listed in the Citigroup Pension Liability Index.

The following sets forth the plan's changes in benefit obligation and accrued benefit costs reported in the accompanying statements of financial position at August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Benefit obligation at beginning of year	\$ (6,274)	(4,885)
Service Cost	(398)	(295)
Interest cost	(172)	(192)
Participant contributions	(207)	(240)
Benefits paid	346	356
Actuarial Loss	(548)	(1,018)
Benefit obligation at end of year	(7,253)	(6,274)
Plan assets at end of year	<u>-</u>	<u>-</u>
Funded Status		
(Accrued Benefit Liability)	<u>\$ (7,253)</u>	<u>\$ (6,274)</u>

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 2020 would have the following effect:

	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on total service and interest cost	\$ 152	\$ 121
Effect on benefit obligation	\$ 1,707	\$ 1,318

Other changes in benefit obligations recognized in other than net periodic benefit cost are \$581 and \$1,094 for the years ended August 31, 2021 and 2020, respectively. Items not yet recognized as a component of the net periodic post-retirement benefit cost for the years ended August 31, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Prior service cost	\$ (2,280)	\$ (2,773)
Net actuarial (gain)/loss	<u>1,087</u>	<u>539</u>
Total	<u>\$ (1,193)</u>	<u>\$ (2,234)</u>

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

9. Employee Benefit Plans (continued)

Post-Retirement Benefits (continued)

Of the cumulative unrecognized amount as of August 31, 2020, \$493 is expected to be included in net periodic post-retirement benefit cost for the year ending August 31, 2021.

Contributions

Benefits are funded on a pay as you go basis. Management of the Federation contributed \$116 during the year ended August 31, 2020. Based upon projections from its actuary, management expects to contribute \$139 to its post-retirement plan during the year ending August 31, 2021.

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
2022	\$ 1,316	\$ 184
2023	1,347	185
2024	1,360	208
2025	1,363	221
2026	1,381	233
2027 to 2030	6,901	1,226

Employee Retirement Savings Plan

The Federation has a defined contribution plan for the benefit of its employees. The Federation matches one dollar for each dollar contributed by the employee up to a maximum of 5% of the employee's base compensation, based on length of service. The Federation contributed approximately \$1,643 and \$1,519 for the years ended August 31, 2021 and 2020, respectively.

Self-Insured Medical Plan

The Federation maintains a self-insured medical plan for the benefit of its employees. A stop-loss policy is in effect, which limits the Federation's loss per individual employee to \$185 and an aggregate stop-loss of \$4,576. 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 \$3,020 and \$2,879 for the years ended August 31, 2021 and 2020, 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 \$407 and \$272 as of August 31, 2021 and 2020, respectively.

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

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, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,397	\$ 2,800
Grants, bequest and other contributions receivable	19,335	14,039
Accounts receivable	1,604	787
Investments	<u>95,251</u>	<u>73,278</u>
Total Financial Assets		
Available Within One Year	119,587	90,904
Less:		
Amounts unavailable for general expenditures		
within one year due to donors' restriction		
with purpose and time restriction	55,167	43,303
Amounts unavailable to management without		
Board approval:		
Board-designated for working capital reserve	<u>11,117</u>	<u>7,453</u>
Financial Assets Available to Meet		
General Expenditures Within One Year	<u>\$ 53,303</u>	<u>\$ 40,148</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 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, 2021. Additionally, the Federation has board-designated net assets that could be available for current operations with Board approval, if necessary.

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

11. Commitments and Contingencies

Operating Leases

The Federation leases office space, vehicles and equipment under operating leases, the last of which expires in 2028. Certain office space leases include rent escalations, abatement periods and lease incentives. The leases also include tenant allowances totaling approximately \$1 million to build out and furnish the office space. The tenant allowances are reflected as lease liability and lease incentive in the accompanying consolidated statements of financial position and are being amortized ratably over the terms of the leases. 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 Organization has also entered into multiple noncancelable leases for equipment for its office locations. The leases contain fixed rate payments over the lease term that began in 2017 and expires in 2022. The leases are accounted for as operating leases under the lease accounting guidance.

All leases noted above are accounted for in accordance with ASC 842, *Leases*, and lease liabilities are recorded based on the present value of the future payments of the lease, discounted at estimated incremental borrowing rates at 0.9%, based on comparable interest rates available to the Federation under borrowing arrangements for similar amounts and duration of the leases. The Federation has established right of use assets equal to the remaining lease liabilities under the lease agreements. Additionally, the Organization has not considered leases with terms of less than twelve months in its analysis and has restated the prior year balances for the lease liabilities and right of use assets for leases that existed as of August 31, 2020.

Total rental expense for operating leases was approximately \$1,409 and \$1,323 for the years ended August 31, 2021 and 2020, respectively.

Future minimum rental payments as of August 31, 2021, are as follows:

For the Year Ending August 31,	
2022	\$ 923
2023	889
2024	860
2025	884
2026	734
Thereafter	<u>1,524</u>
Total	5,814
Less: Present Value Discount	<u>(178)</u>
Lease Liability	<u><u>5,636</u></u>

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

11. Commitments and Contingencies (continued)

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 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.

Risks and Uncertainties

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. The Federation has been able to continue operations in a remote environment; however, at this point, the extent to which COVID-19 will impact the Federation's financial condition or results of operations is uncertain and being evaluated by management and the Board.

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, 2021 and 2020, 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 Federation has not experienced, nor does it anticipate, any losses on its funds. At August 31, 2021 and 2020, the amount in excess of the Federal Deposit Insurance Corporation insured limit of \$250 was approximately \$2,889 and \$2,167, 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, 2021 and 2020, the Federation incurred joint costs of \$17,021 and \$15,573,

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

13. Allocation of Joint Costs (continued)

respectively. Of those costs, \$7,243 and \$7,469 were allocated to fundraising expense, \$8,666 and \$6,935 were allocated to membership education and other nature education programs and \$1,112 and \$1,170 were allocated to general and administrative expense in 2021 and 2020, respectively. Other direct and allocated operating expenses of \$898 and \$1,343 were also incurred for fundraising activities during 2021 and 2020, 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 a public charity 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, 2021 and 2020.

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, 2021 and 2020, 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 pending or 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.

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

15. National Wildlife Federation Action Fund (continued)

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

In November 2015, NWF Action Fund entered into a note payable agreement with the Federation for \$160 that was to mature in five years plus accrued interest at the rate of 2%. The first installment was paid in December 2015 in the amount of \$8. The remaining installments are to be paid every March and September until 2020. On August 19, 2020, the Federation and NWF Action Fund entered into an Agreement to forgive the remaining balance of this note payable in the amount of \$90 and any interest due under the agreement.

The Federation provided \$220 in grants to NWF Action Fund for both years ended August 31, 2021 and 2020. 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, 2021 and 2020, NWF Action Fund owed the Federation \$94 and \$58, respectively, for such costs. Additionally, as of August 31, 2021 and 2020, NWF Action Fund did not owe the Federation for contributions collected for the Federation.

16. Fair Value Measurement

The Federation's financial assets measured at fair value as of August 31, 2021 and 2020, are classified in the statements of financial position as follows:

	<u>2021</u>	<u>2020</u>
Charitable gift annuities and other trusts	\$ 15,727	\$ 12,105
Unrestricted investments	89,764	67,792
Permanently restricted investments	<u>5,487</u>	<u>5,486</u>
Total	<u>\$ 110,978</u>	<u>\$ 85,383</u>

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended August 31, 2021 and 2020
(in thousands)

16. Fair Value Measurement (continued)

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

	2021 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	\$ 9,156	\$ -	\$ -	\$ 9,156
Investments and permanently restricted investments, including charitable gift annuity investments:				
Common stocks:				
Large cap	15,219	15,219	-	-
International equities	-	-	-	-
Fixed income mutual funds:				
Bond funds	9,525	9,525	-	-
Government securities	395	395	-	-
Equity mutual and index funds:				
Large blend	17,836	2,022	15,814	-
Small and mid-blend	2,455	2,455	-	-
International equities	12,310	12,310	-	-
Money market fund	<u>12,320</u>	<u>12,320</u>	<u>-</u>	<u>-</u>
Subtotal	79,216	<u>\$ 54,246</u>	<u>\$ 15,814</u>	<u>\$ 9,156</u>
Limited partnerships and private investment funds ^(a)	<u>31,762</u>			
Total	<u>\$ 110,978</u>			

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (in thousands)

16. Fair Value Measurement (continued)

	2020 Total	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Charitable remainder and perpetual trusts	\$ 6,527	\$ -	\$ -	\$ 6,527
Investments and permanently restricted investments, including charitable gift annuity investments:				
Common stocks:				
Large cap	14,131	14,131	-	-
International equities	988	988	-	-
Fixed income mutual funds:				
Bond funds	8,486	8,486	-	-
Government securities	567	567	-	-
Equity mutual and index funds:				
Large blend	13,047	1,458	11,589	-
Small and mid-blend	1,652	1,652	-	-
International equities	9,099	9,099	-	-
Money market fund	8,907	8,907	-	-
Subtotal	63,404	<u>\$ 45,288</u>	<u>\$ 11,589</u>	<u>\$ 6,527</u>
Limited partnerships and private investment funds ^(a)	<u>21,979</u>			
Total	<u>\$ 85,383</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, 2021 and 2020. For the Federation, such investments include limited partnerships and private investment and hedge funds.

THE NATIONAL WILDLIFE FEDERATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended August 31, 2021 and 2020 (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, 2021:

Investment Type	Fair Value	Redemption Frequency	Notice Period (Days)
Long-short equity portfolio funds	\$ 2,167	Annually	90
Fund partnerships – International	4,618	Annually	65
Fund partnerships – International	1,641	Annually	60
Fund partnerships – International	4,078	Annually	15
Fund partnerships – International	3,136	Quarterly	60
Global Equity Fund	6,919	Quarterly	30
Fund Partnerships – International	8,864	Monthly	30
Fund partnerships – International	<u>339</u>	Ill-liquid	N/A
Total	<u>\$ 31,762</u>		

The following table sets forth a summary of the Federation's investments with a reported NAV as of August 31, 2020:

Investment Type	Fair Value	Redemption Frequency	Notice Period (Days)
Long-short equity portfolio funds	\$ 4,047	Annually	90
Fund partnerships – International	3,802	Annually	65
Fund partnerships – International	1,525	Annually	60
Fund partnerships – International	2,263	Annually	15
Fund partnerships – International	2,750	Quarterly	60
Global Equity Fund	4,745	Quarterly	30
Fund partnerships – International	<u>2,847</u>	Monthly	30
Total	<u>\$ 21,979</u>		

There were \$339 and \$0 unfunded commitments or illiquid investments at August 31, 2021 and 2020, respectively.

17. Subsequent Events

The Federation has evaluated subsequent events through January 31, 2022, 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, 2021, 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 January 31, 2022.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Federation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Federation's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Federation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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
January 31, 2022

**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 the Federation's major federal programs for the year ended August 31, 2021. 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 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.

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, 2021.

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 of its major federal programs 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
January 31, 2022

THE NATIONAL WILDLIFE FEDERATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF THE INTERIOR				
<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	\$ -	\$ 8,448
Fish, Wildlife and Plant Conservation Resource Management	15.231	0801.19.063102	-	40,613
Total Fish, Wildlife and Plant Conservation Resource Management for CFDA 15.231			-	49,061
Wildlife Resource Management	15.247	2505.21.071006	-	4,933
Total Wildlife Resource Management for CFDA 15.247			-	4,933
Fisheries and Aquatic Resources Management	15.244	L20AC00515	-	18,214
Total Fisheries and Aquatic Resources Management for CFDA 15.244			-	18,214
<u>Fish and Wildlife Service</u>				
<i>Pass-Through from the National Fish and Wildlife Foundation</i>				
Great Lakes Restoration	15.662	2008.20.067030	-	162,245
Total Great Lakes Restoration for CFDA 15.662			-	162,245
Adaptive Science	15.670	0403.20.068970	-	19,165
Total Adaptive Science for CFDA 15.670			-	19,165
NFWF-USFWS Conservation Partnership	15.663	2501.20.070724	-	16,798
Total NFWF-USFWS Conservation Partnership for CFDA 15.663			-	16,798
Partners for Fish and Wildlife	15.631	2505.21.071006	-	8,713
Total Partners for Fish and Wildlife for CFDA 15.631			-	8,713
Coastal Program	15.630	F20AC10072-00	-	17,259
Total Coastal Program for CFDA 15.630			-	17,259
Partners for Fish and Wildlife	15.631	F20AC10343-00	-	25,000
Total Partners for Fish and Wildlife for CFDA 15.631			-	25,000
Adaptive Science	15.670	F21AC00460-00	-	6,790
Total Adaptive Science for CFDA 15.670			-	6,790
Multistate Conservation Grant Program	15.628	F21AP00225-00	-	59,810
Total Multistate Conservation Grant Program for CFDA 15.628			-	59,810
Total U.S. Department of the Interior			-	387,988

See accompanying notes to this schedule.

THE NATIONAL WILDLIFE FEDERATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2021

(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF COMMERCE				
<u>National Oceanic and Atmospheric Administration (NOAA)</u>				
<i>Pass-Through from the University of Michigan</i>				
NOAA Cooperative Institutes	11.432	NA17OAR4320152	\$ -	\$ 20,000
Total NOAA Cooperative Institutes for CFDA 11.432			-	20,000
<i>Pass-Through from the National Fish and Wildlife Foundation</i>				
Office of Coastal Management	11.473	0318.18.062169	-	390,894
Office of Coastal Management	11.473	0318.20.068787	-	30,395
Total Office of Coastal Management for CFDA 11.473			-	421,289
Marine Sanctuary Program	11.429	NA20NOS4290085	-	19,358
Total Marine Sanctuary Program for CFDA 11.429			-	19,358
NOAA Mission-Related Education Award	11.008	NA20SEC0080005	-	105,499
Total NOAA Mission-Related Education Award for CFDA 11.008			-	105,499
Total U.S. Department of Commerce			-	566,146
ENVIRONMENTAL PROTECTION AGENCY (EPA)				
<u>EPA</u>				
<i>Pass-Through from the National Fish and Wildlife Foundation</i>				
Chesapeake Bay Program	66.466	0603.19.065502	-	138,721
Chesapeake Bay Program	66.466	0600.19.066263	-	30,163
Chesapeake Bay Program	66.466	0600.20.070371	-	107,621
Chesapeake Bay Program	66.466	0603.20.068873	-	10,682
<i>Pass-Through from CB Trust</i>				
Chesapeake Bay Program	66.466	CB96341401	-	1,682
Chesapeake Bay Program	66.466	18937	-	2,515
Total Chesapeake Bay Program for CFDA 66.466			-	291,384
<i>Pass-Through from The Nature Conservancy</i>				
Great Lakes Program	66.469	NWF-A106313-12/22-01	-	16,765
Total Great Lakes Program for CFDA 66.469			-	16,765
<i>Pass-Through from The WCARPC</i>				
Environmental Education Grants	66.951	00E102458	-	4,801
Environmental Education Grants	66.951	01F81901	-	56,354
Total Environmental Education Grants for CFDA 66.951			-	61,155
<i>Pass-Through from The Montana Association</i>				
Nonpoint Source Implementation Grants	66.460	C9-99833620	-	1,274
Total Nonpoint Source Implementation Grants for CFDA 66.460			-	1,274
Total EPA			-	370,578

See accompanying notes to this schedule.

THE NATIONAL WILDLIFE FEDERATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2021

(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<u>United States Forest Service</u>				
<i>Pass-Through from the National Fish and Wildlife Foundation</i>				
National Fish and Wildlife Foundation	10.683	1903.18.059555	\$ -	\$ 18,314
Total United States Forest Service for CFDA 10.683			-	18,314
<i>Pass-Through from the National Fish and Wildlife Foundation</i>				
Cooperative Forestry Assistance	10.664	1903.19.063781	-	7,692
Cooperative Forestry Assistance	10.664	1301.19.063509	-	23,375
Total Cooperative Forestry Assistance for CFDA 10.664			-	31,067
Conservation Stewardship Program	10.924	NR206740XXXXG006	-	5,710
Conservation Stewardship Program	10.924	2501.20.070724	-	3,719
Total Conservation Stewardship Program for CFDA 10.924			-	9,429
<u>Natural Resources Conservation Service</u>				
Soil and Water Conservation	10.902	NR206740XXXXG006	-	5,710
Soil and Water Conservation	10.902	2501.20.070724	-	4,909
<i>Pass-Through from the National Fish and Wildlife Foundation</i>				
Soil and Water Conservation	10.902	1903.20.067467	-	86,737
Soil and Water Conservation	10.902	2503.18.061946	-	2,788
Soil and Water Conservation	10.902	1903.19.063781	-	71,790
Soil and Water Conservation	10.902	1903.19.063782	-	87,459
Total Soil and Water Conservation for CFDA 10.902			-	259,393
Conservation Reserve Program	10.069	NR206740XXXXG006	-	5,710
<i>Pass-Through from the National Fish and Wildlife Foundation</i>				
Conservation Reserve Program	10.069	2503.18.061946	-	1,394
Total Conservation Reserve Program for CFDA 10.069			-	7,104
Environmental Quality Incentives Program	10.912	NR206740XXXXG006	-	5,710
Total Environmental Quality Incentives Program for CFDA 10.912			-	5,710
<i>Pass-Through from North Carolina State University</i>				
Agriculture and Food Research Initiative	10.310	2018-68011-28372	-	40,663
Total Agriculture and Food Research Initiative for CFDA 10.310			-	40,663
Agricultural Conservation Easement Program	10.931	2501.20.070724	-	6,248
Agricultural Conservation Easement Program	10.931	NR206740XXXXG006	-	5,710
<i>Pass-Through from the National Fish and Wildlife Foundation</i>				
Agricultural Conservation Easement Program	10.931	2503.18.061946	-	1,394
Total Agricultural Conservation Easement Program for CFDA 10.931			-	13,352

See accompanying notes to this schedule.

THE NATIONAL WILDLIFE FEDERATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2021

(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE (continued)				
<i>Pass-Through from University of Minnesota</i>				
Sustainable Agriculture Research and Education	10.215	2018-38640-28416	\$ -	\$ 23,680
Sustainable Agriculture Research and Education	10.215	2020-38640-31522	-	29,402
Total Sustainable Agriculture Research and Education for CFDA 10.215			-	53,082
Total U.S. Department of Agriculture			-	438,114
U.S. Department of Homeland Security				
Cooperating Technical Partners	97.045	N/A	-	4,695
Cooperating Technical Partners	97.045	N/A	-	80,627
Cooperating Technical Partners	97.045	N/A	-	100,007
Total U.S. Department of Homeland Security and for CFDA 97.045			-	185,329
U.S. DEPARTMENT OF DEFENSE				
Legacy Resource Management Program	12.632	HQ0034-16-20013	-	3,725
<i>Pass-Through from National Fish and Wildlife Foundation</i>				
Legacy Resource Management Program	12.632	1903.19.063781	-	20,511
Total Legacy Resource Management Program for CFDA 12.632			-	24,236
Total U.S. Department of Defense			-	24,236
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 1,972,391

See accompanying notes to this schedule.

THE NATIONAL WILDLIFE FEDERATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended August 31, 2021

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, 2021. 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.

THE NATIONAL WILDLIFE FEDERATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2021

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None Reported

None compliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal program(s):

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None Reported

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

Unmodified

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

_____ Yes X No

Identification of major federal programs:

Name of Federal Program or Cluster

**Assistance
Listing Numbers**

Office for Coastal Management

11.473

Chesapeake Bay Program

66.466

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

\$ 750,000

Auditee qualified as a low-risk auditee?

 X Yes _____ No

THE NATIONAL WILDLIFE FEDERATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2021

(continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

None required to be reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None required to be reported.

SECTION IV – SUMMARY 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.