

Consolidated Financial Statements, Independent
Auditors' Report, and Reports in Compliance
with the Uniform Guidance

**National Fish and Wildlife Foundation and
Subsidiary**

September 30, 2018 and 2017

National Fish and Wildlife Foundation

Table of Contents

Report of Independent Certified Public Accountants	3–4
Consolidated Financial Statements	
Consolidated Statements of Financial Position	5
Consolidated Statements of Activities and Change in Net Assets	6–7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9–23
Supplemental Information	
Schedule of Expenditures of Federal Awards	25–29
Notes to Schedule of Expenditures of Federal Awards	30
Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	31–32
Report of Independent Certified Public Accountants on Compliance For Each Major Federal Program and On Internal Control Over Compliance Required by the Uniform Guidance	33–34
Schedule of Findings and Questioned Costs	35–36

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
National Fish and Wildlife Foundation and Subsidiary

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the National Fish and Wildlife Foundation and subsidiary (the “Foundation”) which comprise the consolidated statements of financial position as of September 30, 2018 and 2017, and the related consolidated statements of activities and change in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the National Fish and Wildlife Foundation and subsidiary as of September 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Expenditures of Federal Awards for the year ended September 30, 2018, as required by the Title 2 *U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 26, 2019, on our consideration of the Foundation'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 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 Foundation's internal control over financial reporting and compliance.



Arlington, Virginia
February 26, 2019

National Fish and Wildlife Foundation

Consolidated Statements of Financial Position

<i>September 30,</i>	2018	2017
Assets		
Cash	\$ 16,858,428	\$ 10,604,262
Investments	349,734,862	346,037,944
Receivables:		
U.S. government agencies	6,655,416	5,656,792
Pledges, net	40,805,932	32,917,017
Other	1,582,180	1,458,720
Interest receivable	2,097,700	2,328,234
Mitigation and settlement funds	2,363,300,489	1,598,636,148
Donated land	1,340,100	1,340,100
Property and equipment, net	3,310,311	3,997,449
Prepaid expenses and other assets	1,657,992	1,126,372
Total Assets	\$ 2,787,343,410	\$ 2,004,103,038
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 3,820,196	\$ 3,374,512
Project liabilities	12,039,079	11,100,034
Deferred rent	2,247,033	2,339,615
Deferred revenue	178,942,102	173,341,202
Mitigation and settlement funds	2,362,042,286	1,596,178,998
Total Liabilities	2,559,090,696	1,786,334,361
Net Assets		
Unrestricted:		
Undesignated	25,783,579	27,061,988
Designated	82,792,505	83,384,923
Total unrestricted	108,576,084	110,446,911
Temporarily restricted	119,676,630	107,321,766
Total Net Assets	228,252,714	217,768,677
Total Liabilities and Net Assets	\$ 2,787,343,410	\$ 2,004,103,038

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

National Fish and Wildlife Foundation

Consolidated Statement of Activities and Change in Net Assets

Year ended September 30, 2018

	Unrestricted			Temporarily Restricted	Total
	Undesignated	Designated	Total Unrestricted		
Revenues and Support					
U.S. government appropriations, grants and agreements	\$ 80,453,793	\$ —	\$ 80,453,793	\$ —	\$ 80,453,793
Management fees	15,824,877	—	15,824,877	—	15,824,877
Mitigation and settlement	150,948,126	—	150,948,126	—	150,948,126
Other grant revenues	4,090,084	—	4,090,084	—	4,090,084
Public support—contributions	7,656,785	—	7,656,785	41,230,788	48,887,573
Investment income, net	1,138,540	2,381,503	3,520,043	42,250	3,562,293
Board-designated reclassification	(2,500,000)	2,500,000	—	—	—
Net assets released from restrictions	28,918,174	—	28,918,174	(28,918,174)	—
Total Revenues and Support	286,530,379	4,881,503	291,411,882	12,354,864	303,766,746
Expenses					
Program costs	276,649,352	5,473,921	282,123,273	—	282,123,273
Fundraising	4,176,259	—	4,176,259	—	4,176,259
Management and general	6,983,177	—	6,983,177	—	6,983,177
Total Expenses	287,808,788	5,473,921	293,282,709	—	293,282,709
Change in Net Assets	(1,278,409)	(592,418)	(1,870,827)	12,354,864	10,484,037
Net Assets, beginning of year	27,061,988	83,384,923	110,446,911	107,321,766	217,768,677
Net Assets, end of year	\$ 25,783,579	\$ 82,792,505	\$ 108,576,084	\$ 119,676,630	\$ 228,252,714

The accompanying notes are an integral part of this consolidated financial statement.

National Fish and Wildlife Foundation

Consolidated Statement of Activities and Change in Net Assets

Year ended September 30, 2017

	Unrestricted			Temporarily Restricted	Total
	Undesignated	Designated	Total Unrestricted		
Revenues and Support					
U.S. government appropriations, grants and agreements	\$ 104,806,471	\$ —	\$ 104,806,471	\$ —	\$ 104,806,471
Management fees	15,402,557	—	15,402,557	—	15,402,557
Mitigation and settlement	136,091,698	—	136,091,698	—	136,091,698
Other grant revenues	3,092,207	—	3,092,207	—	3,092,207
Public support—contributions	8,068,561	—	8,068,561	49,110,292	57,178,853
Investment income, net	3,141,308	1,942,252	5,083,560	78,504	5,162,064
Board-designated reclassification	(2,500,000)	2,500,000	—	—	—
Net assets released from restrictions	29,222,035	—	29,222,035	(29,222,035)	—
Total Revenues and Support	297,324,837	4,442,252	301,767,089	19,966,761	321,733,850
Expenses					
Program costs	284,262,800	5,549,541	289,812,341	—	289,812,341
Fundraising	6,558,482	—	6,558,482	—	6,558,482
Management and general	5,247,960	—	5,247,960	—	5,247,960
Total Expenses	296,069,242	5,549,541	301,618,783	—	301,618,783
Change in Net Assets	1,255,595	(1,107,289)	148,306	19,966,761	20,115,067
Net Assets, beginning of year	25,806,393	84,492,212	110,298,605	87,355,005	197,653,610
Net Assets, end of year	\$ 27,061,988	\$ 83,384,923	\$ 110,446,911	\$ 107,321,766	\$ 217,768,677

The accompanying notes are an integral part of this consolidated financial statement.

National Fish and Wildlife Foundation

Consolidated Statements of Cash Flows

<i>Year ended September 30,</i>	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 10,484,037	\$ 20,115,067
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,005,176	898,373
Net unrealized and realized investment loss	2,565,292	1,403,718
Changes in:		
Receivables	(9,010,999)	(21,910,324)
Interest receivable	230,534	(144,304)
Prepaid expenses and other assets	(531,620)	835,403
Accounts payable and accrued liabilities	445,684	175,273
Deferred rent	(92,582)	690,393
Project liabilities	939,045	(2,377,272)
Deferred revenue	5,600,900	(9,442,378)
Net mitigation and settlement funds	1,198,946	2,635,787
Net Cash Provided by (Used in) Operating Activities	12,834,413	(7,120,264)
Cash Flows from Investing Activities		
Purchase of property and equipment	(318,038)	(3,113,555)
Purchases of investments	(86,617,361)	(71,705,989)
Sale of investments	80,355,152	77,516,779
Net Cash (Used in) Provided by Investing Activities	(6,580,247)	2,697,235
Net Increase (Decrease) in Cash	6,254,166	(4,423,029)
Cash, beginning of year	10,604,262	15,027,291
Cash, end of year	\$ 16,858,428	\$ 10,604,262

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

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

NOTE A—ORGANIZATION

On March 26, 1984, by an act of law (the Act), the United States (U.S.) Congress established the National Fish and Wildlife Foundation (NFWF) as a charitable and nonprofit corporation. NFWF is not an agency or establishment of the U.S. government. The purpose of NFWF is to encourage, accept, and administer private gifts of property for the benefit of, or in connection with, the activities and services of the Department of Interior/U.S. Fish and Wildlife Service (DOIFWS) and, subsequently, the National Oceanic and Atmospheric Administration (NOAA), and to undertake and conduct such other activities to further the conservation and management of fish, wildlife, and plant resources for present and future generations.

Besides receiving funding through DOIFWS annual appropriations, NFWF also receives funding in the form of other appropriated funds and/or cooperative agreements with many of the other principal U.S. government agencies. In addition to funds received from the U.S. government, NFWF receives donations from individuals, corporations, and foundations for the general benefit of NFWF and in support of specific initiatives and/or projects managed by NFWF.

NFWF disburses funds to federal, state, and local agencies, persons, other foundations and organizations in connection with conservation projects necessary to carry out the intended purposes of NFWF.

Walker Basin Conservancy (WBC) was incorporated by NFWF in September 2014 as part of the objectives of its Walker Basin Restoration Program (WBRP) funded by a federal cooperative agreement between NFWF and the U.S. Bureau of Reclamation. WBC fulfills a requirement of the original legislation, Public Law 111-85, to establish a local nonprofit to act as a steward of the land and water resources associated with the WBRP. The purpose of WBC is to promote the restoration and maintenance of Walker Lake, a natural desert terminal lake in the State of Nevada, in a manner consistent with protection of agricultural, environmental, and habitat interests in the Walker River Basin, the ecological health of the Walker River, and the riparian and watershed resources of the West, East, and Main Walker Rivers.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of National Fish and Wildlife Foundation and Walker Basin Conservancy (together the “Foundation”). Consolidated financial statements are presented because of the existence of common control and economic interest for the years ended September 30, 2018 and 2017. All intercompany transactions have been eliminated upon consolidation.

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2018 and 2017

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

The Foundation records investments that qualify as securities as defined in Financial Accounting Standards Board Accounting Standards Codification (ASC) 320, *Investments – Debt and Equity Securities* at fair value.

Investment income and losses, including unrealized gains and losses, are recognized currently in the accompanying consolidated statement of activities, except for those investments held in mitigation and settlement funds or whereby the investment income accrues to the contractual obligation. Gains and losses on investments, realized and unrealized, are recorded as of the settlement date. Investment income is unrestricted unless the donor of the original contribution restricts the earnings.

Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. In accordance with ASC 820, the Foundation classifies its assets and liabilities into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which observable market inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs). Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The fair value of alternative investments is determined using the net asset value (NAV) per share as a practical expedient and have not been categorized within the fair value hierarchy.

Income Taxes

NFWF and WBC are both exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income. NFWF and WBC have processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions.

Under ASC 740, *Income Taxes*, paragraph 10, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. NFWF and WBC have determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements. For the tax years ended September 30, 2018 and 2017, NFWF and WBC did not recognize any interest or penalties.

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2018 and 2017

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenue Recognition

Federal appropriations and grants are deemed to be exchange transactions and are reported as revenues in unrestricted net assets, when the Foundation has incurred expenses in compliance with the appropriation or grant requirements. Such amounts received but not yet earned (advances and reimbursements in excess of costs incurred) are reported as deferred revenue. Costs incurred in excess of amounts received are reported as receivables from U.S. government agencies.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted in the consolidated statement of activities as net assets released from restrictions.

Conditional promises to give are not recognized until all conditions are substantially met.

Receivables

The Foundation's receivables consist primarily of receivables from U.S. government agencies, pledges and interest receivable. The specific identification method is used to determine whether an allowance for doubtful accounts should be established. For the years ended September 30, 2018 and 2017, it was determined that no allowance for doubtful accounts was necessary. In addition, management calculates a discount for multi-year pledges received.

Mitigation and Settlement Funds

The Foundation manages certain mitigation and settlement funds in connection with the Foundation's charter to undertake and conduct activities that will further the conservation and management of fish, wildlife and plant resources. Management fees are earned by the Foundation in connection with these activities, which include monitoring project progress, processing payments to organizations, performing services on projects, assisting with evaluating project proposals, and in several instances, implementing the entire scope of activities from the request for project proposals to funds disbursement and eventual project close-out. Management fees are recognized when the related services are performed. The Foundation acts as custodian of funds received and each fund is held and managed as a distinct investment by the Foundation's investment management service providers. The funds maintained by the Foundation at year-end are reflected as an asset and liability in the accompanying consolidated statements of financial position. Amounts disbursed to projects are reflected as both revenues and expenditures in the consolidated statement of activities which results in a change in net assets of zero. Investment income from mitigation and settlement funds for specific organizations is recorded as an asset and corresponding liability when earned. Mitigation and settlement funds include money market funds, treasury and government agency funds, debt and equity securities, and partnership interests and hedge funds which are recorded at their fair values.

As of September 30, 2018 and 2017, the Foundation had a liability of \$2,362,042,286 and \$1,596,178,998 of funds under management in connection with 249 and 255 mitigation and settlement agreements, respectively. During the years ended September 30, 2018 and 2017, the Foundation expended \$150,948,126 and \$136,091,698, respectively, of mitigation and settlement funds on various conservation projects.

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2018 and 2017

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset as follows:

Furniture and equipment	5 years
Management information system	3 years

Leasehold improvements are amortized over the lesser of the estimated useful life of the improvement or the related lease term.

The Foundation capitalizes property and equipment with an original cost of \$5,000 or more. Bulk purchases of similar items from the same vendor with an aggregate value of \$5,000 or more are also capitalized.

Net Assets

The Foundation classifies net assets into three categories: unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets represent contributions not subject to any donor imposed restrictions. Unrestricted Board of Directors (Board) designated net assets represent Board-approved funds for specific purposes. Temporarily restricted net assets represent contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted when the time restrictions expire or the funds are used for their restricted purposes and are reported in the consolidated statement of activities as net assets released from restrictions. Temporarily restricted contributions whose restrictions are fulfilled in the same fiscal year that the contributions are received are reported as temporarily restricted contributions and as net assets released from restrictions. Investment income from temporarily restricted assets is recorded as unrestricted income unless restricted by the donor. As of September 30, 2018 and 2017, the Foundation did not have any permanently restricted net assets.

The Board-designated reclassification in the accompanying consolidated statements of activities represents a reclassification of undesignated net assets to designated net assets.

Expense Allocation

The costs of providing various programs have been summarized on a functional basis and allocated among programs and supporting services benefited. Personnel and occupancy expenses are allocated based on time incurred and space occupied, respectively, by Foundation personnel. Program costs include expenditures directly attributable to various conservation programs. Unpaid program costs as of the end of the reporting period are accrued and reported as Project liabilities within the consolidated statements of financial position.

Cash

As of September 30, 2018 and 2017, cash consisted of demand deposits. As of September 30, 2018 and 2017, cash included funds of \$8,770,086 and \$7,161,745, respectively, held for mitigation and settlement.

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2018 and 2017

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Reclassification

Certain 2017 consolidated financial statement amounts have been reclassified to conform to the 2018 consolidated financial statement classification. Board-designated reclassification is presented as a separate item in the consolidated statement of activities amounting to \$2,500,000. This reclassification had no effect on total assets, liabilities or net assets.

Concentration of Credit Risk

Cash is maintained at various institutions and at times total deposits maintained exceed the amount insured by federal agencies and, therefore, bear some risk. The Foundation has not experienced any losses as a result of exceeding such amounts. As of September 30, 2018 and 2017, there was \$15,118,510 and \$16,674,989, respectively, in funds held in excess of the Federal Deposit Insurance Corporation (FDIC) limit.

Subsequent Events

The Foundation evaluated its consolidated financial statements for subsequent events through February 26, 2019, the date the consolidated financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require additional recognition or disclosure in the consolidated financial statements as of September 30, 2018.

NOTE C—INVESTMENTS

Investments at September 30, 2018 and 2017, excluding mitigation and settlement funds, consist of the following:

	2018	2017
Money market funds	\$ 35,462,228	\$ 20,857,847
Corporate debt securities	207,648,202	231,307,794
Treasury and government agency funds	61,824,662	60,649,226
Partnership interests and hedge funds	44,799,770	33,223,077
	<u>\$ 349,734,862</u>	<u>\$ 346,037,944</u>

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2018 and 2017

NOTE C—INVESTMENTS—Continued

The Foundation's total net investment income for the years ended September 30, 2018 and 2017, consists of the following:

	2018	2017
Interest and dividends	\$ 6,300,589	\$ 6,814,789
Net realized losses on sales of securities	(1,158,566)	(1,046,128)
Net unrealized losses on securities held	(1,224,215)	(155,579)
Investment income	3,917,808	5,613,082
Less: investment management fees	(355,515)	(451,018)
Investment income, net	\$ 3,562,293	\$ 5,162,064

In addition to total net investment income recognized for the years ended September 30, 2018 and 2017, \$18,127 and \$36,691 of additional investment income was earned on certain federal cooperative grant advances and other exchange contracts for the years ending September 30, 2018 and 2017, respectively, and recorded as deferred revenue in the accompanying consolidated statements of financial position. This additional investment income is available for specific program expenditures.

NOTE D—MITIGATION AND SETTLEMENT FUNDS

The market value of mitigation and settlement funds managed for specific organizations at September 30, 2018 and 2017 consists of the following:

	2018	2017
Money market funds	\$ 88,661,380	\$ 214,044,540
Corporate debt securities	1,365,962,427	704,116,675
Treasury and government agency funds	782,166,735	583,339,208
Equity funds	838,129	1,343,653
Partnership interests and hedge funds	113,197,193	89,716,648
Subtotal funds held in investments	2,350,825,864	1,592,560,724
Accrued interest	12,474,625	6,075,424
Mitigation and settlement funds	\$ 2,363,300,489	\$ 1,598,636,148

Net investment income of \$5,492,986 and \$20,728,764 was earned on funds managed for specific organizations in 2018 and 2017, respectively.

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2018 and 2017

NOTE E—FAIR VALUE MEASUREMENTS

The following is a description of the valuation methodologies and inputs used for investments measured at fair value, as well as the general classification pursuant to the valuation hierarchy.

- *Money market funds:* Valued at the closing price reported on the active market on which the individual (or similar) securities are traded.
- *Corporate debt securities, treasury and government agency funds, and equity funds:* When quoted prices are available in an active market, corporate debt securities, treasury and government agency funds, and equity funds are classified within Level 1 of the fair value hierarchy. Quoted prices in inactive markets are classified within Level 2. If quoted market prices are not available or accessible, then fair values are estimated using pricing models, matrix pricing, or discounted cash flow models. The fair values of these instruments estimated using pricing models or matrix pricing based on observable prices of corporate debt securities that trade in inactive markets are generally classified within Level 2 of the fair value hierarchy. Securities are classified within Level 3 when there is limited activity or less transparency around inputs to the valuation.
- *Partnership interests and hedge funds:* When quoted market prices are not available or accessible and cannot be estimated using pricing models, matrix pricing, or discounted cash flows, the investments are valued at the net asset value (NAV) of shares or its equivalent as reported by the investments managers, held by the Foundation at year end.

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2018 and 2017

NOTE E—FAIR VALUE MEASUREMENTS—Continued

The following table summarizes the valuation of financial instruments at fair value on a recurring basis in the consolidated statement of financial position at September 30, 2018, including the additional requirement to classify securities by major asset type category:

	Level 1	Level 2	Level 3	Reported at NAV	Total
Money market funds	\$ 35,462,228	\$ —	\$ —	\$ —	\$ 35,462,228
Corporate debt securities	21,947,926	185,700,276	—	—	207,648,202
Treasury and government agency funds	—	61,824,662	—	—	61,824,662
Partnership interests and hedge funds	—	—	—	44,799,770	44,799,770
Investments	57,410,514	247,524,938	—	44,799,770	349,734,862
Mitigation and settlement funds					
Money market funds	88,661,380	—	—	—	88,661,380
Corporate debt securities	39,999,058	1,325,963,369	—	—	1,365,962,427
Treasury and government agency funds	—	782,166,735	—	—	782,166,735
Equity funds	838,129	—	—	—	838,129
Partnership interests and hedge funds	—	—	—	113,197,193	113,197,193
Mitigation and settlement funds	129,498,567	2,108,130,105	—	113,197,193	2,350,825,864
Total financial instruments	\$186,908,721	\$2,355,655,043	\$ —	\$157,996,963	\$2,700,560,726

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2018 and 2017

NOTE E—FAIR VALUE MEASUREMENTS—Continued

The following table summarizes the valuation of financial instruments at fair value on a recurring basis in the consolidated statement of financial position at September 30, 2017, including the additional requirement to classify securities by major asset type category:

	Level 1	Level 2	Level 3	Reported at NAV	Total
Money market funds	\$ 20,857,847	\$ —	\$ —	\$ —	\$ 20,857,847
Corporate debt securities	22,775,601	208,532,193	—	—	231,307,794
Treasury and government agency funds	—	60,649,226	—	—	60,649,226
Partnership interests and hedge funds	—	—	—	33,223,077	33,223,077
Investments	43,633,448	269,181,419	—	33,223,077	346,037,944
Mitigation and settlement funds					
Money market funds	214,044,540	—	—	—	214,044,540
Corporate debt securities	4,193,343	699,923,332	—	—	704,116,675
Treasury and government agency funds	—	583,339,208	—	—	583,339,208
Equity funds	1,343,653	—	—	—	1,343,653
Partnership interests and hedge funds	—	—	—	89,716,648	89,716,648
Mitigation and settlement funds	219,581,536	1,283,262,540	—	89,716,648	1,592,560,724
Total financial instruments	\$263,214,984	\$1,552,443,959	\$ —	\$122,939,725	\$1,938,598,668

The table below presents additional information for the Foundation's investments, as of September 30, 2018, whose fair value is estimated using the practical expedient of reported NAV.

	Fair Value	Unfunded Commitments	Expected Liquidation Term	Redemption Terms	Restrictions at 9/30/2018
Partnership interests and hedge funds ^(a)	\$157,996,963	\$ —	N/A	Various, ranging from Monthly to Annually	Various, ranging from Monthly to Bi-Annually

^(a) This class includes several hedge funds and funds of funds that invest primarily in international and domestic equity securities to achieve capital appreciation. The fair values of the investments have been estimated by using the NAV per share of the funds.

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2018 and 2017

NOTE E—FAIR VALUE MEASUREMENTS—Continued

The table below presents additional information for the Foundation's investments, as of September 30, 2017, whose fair value is estimated using the practical expedient of reported NAV.

	Fair Value	Unfunded Commitments	Expected Liquidation Term	Redemption Terms	Restrictions at 9/30/2017
Partnership interests and hedge funds ^(a)	\$122,939,725	\$ —	N/A	Various, ranging from Monthly to Annually	Various, ranging from Monthly to Bi-Annually

^(a) This class includes several hedge funds and funds of funds that invest primarily in international and domestic equity securities to achieve capital appreciation. The fair values of the investments have been estimated by using the NAV per share of the funds.

NOTE F—UNRESTRICTED - DESIGNATED NET ASSETS

Unrestricted net assets as of September 30 2018 and 2017, which have been designated by the Board for specific purposes, are summarized as follows:

	2018	2017
Halliburton funds	\$ 37,576,913	\$ 43,050,833
Funds for the future	45,215,592	40,334,090
Total designated net assets	<u>\$ 82,792,505</u>	<u>\$ 83,384,923</u>

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2018 and 2017

NOTE G—TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2018 and 2017, the Foundation had temporarily restricted net assets for conservation initiatives to be expended for the following programs:

	<u>2018</u>	<u>2017</u>
Longleaf Stewardship Fund	\$ 13,338,598	\$ 8,780,563
Delaware River Basin Program	12,284,270	5,061,324
Acres for America	11,764,369	11,472,421
Pelagic Bird Fund	9,990,712	7,949,887
Lower MS Alluvial Valley Fund	9,690,564	9,540,415
Environmental Solutions for Communities	9,215,758	11,260,431
Northern Great Plains	5,137,198	2,406,410
Chesapeake Bay Small Watershed Grants	3,623,442	4,828,746
New England Forests and Rivers Fund	3,525,463	3,966,354
Bird Keystone	3,270,405	3,766,550
Five Star and Nature Restoration Trust	3,163,514	4,483,686
Chicago River Fund/CHI-CAL	2,662,739	1,983,785
Monarch Butterfly	2,553,117	1,846,530
Southwestern Rivers	2,205,333	2,113,591
Southeast Michigan Resilience Fund	2,143,077	—
Gulf Coast Conservation Grants Program	2,117,272	2,637,752
SPIRIT of Conservation	1,962,713	2,104,720
Western Water Development	1,806,050	1,965,467
Sustain our Great Lakes Program	1,787,000	1,722,014
Killer Whale Research and Conservation	1,709,253	893,813
Fisheries Innovation Fund	1,578,203	1,840,468
Central Appalachia Habitat Stewardship Program	1,453,059	649,511
Colorado River Delta Restoration Fund	1,130,614	434,039
Other conservation initiatives	11,563,907	15,613,289
Total	<u>\$ 119,676,630</u>	<u>\$ 107,321,766</u>

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2018 and 2017

NOTE H—COMMITMENTS AND CONTINGENCIES

Operating Leases

The Foundation leases office space under various non-cancelable operating leases that expire through 2026. In December 2007, the Foundation entered into a lease for an office space at 1133 15th Street, Washington, D.C. The lease commenced in October 2008 and continues through 2026. In September 2015, the Foundation entered into an agreement to amend this lease to increase the total space of rentable area on the property which is the subject of the lease. Monthly rental payment is at \$96,872 with an annual escalation of two and a half percent. This lease agreement includes a tenant improvement allowance of \$668,400. The tenant improvement allowance balance was \$563,189 and \$637,456 as of September 30, 2018 and 2017, respectively. The allowance utilized is included within deferred rent and is being amortized on a straight-line basis over the lease term as a reduction of rent expenses. On a September 30 fiscal year basis, future minimum lease payments consist of the following:

Year ended September 30

2019	\$ 2,017,274
2020	2,039,332
2021	2,053,556
2022	1,859,083
2023	1,875,706
Thereafter	<u>4,841,146</u>
Total	<u>\$ 14,686,097</u>

Rent expense is amortized using the straight line method and was \$2,041,690 and \$2,023,595 for the years ended September 30, 2018 and 2017, respectively.

Litigation and Claims

The Foundation may be subject to various claims and assessments during the normal course of its operations. Management does not believe that any known claim or assessment would have a material impact on the Foundation's consolidated financial statements.

Costs Subject to Audit

The Foundation's costs under its government grants and cooperative agreements are subject to audit by the awarding agencies. Management of the Foundation does not believe that the results of such audits would have a material impact on the accompanying consolidated statements of financial position and the accompanying consolidated statements of activities and changes in net assets of the Foundation.

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2018 and 2017

NOTE I—LINE-OF-CREDIT

In 2016, the Foundation opened a line-of-credit agreement with a financial institution for a revolving line-of-credit in the amount of \$10,000,000. Interest is payable monthly at the London Interbank Offered Rate (LIBOR) plus 0.50 percent per annum (2.76% and 1.74% as of September 30, 2018 and 2017, respectively). The line-of-credit had an original maturity date of April 30, 2017 and is secured by the Foundation's investment securities. The agreement was renewed to extend the maturity date to April 30, 2019. The loan agreement also contains specific financial and operating covenants of which the Foundation was in compliance as of September 30, 2018. The Foundation has not drawn upon the line-of-credit during the two fiscal years ended September 30, 2018 and 2017. As such, there were no amounts outstanding as of September 30, 2018 and 2017 nor was there interest expense for the years ended September 30, 2018 and 2017.

NOTE J—RETIREMENT PLANS

The Foundation's benefits package for its staff includes a 403(b), 457(f) and 457(b) tax-deferred annuity retirement plans. The total amount incurred by the Foundation for these benefits for the years ended September 30, 2018 and 2017, was \$1,491,177 and \$1,371,995, respectively.

NOTE K—PLEDGES RECEIVABLE, NET

All pledges are deemed fully collectible. The net present value of pledges receivable is expected to be received as follows at September 30:

	2018	2017
Less than one year	\$ 18,525,423	\$ 14,978,588
One to five years	24,307,549	19,228,556
Less: Unamortized discount on receivables at rates from 0.89% to 2.89% to estimated net present value	<u>(2,027,040)</u>	<u>(1,290,127)</u>
Pledges receivable, net	<u>\$ 40,805,932</u>	<u>\$ 32,917,017</u>

In addition, the Foundation received conditional promises to give, primarily related to agreement of continued funding which have not yet been met, that are not recognized as assets in the consolidated statements of financial position amounting to \$18,500,000 and \$22,907,895 as of September 30, 2018 and 2017, respectively.

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2018 and 2017

NOTE L—PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at September 30:

	2018	2017
Furniture and equipment	\$ 346,792	\$ 301,580
Management information system	4,091,065	3,891,292
Leasehold improvements	5,216,923	5,143,870
	<u>9,654,780</u>	<u>9,336,742</u>
Less: accumulated depreciation and amortization	<u>(6,344,469)</u>	<u>(5,339,293)</u>
Total property and equipment, net	<u>\$ 3,310,311</u>	<u>\$ 3,997,449</u>

Depreciation and amortization expense was \$1,005,176 and \$898,373 for the years ended September 30, 2018 and 2017, respectively.

NOTE M—ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at September 30:

	2018	2017
Accounts payable	\$ 2,065,581	\$ 2,151,600
Accrued personnel related costs	1,754,615	1,222,912
Total accounts payable and accrued liabilities	<u>\$ 3,820,196</u>	<u>\$ 3,374,512</u>

NOTE N—RELATED PARTY TRANSACTIONS

The Foundation received contributions from board members and other related organizations during the years ending September 30, 2018 and 2017, totaling \$2,163,000 and \$2,842,000, respectively.

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2018 and 2017

NOTE O—RISKS AND UNCERTAINTIES

The Foundation invests in certain investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities which occur in the near term could materially impact the amounts reported in Foundation's consolidated financial statements.

Supplemental Information



National Fish and Wildlife Foundation

Schedule of Expenditures of Federal Awards

Year ended September 30, 2018

Federal Grantor/Program Title	CFDA No.	Award No./Pass-thru Identifying No.	Total Expenditures	Provided to Subrecipients
U.S. Department of Interior				
DOI Hurricane Sandy FY13	15.153	D13AC00001	\$ 14,538,222	
Total U.S. Department of Interior - Hurricane Sandy Disaster Relief - Coastal Resiliency Grants			14,538,222	\$ 13,619,680
BLM Appropriations FY17	15.231	L17AC00384	1,596,830	
BLM Endangered Species FY16	15.231	L16AC00431	44,450	
BLM Rocky Mtn Sage Grouse	15.231	L17AC00348	14,749	
Total U.S. Department of Interior - Fish, Wildlife and Plan Conservation Resource Management			1,656,029	1,604,524
BOR Walker Restoration	15.508	R10AP20007	8,034,125	
Total U.S. Department of Interior - Providing Water to At-Risk Natural Desert Terminal Lakes			8,034,125	7,729,262
BOR Middle Rio Grande	15.517	R17AC00119	183,629	
BOR Klamath Salmon FY15	15.517	R15AP00041	173,538	
Total U.S. Department of Interior - Fish and Wildlife Coordination Act			357,167	108,674
BOR Youth Initiative FY15	15.546	R15AC00006	168,815	
Total U.S. Department of Interior - Youth Conservation Program			168,815	158,100
FWS Approps FY12	15.608	F12AB00023	126,042	
FWS Approps Pre-FY12	15.608	—	147,607	
FWS Yellow Crazy Ants	15.608	F14AC00891	89,951	
FWS Endangd Species PacSW	15.608	F14AC00733	161,451	
FWS Feral Pig Eradication	15.608	F16AC00300	3,293	
FWS Eastern Brook FY16	15.608	F16AC01200	33,793	
FWS Klamath Basin FY17	15.608	F17AC00470	595	
FWS Eastern Brook FY17	15.608	F17AC00855	37,053	
Total U.S. Department of Interior - Fish and Wildlife Management Assistance			599,785	508,021
FWS Western Migration	15.631	F18AC00861	33	
Total U.S. Department of Interior - Partners for Fish and Wildlife			33	—
FWS Laser Technology Seabird	15.650	F15AP001055	28,984	
Total U.S. Department of Interior - Research Grants (Generic)			28,984	28,813
FWS Mtn Prairie Conservation	15.653	F14AC01150	19,060	
Total U.S. Department of Interior - National Outreach and Communication Program			19,060	—
FWS Midway Verbesina	15.654	F11AC01465	181,172	
FWS Urban Refuge Partnership	15.654	F14AC00084	3,003	
FWS NWR System Friends 2	15.654	F14AC00085	55,218	
FWS NWR System Friends 3	15.654	F15AC00267	42,704	
FWS Friends Training FY16	15.654	F16AC00130	145,191	
FWS NWR System Friends 16	15.654	F16AC00956	30,830	
FWS Urban Refuge FY16	15.654	F16AC01147	94,703	
FWS Urban Refuge 4	15.654	F17AC00967	1,062	
FWS Friends Support	15.654	F17AC01184	51,139	
Total U.S. Department of Interior - Visitor Facility Enhancements - Refuges and Wildlife			605,022	365,044
FWS Bald & Golden Eagle	15.655	F14AC00710	96,782	
FWS Urban Bird Treaty FY17	15.655	F17AC00966	38,246	
FWS Urban Refuge FY15	15.655	F14AC01180	235,157	
FWS Urban Bird FY16	15.655	F16AC01013	48,641	
Total U.S. Department of Interior - Migratory Bird Monitoring, Assessment and Conservation			418,826	380,088
FWS Bats for the Future	15.657	F16AC01282	49,314	
Total U.S. Department of Interior - Endangered Species Conservation: Recovery Implementation Funds			49,314	13,838
FWS Great Lakes FY13*	15.662	F13AP00590	576,791	
FWS Great Lakes FY14*	15.662	F14AP00901	2,658,149	
FWS Great Lakes FY15*	15.662	F15AP00725	1,051,305	
FWS Great Lakes FY16*	15.662	F16AP01029	2,125,637	
FWS Great Lakes FY17*	15.662	F17AP00313	313,764	
FWS Great Lakes FY18*	15.662	F18AP00637	26,394	
Total U.S. Department of Interior - Great Lakes Restoration			6,752,040	6,255,414

National Fish and Wildlife Foundation

Schedule of Expenditures of Federal Awards

Year ended September 30, 2018

Federal Grantor/Program Title	CFDA No.	Award No./Pass-thru Identifying No.	Total Expenditures	Provided to Subrecipients
FWS Approps FY13*	15.663	F13AP00622	416,892	
FWS Approps FY14*	15.663	F14AP00333	567,967	
FWS Approps FY15*	15.663	F15AP00569	1,800,636	
FWS Approps FY16*	15.663	F16AP00398	2,372,200	
FWS Approps FY17*	15.663	F17AP00569	1,381,092	
FWS Klamath Basin FY13*	15.663	F13AC00611	388,748	
FWS Klamath Basin 2015-20*	15.663	F15AC00282	345,160	
FS Monarch Butterfly*	15.663	16-CA-11132422-185	186,445	
FWS Klamath Tribes Fisher*	15.663	F16AC00656	5,399	
FWS Region 6 Gunni FY16*	15.663	F16AC01264	8,168	
FWS Delaware Watershed CF 18*	15.663	F18AC00707	6,449	
Total U.S. Department of Interior - National Fish and Wildlife Foundation			7,479,156	7,203,246
FWS Monarch Butterfly	15.664	F15AP00245	1,483,919	
FWS Conservation Partnership	15.664	F15AC01067	393,443	
Total U.S. Department of Interior - Fish and Wildlife Coordination and Assistance			1,877,362	1,746,986
Pass-through awards:				
AZ Wolf Livestock	15.666	—	92,752	
NM Wolf Proactive	15.666	—	58,666	
NM Wolf Depredation	15.666	—	25,206	
Total U.S. Department of Interior - Endangered Species Conservation-Wolf Livestock Loss Compensation and Prevention			176,624	—
USGS Monarch FY16	15.808	G16AC00229	130,929	
Total U.S. Department of Interior - U.S. Geological Survey Research and Data Collection			130,929	111,148
Total U.S. Department of Interior			42,891,493	39,832,838
U.S. Department of Agriculture				
FS Longleaf Stewardship	10.664	11-CA-11083150-002	14,888	
FS Urban Waters	10.664	12-CA-11132500-398	354,494	
FS Appalachian	10.664	12-CS-11420004-284	146,208	
FS NE Forest and Rivers	10.664	15-DG-11420004-214	53,920	
FS Five Star FY16-20	10.664	16-CA-11132544-021	175,195	
FS State and Private	10.664	17-CA-11083150-007	30,310	
FS Five Star UWR 2018-23	10.664	18-CA-11132544-036	250	
Total U.S. Department of Agriculture - Cooperative Forestry Assistance			775,265	709,383
FS Chesapeake 4	10.678	13-DG-11420004-192	153,174	
Total U.S. Department of Agriculture - Forest Stewardship Program			153,174	146,083
FS Approps FY12*	10.683	12-DG-11132422-139	82,075	
FS Approps FY13*	10.683	13-CA-11132422-120	187,359	
FS Approps FY14*	10.683	14-CA-11132422-195	331,002	
FS Approps FY15*	10.683	15-CA-11132422-241	767,473	
FS Approps FY16*	10.683	16-CA-11132422-213	765,813	
FS Approps FY17*	10.683	17-CA-11132422-109	633,695	
FS Youth Engagement*	10.683	11-CA-11132422-300	404,977	
FS Longleaf Stewardship 15-20*	10.683	15-CA-11083150-001	578,424	
FS Bats for the Future*	10.683	17-CA-11132422-145	1,858	
FS Southern Family*	10.683	17-CA-11083150-001	204,772	
FS Dev Next Generation Conservation *	10.683	17-CA-11132422-343	11,639	
Total U.S. Department of Agriculture - National Fish and Wildlife Foundation			3,969,087	3,866,066
NRCS CBSWG PA 2013	10.069	68-2D37-13-676	13,401	
NRCS CPP FY17 (CRP)	10.069	68-3A75-17-308	20,668	
NRCS MTF Rockies Sagebrush	10.069	68-0325-17-008	12,777	
Total U.S. Department of Agriculture - Conservation Reserve Program			46,846	22,113

National Fish and Wildlife Foundation

Schedule of Expenditures of Federal Awards

Year ended September 30, 2018

Federal Grantor/Program Title	CFDA No.	Award No./Pass-thru Identifying No.	Total Expenditures	Provided to Subrecipients
NRCS Conservation Partnership CRP 2011	10.902	68-3A75-11-244	14,982	
NRCS Conservation Partnership FY12	10.902	68-3A75-12-257	15,468	
NRCS Central KY 2013	10.902	68-5C16-13-069	123,695	
NRCS Conservation PP FY14	10.902	68-3A75-14-60	309,332	
NRCS TA in Connecticut	10.902	65-1106-14-11	1,851	
NRCS CPP FY2015	10.902	68-3A75-15-166	973,690	
NRCS MT North Great Plain	10.902	65-0325-15-017	422,231	
NRCS Longleaf SC Pt 1	10.902	68-4639-16-185	39,486	
NRCS Longleaf Pine Texas	10.902	68-7442-16-519	9,076	
NRCS Longleaf SC Pt 2	10.902	68-4639-16-1051	82,317	
NRCS Hawaii Working Lands	10.902	68-9251-16-509	6,047	
NRCS South Dakota FY16	10.902	68-6740-16-524	109,186	
NRCS Conservation FY16	10.902	68-3A75-16-813	1,102,829	
NRCS Central Appalachia	10.902	68-3A75-17-262	67,688	
NRCS CPP FY17 (CTA)	10.902	68-3A75-17-308	231,252	
NRCS Arkansas Forest	10.902	68-7103-17-101	10,064	
NRCS ID Conservation FY17	10.902	68-0211-17-019	31,940	
NRCS MI Working Lands	10.902	68-5D21-17-122	16,097	
NRCS NE Sandhills FY17	10.902	68-6526-17-107	3,615	
NRCS ND NGP Prairie Pthol	10.902	68-6633-17-012	8,660	
NRCS SC Forests Streams	10.902	68-4639-17-167	10,287	
NRCS TX Pecos Watershed	10.902	68-7442-17-036	44,654	
NRCS MT Rockies Sagebrush	10.902	68-0325-17-008	25,555	
NRCS Louisiana Forests	10.902	NR177217XXXXC003	3,772	
Total U.S. Department of Agriculture - Soil and Water Conservation			3,663,774	3,208,969
NRCS CIG CB SAM 2013	10.912	69-3A75-13-219	156,547	
NRCS Texas Gulf Coast	10.912	65-7442-13-373	36,168	
NRCS Lake Erie Partnership	10.912	68-3A75-14-210	354,879	
NRCS NM Pecos Rio Grande	10.912	68-8C30-17-015	102,809	
NRCS WY NGP Sagebrush	10.912	68-8E49-17-016	2,569	
NRCS CPP FY16 Chesapeake	10.912	68-3A75-16-813	3,631	
NRCS Central Appalachia	10.912	68-3A75-17-262	177,943	
NRCS CPP FY17 (EQIP)	10.912	68-3A75-17-308	31,239	
NRCS Louisiana Forests	10.912	NR177217XXXXC003	3,772	
NRCS Gulf of MX 2017	10.912	68-3A75-17-429	10,003	
Total U.S. Department of Agriculture - Environmental Quality Incentives Program			879,560	665,161
NRCS South Dakota FY16	10.914	68-6740-16-524	109,186	
NRCS Longleaf LA 2013	10.914	68-7217-13-014	11,965	
Total U.S. Department of Agriculture - Wildlife Habitat Incentive Program			121,151	113,631
NRCS Gulf Mexico Restoration	10.072	68-3A75-14-279	229,228	
NRCS Gulf Working FY16	10.072	68-3A75-16-1281	161,574	
Total U.S. Department of Agriculture - Wetlands Reserve Program			390,802	332,546
FS Pac SW Water Partnership	10.693	14-PA-11052007-026	22,816	
Total U.S. Department of Agriculture - Watershed Restoration and Enhancement Agreement Authority			22,816	—
NRCS South Dakota FY16	10.924	68-6740-16-524	109,186	
NRCS Louisiana Forests	10.924	NR177217XXXXC003	3,772	
Total U.S. Department of Agriculture - Conservation Stewardship Program			112,958	101,665
NRCS Gulf Working FY16	10.931	68-3A75-16-1281	161,574	
NRCS MT Rockies Sagebrush	10.931	68-0325-17-008	12,778	
NRCS Gulf of MX 2017	10.931	68-3A75-17-429	10,003	
NRCS Louisiana Forests	10.931	NR177217XXXXC003	3,772	
Total U.S. Department of Agriculture - Agricultural Conservation Easement Program			188,127	154,432

National Fish and Wildlife Foundation

Schedule of Expenditures of Federal Awards

Year ended September 30, 2018

Federal Grantor/Program Title	CFDA No.	Award No./Pass-thru Identifying No.	Total Expenditures	Provided to Subrecipients
NRCS RCPP Delaware	10.932	68-2D37-15-762	303,615	
NRCS RCPP Chesapeake	10.932	68-2D37-15-763	109,426	
NRCS Improving Working Lands	10.932	68-7442-16-1260	9,333	
Total U.S. Department of Agriculture -Regional Conservation Partnership Program			422,374	415,682
<i>Total U.S. Department of Agriculture</i>			10,745,934	9,735,731
<i>Environmental Protection Agency</i>				
EPA LISFF FY14	66.437	LI-96184301-0	224,854	
EPA LISFF FY15	66.437	LI-00A00008-0	219,266	
EPA LISFF FY16	66.437	LI-00A00129-0	391,784	
EPA LISFF FY17	66.437	LI-00A00382-0	403,556	
Total EPA - Long Island Sound Program			1,239,460	1,132,753
EPA Five Star 5	66.462	WD-83658001	270,505	
Total EPA - National Wetland Program Development Grants and Five-Star Restoration Training Grant			270,505	225,026
EPA CBINSR 2014	66.466	96331101	5,666,422	
EPA SWG 2014	66.466	96331001	5,608,539	
EPA CB Small Watershed 2018	66.466	96358101	137	
Total EPA - Chesapeake Bay Program			11,275,098	10,315,013
<i>Total Environmental Protection Agency</i>			12,785,063	11,672,792
<i>U.S. Department of Commerce</i>				
NOAA Beluga Whale	11.439	NA14NMF4390092	836	
Total U.S. Department of Commerce - Marine Mammal Data Program			836	—
NOAA Approps FY15	11.454	NA15NMF4540082	167,468	
NOAA Approps FY16	11.454	NA16NMF4540289	786,870	
NOAA FIF 2016-2020	11.454	NA15NMF4540400	165,015	
NOAA Irrigation Efficiencies	11.454	NA17NMF4540116	299	
Total U.S. Department of Commerce - Unallied Management Projects			1,119,652	1,081,629
NOAA DARRP 2012-2016*	11.463	NA12NMF4630196	137,850	
NOAA Choptank River*	11.463	NA14NMF4630260	508,774	
NOAA Cape Fear River Basin 15*	11.463	NA15NMF4630392	213,192	
NOAA Coastal Resiliency*	11.463	NA16NMF4630355	1,093,949	
NOAA DARRP 2016-2021*	11.463	NA16NMF4630023	3,015,562	
NOAA DARRP 2018*	11.463	NA18NMF4630004	6,786	
Total U.S. Department of Commerce - Habitat Conservation			4,976,113	1,822,153
NOAA OPR	11.469	NA14NMF4690277	423,039	
NOAA Sustainable Fisheries	11.469	NA14NMF4690157	67	
Total U.S. Department of Commerce - Congressionally Identified Awards and Projects			423,106	274,146
NOAA Approps FY17	11.472	NA17NMF4720331	589,161	
Total U.S. Department of Commerce - Unallied Science Program			589,161	589,161
NOAA National Resilient Coastal CP 2018	11.473	NA18NOS4730204	82,474	
Total U.S. Department of Commerce - Coastal Services Center			82,474	—
NOAA Coral Reef FY15	11.482	NA14NOS4820143	1,253,582	
NOAA Coral Reef Conservation	11.482	NA18NOS4820181	472	
Total U.S. Department of Commerce - Coral Reef Conservation Program			1,254,054	1,125,202
<i>Total U.S. Department of Commerce</i>			8,445,396	4,892,291

National Fish and Wildlife Foundation

Schedule of Expenditures of Federal Awards

Year ended September 30, 2018

Federal Grantor/Program Title	CFDA No.	Award No./Pass-thru Identifying No.	Total Expenditures	Provided to Subrecipients
U.S. Department of Energy				
BPA CBWTP FY17	81.000	73531	1,247,985	
BPA CBWTP Umatilla FY17	81.000	73920	108,944	
BPA CBWTP Colville FY17	81.000	73735	5,417	
BPA CBWTP Colville FY18	81.000	77381	135,280	
BPA CBWTP Umatilla FY18	81.000	77376	320,337	
BPA CBWTP FY18	81.000	77341	2,995,461	
Total U.S. Department of Energy			4,813,424	4,245,167
U.S. Department of Defense				
US Navy Pacific MRF Seabird	12.632	N40192-18-2-8006	2,845	
DOD Longleaf 2016	12.632	HQ0034-16-2-0023	173,056	
Total U.S. Department of Defense - Legacy Resource Management Program			175,901	129,809
DOD Longleaf 2011	12.000	HQ0034-11-2-0005	262,568	
USACE Lake Isabella	12.000	DACW059820001	289,380	
Total U.S. Department of Defense			551,948	262,510
Total U.S. Department of Defense			727,849	392,319
Corporation for National and Community Service				
Pass-through awards:				
Nevada Volunteers -				
Walker Basin Conservancy AmeriCorps Program	94.006	16AFHNV0010009	35,079	
Nevada Volunteers -				
Walker Basin Conservancy AmeriCorps Program	94.006	16AFHNV0010012	9,555	
Total Corporation for National and Community Service			44,634	—
Total Expenditures of Federal Awards			\$ 80,453,793	\$ 70,771,138

* Major Program

National Fish and Wildlife Foundation

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2018

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the National Fish and Wildlife Foundation, and is presented on the accrual basis of accounting. The information is presented in accordance with requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in the schedule of expenditures of federal awards may differ from amounts presented or used in the preparation of the basic consolidated financial statements.

NOTE B—CATALOG FEDERAL DOMESTIC ASSISTANCE

Catalog Federal Domestic Assistance (CFDA) numbers are assigned to various agreements presented on the Schedule of Expenditures of Federal Awards. When a CFDA number is not assigned, federal awards from the same agency made for the same purpose are combined by primary focus or source, and are considered one program for purposes of determining major programs.

NOTE C—INDIRECT COST

National Fish and Wildlife Foundation has not elected to use the 10 percent *de minimus* cost rate allowed under the Uniform Guidance.

NOTE D—CONTINGENCIES

Financial awards from federal governments in the forms of grants are subject to special audits. Such audits could result in claims against the Foundation for disallowed costs or non-compliance with grantor restrictions. No provision has been made for any liabilities that may arise from any such audits.

NOTE E—SUBSEQUENT EVENTS

The Foundation evaluated its September 30, 2018 schedule of expenditures of federal awards for subsequent events through February 26, 2019, the date the schedule of expenditures of federal awards was available to be issued. The Foundation is not aware of any subsequent events which would require recognition or disclosure in this schedule of expenditures federal awards

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT
AUDITING STANDARDS***

Board of Directors
National Fish and Wildlife Foundation

We have audited, 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, the consolidated financial statements of the National Fish and Wildlife Foundation and subsidiary (the “Foundation”), which comprise the consolidated statement of financial position as of September 30, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 26, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Foundation’s internal control over financial reporting (“internal control”) to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation’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 Foundation’s consolidated 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 the Foundation’s 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 Foundation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Intended purpose

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 Foundation'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 Foundation's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Arlington, Virginia
February 26, 2019

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

Board of Directors
National Fish and Wildlife Foundation

Report on compliance for Each Major Federal Program

We have audited the compliance of National Fish and Wildlife Foundation (the “Foundation”) with the types of compliance requirements described in the U.S. Office of Management and Budget’s *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018. The Foundation’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Foundation’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 Foundation’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 Foundation’s compliance.

Opinion on Each Major Federal Program

In our opinion, the Foundation 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 September 30, 2018.

Report on Internal Control over Compliance

Management of the Foundation 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 Foundation's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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. Given these limitations, during our audit we did not identify any deficiencies in the Foundation's 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.



Arlington, Virginia
February 26, 2019

National Fish and Wildlife Foundation

Schedule of Findings and Questioned Costs

Year ended September 30, 2018

Section 1

Summary of Auditor's Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting | |
| a. Material weaknesses identified? | No |
| b. Significant deficiency identified not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | | |
|---|----------------------|------------------|
| 1. Internal control over major program: | | |
| a. Material weaknesses identified? | No | |
| b. Significant deficiency identified not considered to be material weaknesses? | None reported | |
| 2. Type of auditor's report issued on compliance for major program: | Unmodified | |
| 3. Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. <i>Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, And Audit Requirements for Federal Awards?</i> | No | |
| 4. Identification of major programs: | | |
| CFDA No. | Program Title | Grant No. |
| 10.683 | USDA Forest Service | Various |
| 11.463 | NOAA DARRP | Various |
| 15.662 | FWS Great Lakes | Various |
| 15.663 | FWS Appropriation | Various |
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | | \$2,413,614 |
| 6. Auditee qualified as a low-risk auditee | | Yes |

National Fish and Wildlife Foundation

Schedule of Findings and Questioned Costs—Continued

Year ended September 30, 2018

Section 2—Financial Statements Findings

None reported.

Section 3—Federal Award Findings and Questioned Costs

None reported.