



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

**National Fish and Wildlife Foundation and
Subsidiary**

September 30, 2017 and 2016

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	9–24
Supplemental Information	
Schedule of Expenditures of Federal Awards	26–30
Notes to Schedule of Expenditures of Federal Awards	31
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>	32–33
Report of Independent Certified Public Accountants on Compliance For Each Major Federal Program and On Internal Control Over Compliance Required by the Uniform Guidance	34–35
Schedule of Findings and Questioned Costs	36–37



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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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, 2017 and 2016, 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, 2017 and 2016, 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 audits were 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, 2017, 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 audits 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 9, 2018, 2018, 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 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.



Baltimore, Maryland
February 9, 2018

National Fish and Wildlife Foundation

Consolidated Statements of Financial Position

<i>September 30,</i>	2017	2016
Assets		
Cash	\$ 10,604,262	\$ 15,027,291
Investments	346,037,944	353,282,333
Receivables:		
U.S. government agencies	5,656,792	6,350,178
Pledges, net	32,917,017	10,389,628
Other	1,458,720	1,382,399
Interest receivable	2,328,234	2,183,930
Mitigation and settlement funds	1,598,636,148	1,184,654,372
Donated land	1,340,100	1,340,100
Property and equipment, net	3,997,449	1,782,267
Prepaid expense and other assets	1,126,372	1,961,775
Total Assets	\$ 2,004,103,038	\$ 1,578,354,273
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 3,374,512	\$ 3,199,239
Project liabilities	11,100,034	13,477,306
Deferred rent	2,339,615	1,649,222
Deferred revenue	173,341,202	182,783,580
Mitigation and settlement funds	1,596,178,998	1,179,591,316
Total Liabilities	1,786,334,361	1,380,700,663
Net Assets		
Unrestricted:		
Undesignated	27,061,988	25,806,393
Designated	83,384,923	84,492,212
Total unrestricted	110,446,911	110,298,605
Temporarily restricted	107,321,766	87,355,005
Total Net Assets	217,768,677	197,653,610
Total Liabilities and Net Assets	\$ 2,004,103,038	\$ 1,578,354,273

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

National Fish and Wildlife Foundation

Consolidated Statements 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	641,308	4,442,252	5,083,560	78,504	5,162,064
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 statements.

National Fish and Wildlife Foundation

Consolidated Statements of Activities and Change in Net Assets

Year ended September 30, 2016

	Unrestricted			Temporarily Restricted	Total
	Undesignated	Designated	Total Unrestricted		
Revenues and Support					
U.S. government appropriations, grants and agreements	\$ 97,608,713	\$ —	\$ 97,608,713	\$ —	\$ 97,608,713
Management fees	14,816,008	—	14,816,008	—	14,816,008
Mitigation and settlement	133,460,756	—	133,460,756	—	133,460,756
Other grant revenues	888,350	—	888,350	—	888,350
Public support—contributions	7,409,761	—	7,409,761	24,164,169	31,573,930
Investment income, net	3,558,411	6,154,167	9,712,578	203,454	9,916,032
Net assets released from restrictions	26,587,033	—	26,587,033	(26,587,033)	—
Total Revenues and Support	284,329,032	6,154,167	290,483,199	(2,219,410)	288,263,789
Expenses					
Program costs	266,660,468	3,250,013	269,910,481	—	269,910,481
Fundraising	4,722,851	—	4,722,851	—	4,722,851
Management and general	4,509,441	—	4,509,441	—	4,509,441
Total Expenses	275,892,760	3,250,013	279,142,773	—	279,142,773
Change in Net Assets	8,436,272	2,904,154	11,340,426	(2,219,410)	9,121,016
Net Assets, beginning of year	17,370,121	81,588,058	98,958,179	89,574,415	188,532,594
Net Assets, end of year	\$ 25,806,393	\$ 84,492,212	\$ 110,298,605	\$ 87,355,005	\$ 197,653,610

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

National Fish and Wildlife Foundation

Consolidated Statements of Cash Flows

<i>Year ended September 30,</i>	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ 20,115,067	\$ 9,121,016
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	898,373	820,736
Unrealized and realized investment loss (gain)	1,403,718	(6,857,617)
Changes in:		
Receivables	(21,910,324)	4,025,914
Interest receivable	(144,304)	(265,663)
Prepaid expenses and other assets	835,403	(1,010,964)
Accounts payable and accrued liabilities	175,273	208,860
Deferred rent	690,393	442,724
Project liabilities	(2,377,272)	4,597,107
Deferred revenue	(9,442,378)	(8,522,708)
Net mitigation and settlement funds	2,635,787	(2,200,827)
Net Cash (Used in) Provided by Operating Activities	(7,120,264)	358,578
Cash Flows from Investing Activities		
Purchase of furniture and equipment	(3,113,555)	(514,255)
Purchases of investments	(71,705,989)	(80,359,337)
Sale of investments	77,516,779	82,446,346
Net Cash Provided by Investing Activities	2,697,235	1,572,754
Net (Decrease) Increase in Cash	(4,423,029)	1,931,332
Cash, beginning of year	15,027,291	13,095,959
Cash, end of year	\$ 10,604,262	\$ 15,027,291

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

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements

September 30, 2017 and 2016

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 as a charitable and nonprofit corporation. The Foundation is not an agency or establishment of the U.S. government. The purpose of the Foundation 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, the Foundation 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, the Foundation receives donations from individuals, corporations, and foundations for the general benefit of the Foundation and in support of specific initiatives and/or projects managed by the Foundation.

The Foundation 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 the Foundation.

Walker Basin Conservancy (WBC) was incorporated by the Foundation in September 2014 as part of the objectives of its Walker Basin Restoration Program (WBRP) funded by a federal cooperative agreement between the Foundation 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

Presentation

The consolidated financial statements are 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, 2017 and 2016. All intercompany transactions are eliminated upon consolidation.

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2017 and 2016

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 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

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

The Foundation and WBC are both exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income. The Foundation has 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 740-10, 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. The Foundation and WBC have determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. For the tax years ended September 30, 2017 and 2016 the Foundation and WBC did not recognize any interest or penalties.

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2017 and 2016

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 statement of activities as net assets released from restrictions.

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, 2017 and 2016, it was determined that no allowance for doubtful accounts was necessary. In addition, management calculates a discount for multi-year pledges received. For the years ended September 30, 2017 and 2016, the unamortized discount totaled \$1,290,127 and \$28,841, respectively.

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. 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 and debt and equity securities which are recorded at their fair values based on quoted market prices.

As of September 30, 2017 and 2016, the Foundation had a liability of \$1,596,178,998 and \$1,179,591,316 of funds under management in connection with 255 and 208 mitigation and settlement agreements, respectively. During the years ended September 30, 2017 and 2016, the Foundation expended \$136,091,698 and \$133,460,756, respectively, of mitigation and settlement funds on various conservation projects.

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2017 and 2016

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-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 initially 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, 2017 and 2016, the Foundation did not have any permanently restricted 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.

Cash

As of September 30, 2017 and 2016, cash consisted of demand deposits. As of September 30, 2017 and 2016, cash included funds of \$7,161,745 and \$10,706,934, respectively, held for mitigation and settlement.

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2017 and 2016

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Concentration of Credit Risk

Cash is maintained at various institutions and at time 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, 2017 and 2016, there was \$16,674,989 and \$13,218,176, respectively, in funds held in excess of the Federal Deposit Insurance Corporation (FDIC) limit.

Adoption of New Accounting Pronouncement

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which exempts investments measured using the NAV practical expedient in ASC 820, *Fair Value Measurement*, from categorization within the fair value hierarchy. The guidance requires retrospective application and is effective for non-public business entities for interim and annual reporting periods beginning after December 15, 2016. Early application is permitted. Management adopted the provisions of this new standard during the fiscal year.

Reclassifications

To conform to the current year presentation, \$2,904,154 reported within designated unrestricted net assets in the prior year has been reclassified. The reclassifications had no impact on previously reported net assets.

Subsequent Events

The Foundation evaluated its consolidated financial statements for subsequent events through February 9, 2018, 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, 2017.

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2017 and 2016

NOTE C—INVESTMENTS

Investments at September 30, 2017 and 2016, excluding mitigation and settlement funds, consist of the following:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 20,857,847	\$ 14,649,351
Corporate debt securities	231,307,794	235,556,994
Treasury and government agency funds	60,649,226	67,525,866
Partnership interests and hedge funds	33,223,077	35,550,122
	<u>\$ 346,037,944</u>	<u>\$ 353,282,333</u>

The Foundation's total net investment income for the years ended September 30, 2017 and 2016, consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 8,252,683	\$ 4,616,660
Realized losses on sales of securities	(4,674,921)	(9,708,493)
Unrealized gains on securities held	3,271,203	16,566,110
	<u>6,848,965</u>	<u>11,474,277</u>
Investment income	6,848,965	11,474,277
Less: investment management fees	(1,686,901)	(1,558,245)
	<u>\$ 5,162,064</u>	<u>\$ 9,916,032</u>
Investment income, net	<u>\$ 5,162,064</u>	<u>\$ 9,916,032</u>

In addition to total net investment income recognized for the years ended September 30, 2017 and 2016, \$36,691 and \$74,034 of additional investment income was earned on certain federal cooperative grant advances and other exchange contracts for the years ending September 30, 2017 and 2016, respectively, and recorded as deferred revenue on the accompanying consolidated statements of financial position. This additional investment income is available for specific program expenditures.

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2017 and 2016

NOTE D—MITIGATION AND SETTLEMENT FUNDS

The market value of mitigation and settlement funds managed for specific organizations at September 30, 2017 and 2016 consists of the following:

	2017	2016
Money market funds	\$ 214,044,540	\$ 66,124,775
Corporate debt securities	704,116,675	535,778,088
Treasury and government agency funds	583,339,208	499,919,242
Equity funds	1,343,653	1,307,809
Partnership interests and hedge funds	89,716,648	77,773,033
Subtotal funds held in investments	1,592,560,724	1,180,902,947
Accrued interest	6,075,424	3,751,425
Mitigation and Settlement Funds	<u>\$1,598,636,148</u>	<u>\$1,184,654,372</u>

Investment income of \$20,728,764 and \$17,647,890 was earned on funds managed for specific organizations in 2017 and 2016, respectively.

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 bonds, and equity funds*: When quoted prices are available in an active market, corporate debt securities, treasury and government agency bonds, 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 NAV of shares or its equivalent, held by the Foundation at year end.

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2017 and 2016

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 category which is defined as the major security type classification.

	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 bonds	—	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 bonds	—	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

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2017 and 2016

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, 2016, including the additional requirement to classify securities by major category which is defined as the major security type classification.

	Level 1	Level 2	Level 3	Reported at NAV	Total
Money market funds	\$ 14,649,351	\$ —	\$ —	\$ —	\$ 14,649,351
Corporate debt securities	3,829,688	231,693,215	34,091	—	235,556,994
Treasury and government agency bonds	53,995,484	13,530,382	—	—	67,525,866
Partnership interests and hedge funds	—	—	—	35,550,122	35,550,122
Investments	72,474,523	245,223,597	34,091	35,550,122	353,282,333
Mitigation and settlement funds					
Money market funds	66,124,775	—	—	—	66,124,775
Corporate debt securities	3,662,599	531,536,351	579,138	—	535,778,088
Treasury and government agency bonds	443,314,802	56,604,440	—	—	499,919,242
Equity funds	1,307,809	—	—	—	1,307,809
Partnership interests and hedge funds	151,916	—	—	77,621,117	77,773,033
Mitigation and settlement funds	514,561,901	588,140,791	579,138	77,621,117	1,180,902,947
Total financial instruments	\$587,036,424	\$833,364,388	\$ 613,229	\$ 113,171,239	\$1,534,185,280

The following table summarizes the changes in fair value of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended September 30, 2017, including the additional requirement to classify securities by major category defined as the major security type classifications within ASC 320.

	Ending Balance at 9/30/2016	Total Realized/ Unrealized Loss	Purchases	Sales	Ending Balance at 9/30/2017
Corporate debt securities	\$ 613,229	\$ (195)	\$ —	\$ (613,034)	\$ —
Total Level 3 investments	\$ 613,229	\$ (195)	\$ —	\$ (613,034)	\$ —

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2017 and 2016

NOTE E—FAIR VALUE MEASUREMENTS—Continued

The following table summarizes the changes in fair value of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended September 30, 2016 including the additional requirement to classify securities by major category defined as the major security type classifications within ASC 320.

	Ending Balance at 9/30/2015	Total Realized/ Unrealized Gain	Purchases	Sales	Ending Balance at 9/30/2016
Corporate debt securities	\$ 1,118,443	\$ 2,892	\$ 1,365,814	\$ (1,873,920)	\$ 613,229
Total Level 3 investments	\$ 1,118,443	\$ 2,892	\$ 1,365,814	\$ (1,873,920)	\$ 613,229

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.

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2017 and 2016

NOTE E—FAIR VALUE MEASUREMENTS—Continued

The table below presents additional information for the Foundation’s investments, as of September 30, 2016, whose fair value is estimated using the practical expedient of reported NAV.

	Fair Value	Unfunded Commitments	Expected Liquidation Term	Redemption Terms	Restrictions at 9/30/2016
Partnership interests and hedge funds ^(a)	\$113,171,239	\$ —	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 2017, and 2016, which have been designated by the Board of Directors for specific purposes, are summarized as follows:

	2017	2016
Halliburton funds	\$ 43,050,833	\$ 48,600,374
Funds for the future	40,334,090	35,891,838
Total designated net assets	\$ 83,384,923	\$ 84,492,212

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2017 and 2016

NOTE G—TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2017 and 2016, the Foundation had temporarily restricted net assets for conservation initiatives to be expended for the following programs:

	2017	2016
Acres for America	\$ 11,472,421	\$ 10,566,953
Environmental Solutions for Communities	11,260,431	4,173,524
Lower MS Alluvial Valley Fund	9,540,415	—
Longleaf Stewardship Fund	8,780,563	7,868,456
Pelagic Bird Fund	7,949,887	9,398,809
Delaware River Basin Program	5,061,324	6,862,949
Chesapeake Bay Small Watershed Grants	4,828,746	3,491,079
Five Star and Nature Restoration Trust	4,483,686	4,552,319
New England Forests and Rivers Fund	3,966,354	1,044,905
Bird Keystone	3,766,550	276,421
Gulf Coast Conservation Grants Program	2,637,752	1,852,598
Northern Great Plains	2,406,410	2,280,000
Southwestern Rivers	2,113,591	—
SPIRIT of Conservation	2,104,720	1,767,690
Chicago River Fund/CHI-CAL	1,983,785	2,485,272
Western Water Development	1,965,467	628,710
Monarch Butterfly	1,846,530	1,676,945
Fisheries Innovation Fund	1,840,468	2,458,566
Sustain our Great Lakes Program	1,722,014	1,838,346
Power of Flight	1,419,675	1,803,685
Wildlife & Habitat Keystone	1,311,081	1,831,322
NFWF Response in the Gulf	1,195,321	1,779,259
Marine Habitat Program	1,068,911	1,978,130
Other Conservation Initiatives	12,595,664	16,739,067
Total	\$ 107,321,766	\$ 87,355,005

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2017 and 2016

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 \$637,456 and \$0 as of September 30, 2017 and 2016, 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

2018	\$ 1,956,056
2019	1,995,499
2020	2,048,198
2021	2,071,820
2022	1,877,896
Thereafter	<u>6,716,851</u>
Total	<u>\$ 16,666,320</u>

Rent expense is amortized using the straight line method and was \$2,023,595 and \$1,896,862 for the years ended September 30, 2017 and 2016, 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, 2017 and 2016

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. The line-of-credit had a maturity date of April 30, 2017 and is secured by the Foundation's investment securities. The agreement was renewed on April 18, 2017 to extend the maturity date to April 30, 2018. The loan agreement also contains specific financial and operating covenants of which the Foundation was in compliance as of September 30, 2017. The Foundation has not drawn upon the line-of-credit during the two fiscal years ended September 30, 2017 and 2016. As such, there were no amounts outstanding as of September 30, 2017 and 2016 nor was there interest expense for the years ended September 30, 2017 and 2016.

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, 2017 and 2016, was \$1,371,995 and \$1,299,652, 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:

	2017	2016
Less than one year	\$ 14,978,588	\$ 9,768,469
One to five years	19,228,556	650,000
Less: Unamortized discount on receivables	<u>(1,290,127)</u>	<u>(28,841)</u>
Pledges receivable, net	<u>\$ 32,917,017</u>	<u>\$ 10,389,628</u>

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2017 and 2016

NOTE L—PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at September 30:

	2017	2016
Furniture and equipment	\$ 301,580	\$ 191,490
Management information system	3,891,292	3,679,557
Leasehold improvements	5,143,870	2,352,140
	<u>9,336,742</u>	<u>6,223,187</u>
Less: accumulated depreciation and amortization	<u>(5,339,293)</u>	<u>(4,440,920)</u>
Total property and equipment, net	<u>\$ 3,997,449</u>	<u>\$ 1,782,267</u>

Depreciation and amortization expense was \$898,373 and \$820,736 for the years ended September 30, 2017 and 2016, respectively.

NOTE M—ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2017	2016
Accounts payable	\$ 2,151,600	\$ 2,001,516
Accrued personnel related costs	1,222,912	1,197,723
Total accounts payable and accrued liabilities	<u>\$ 3,374,512</u>	<u>\$ 3,199,239</u>

NOTE N—RELATED PARTY TRANSACTIONS

The Foundation received contributions from board members and other related organizations during the years ending September 30, 2017 and 2016, totaling \$2,842,000 and \$6,779,225, respectively.

National Fish and Wildlife Foundation

Notes to Consolidated Financial Statements—Continued

September 30, 2017 and 2016

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, 2017

Federal Grantor/Program	CFDA No.	Award No.	Total Expenditures	Provided to Subrecipients
U.S. Department of Interior				
FWS Williamson - Tulana	15.000	1448000197514	\$ 24,588	
Total U.S. Department of Interior - Fish and Wildlife Appropriations			24,588	\$ 24,553
FWS-Approps Pre-FY03	15.608	70063027025489	78,798	
FWS-Approps ATSAAL FY05	15.608	—	58,528	
FWS-Approps ATSAAL FY06	15.608	—	12,146	
FWS-Approps FY08	15.608	—	4,960	
FWS-Approps FY09	15.608	—	95,602	
FWS-Approps FY10	15.608	—	47,834	
FWS-Approps WASAL FY10	15.608	—	13,532	
FWS-Approps FY11	15.608	—	198,378	
FWS-Approps FY12	15.608	F12AB00023	278,638	
FWS-Approps Pre-FY12	15.608	—	35,325	
FWS-Longleaf Steward 2011	15.608	F11AC01495	101,671	
FWS-Yellow Crazy Ants	15.608	F14AC00891	307,731	
FWS-Endangrd Species PacSW	15.608	F14AC00733	119,388	
FWS-Eastern Brook Trout	15.608	F15AC00861	32,080	
FWS-Feral Pig Eradication	15.608	F16AC00300	1,151	
FWS-Eastern Brook FY16	15.608	F16AC01200	46,568	
FWS-Klamath Basin FY17	15.608	F17AC00470	720	
FWS-Eastern Brook FY17	15.608	F17AC00855	426	
Total U.S. Department of Interior - Fish and Wildlife Management Assistance			1,433,476	1,343,383
FWS-CO River Delta Fund	15.637	F13AC00125	266,986	
Total U.S. Department of Interior - National Outreach and Communication Program			266,986	69,145
FWS-Midway Verbesina	15.654	F11AC01465	7,320	
FWS-Urban Refuge Partnership	15.654	F14AC00084	28,974	
FWS-NWR System Friends 2	15.654	F14AC00085	33,831	
FWS-NWR System Friends 3	15.654	F15AC00267	22,825	
FWS-Friends Training FY16	15.654	F16AC00130	10,934	
FWS-NWR System Friends 16	15.654	F16AC00956	3,902	
FWS-Urban Refuge FY16	15.654	F16AC01147	7,189	
FWS-Friends Support	15.654	F17AC01184	35,089	
Total U.S. Department of Interior - Visitor Facility Enhancements - Refuges and Wildlife			150,064	75,922
FWS-Bald & Golden Eagle	15.655	F14AC00710	2,335	
FWS-Urban Refuge FY15	15.655	F14AC01180	331,388	
FWS-Urban Bird FY16	15.655	F16AC01013	80,839	
Total U.S. Department of Interior - Migratory Bird Monitoring, Assessment and Conservation			414,562	389,244
FWS-Bats for the Future	15.657	F16AC01282	69,258	
Total U.S. Department of Interior - Endangered Species Conservation: Recovery Implementation Funds			69,258	—
FWS Great Lakes FY13	15.662	F13AP00590	1,761,281	
FWS Great Lakes FY14	15.662	F14AP00901	4,534,655	
FWS Great Lakes FY15	15.662	F15AP00725	1,099,527	
FWS Great Lakes FY16	15.662	F16AP01029	903,755	
FWS Great Lakes FY17	15.662	F17AP00313	1,075	
Total U.S. Department of Interior - Great Lakes Restoration			8,300,293	7,987,349
FWS-Approps FY13	15.663	F13AP00622	1,400,265	
FWS-Approps FY14	15.663	F14AP00333	2,249,198	
FWS-Approps FY15	15.663	F15AP00569	2,820,664	
FWS-Approps FY16	15.663	F16AP00398	2,009,416	
FWS-Approps FY17	15.663	F17AP00569	22,609	
FWS APC Breeding Facility	15.663	F12AP00952	289,085	
FWS Klamath Basin FY13	15.663	F13AC00611	302,844	
FWS-Klamath Basin 2015-20	15.663	F15AC00282	126,157	
FS Monarch Butterfly Co	15.663	16-CA-11132422-185	99,726	
FWS-Klamath Tribes Fisher	15.663	F16AC00656	3,276	
FWS-Region 6 Gunnii FY16	15.663	F16AC01264	13,390	
Total U.S. Department of Interior - National Fish and Wildlife Foundation			9,336,630	9,085,719

The accompanying notes are an integral part of this schedule.

National Fish and Wildlife Foundation

Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

Federal Grantor/Program	CFDA No.	Award No.	Total Expenditures	Provided to Subrecipients
FWS Youth Initiative 2013	15.676	F13AC01025	841	
Total U.S. Department of Interior - Youth Engagement, Education, and Employment Programs			841	—
BOR Walker Restoration	15.508	R10AP20007	7,212,508	
Total U.S. Department of Interior - Providing Water to At-Risk Natural Desert Terminal Lakes			7,212,508	6,065,061
BOR-Youth Initiative FY15	15.546	R15AC00006	292,995	
Total U.S. Department of Interior - Youth Conservation Program			292,995	259,601
BLM-Appropriations FY09	15.231	L08AC15666	1,717	
BLM-Appropriations FY11	15.231	L08AC15666	148,924	
BLM-Appropriations FY12	15.231	L08AC15666	106,592	
BLM-Appropriations FY13	15.231	L08AC15666	460,773	
BLM-Appropriations FY14	15.231	L08AC15666	516,504	
BLM-Appropriations FY15	15.231	L08AC15666	862,067	
BLM-Appropriations FY16	15.231	L08AC15666	1,073,376	
BLM Endangered Species	15.231	L10AC20377	31,292	
BLM Endangered Speci FY16	15.231	L16AC00431	48,830	
Total U.S. Department of Interior - Fish, Wildlife and Plan Conservation Resource Management			3,250,075	3,206,162
DOI Hurricane Sandy FY13*	15.153	D13AC00001	36,170,629	
DOI FY13 H Sandy Prog Adm*	15.153	D13AC00001	363,834	
Total U.S. Department of Interior - Hurricane Sandy Disaster Relief - Coastal Resiliency Grants			36,534,463	35,173,369
AZ Wolf Livestock	15.666	—	106,666	
NM Wolf Livestock III	15.666	—	36,247	
NM Wolf Proactive	15.666	—	1,329	
NM Wolf Depredation	15.666	—	34,803	
Total U.S. Department of Interior - Endangered Species Conservation-Wolf Livestock Loss Compensation and Prevention			179,045	—
BOR-Klamath Salmon FY15	15.517	R15AP00041	238,973	
Total U.S. Department of Interior - Fish and Wildlife Coordination Act			238,973	172,137
FWS-Laser Technol Seabird	15.650	F15AP001055	3,521	
Total U.S. Department of Interior - Research Grants (Generic)			3,521	2,944
FWS-Monarch Butterfly	15.664	F15AP00245	497,292	
FWS-Cnsrvtn Ptnrshp RENT	15.664	F15AC01067	966,607	
Total U.S. Department of Interior - Fish and Wildlife Coordination and Assistance			1,463,899	1,274,646
FWS-Monarch Urban Landscap	15.669	F15AC01192	34,423	
Total U.S. Department of Interior - Cooperative Landscape Conservation			34,423	34,423
USGS-Monarch FY16	15.808	G16AC00229	56,680	
Total U.S. Department of Interior - U.S. Geological Survey Research and Data Collection			56,680	42,199
Total U.S. Department of Interior			69,263,280	65,205,857
U.S. Department of Agriculture				
FS Longleaf Stewardship	10.664	11-CA-11083150-002	573,119	
FS Urban Waters	10.664	12-CA-11132500-398	582,087	
FS Appalachian	10.664	12-CS-11420004-284	251,754	
FS-NE Forest and Rivers	10.664	15-DG-11420004-214	89,422	
FS-Five Star FY16-20	10.664	16-CA-11132544-021	38,381	
FS-State and Private	10.664	17-CA-11083150-007	3,333	
Total U.S. Department of Agriculture - Cooperative Forestry Assistance			1,538,096	1,452,344

The accompanying notes are an integral part of this schedule.

National Fish and Wildlife Foundation

Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

Federal Grantor/Program	CFDA No.	Award No.	Total Expenditures	Provided to Subrecipients
FS Chesapeake 4	10.678	13-DG-11420004-192	121,206	
Total U.S. Department of Agriculture - Forest Stewardship Program			121,206	107,596
FS-Approps FY12	10.683	12-DG-11132422-139	124,661	
FS-Approps FY13	10.683	13-CA-11132422-120	177,330	
FS-Approps FY14	10.683	14-CA-11132422-195	801,489	
FS-Approps FY15	10.683	15-CA-11132422-241	1,149,316	
FS-Approps FY16	10.683	16-CA-11132422-213	263,303	
FS-Youth Engagement	10.683	11-CA-11132422-300	220,603	
FS-Longlf Stwdshp15-20	10.683	15-CA-11083150-001	123,486	
FS-Bats for the Future	10.683	17-CA-11132422-145	8,750	
FS-Southern Family	10.683	17-CA-11083150-001	5,676	
Total U.S. Department of Agriculture - National Fish and Wildlife Foundation			2,874,614	2,785,962
NRCS CBSWG PA 2013	10.069	68-2D37-13-676	124,513	
Total U.S. Department of Agriculture - Conservation Reserve Program			124,513	109,966
NRCS Cons Partnr CTA 2011*	10.902	68-3A75-11-244	239,133	
NRCS Cons Partnr CRP 2011*	10.902	68-3A75-11-244	163,033	
NRCS Cons Partnr FY12*	10.902	68-3A75-12-257	204,108	
NRCS MI Farms Forests*	10.902	68-5D21-12-36	79,936	
NRCS Central KY 2013*	10.902	68-5C16-13-069	61,500	
NRCS Conservation PP FY14*	10.902	68-3A75-14-60	443,846	
NRCS TA in Connecticut*	10.902	65-1106-14-11	21,943	
NRCS - CPP FY2015*	10.902	68-3A75-15-166	1,178,070	
NRCS-MT North Great Plain*	10.902	65-0325-15-017	200,300	
NRCS-Longleaf SC Pt 1*	10.902	68-4639-16-185	33,029	
NRCS-Longleaf Pine Texas*	10.902	68-7442-16-519	10,095	
NRCS-Longleaf SC Pt 2*	10.902	68-4639-16-1051	8,608	
NRCS-Hawaii Working Lands*	10.902	68-9251-16-509	6,557	
NRCS-South Dakota FY16*	10.902	68-6740-16-524	15,748	
NRCS-Conservation FY16*	10.902	68-3A75-16-813	416,913	
NRCS-Central Appalachia*	10.902	68-3A75-17-262	2,537	
NRCS-Conservation FY17*	10.902	68-3A75-17-308	2,319	
NRCS-Louisiana Forests*	10.902	NR177217XXXXC003	91	
Total U.S. Department of Agriculture - Soil and Water Conservation			3,087,766	2,773,773
NRCS Coral Reefs Toolkit	10.912	69-3A75-12-180	106,408	
NRCS Cumber Plat TN 2013	10.912	68-4741-3-052	4,954	
NRCS CB WV 2013	10.912	65-3D47-13-3	(2,227)	
NRCS Cumber Plat AL 2013	10.912	68-4101-13-0002	89,738	
NRCS CIG CB SAM 2013	10.912	69-3A75-13-219	261,669	
NRCS Texas Gulf Coast	10.912	65-7442-13-373	32,740	
NRCS Lake Erie Partnership	10.912	68-3A75-14-210	174,627	
NRCS-Conservation FY16	10.912	68-3A75-16-813	843	
NRCS-Central Appalachia	10.912	68-3A75-17-262	2,537	
NRCS-Louisiana Forests	10.912	NR177217XXXXC003	90	
Total U.S. Department of Agriculture - Environmental Quality Incentives Program			671,379	464,588
NRCS Longleaf LA 2013	10.914	68-7217-13-014	173,451	
Total U.S. Department of Agriculture - Wildlife Habitat Incentive Program			173,451	162,132

The accompanying notes are an integral part of this schedule.

National Fish and Wildlife Foundation

Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

Federal Grantor/Program	CFDA No.	Award No.	Total Expenditures	Provided to Subrecipients
NRCS Gulf Mexico Restoration	10.072	68-3A75-14-279	180,474	
NRCS-Gulf Working FY16	10.072	68-3A75-16-1281	20,556	
Total U.S. Department of Agriculture - Wetlands Reserve Program			201,030	106,193
FS Pac SW Water Ptrshp	10.693	14-PA-11052007-026	13,486	
Total U.S. Department of Agriculture - Watershed Restoration and Enhancement Agreement Authority			13,486	—
NRCS-Louisiana Forests	10.924	NR177217XXXXC003	89	
Total U.S. Department of Agriculture - Conservation Stewardship Program			89	—
NRCS-Gulf Working FY16	10.931	68-3A75-16-1281	20,555	
NRCS-Louisiana Forests	10.931	NR177217XXXXC003	89	
Total U.S. Department of Agriculture - Agricultural Conservation Easement Program			20,644	—
NRCS-RCPP Delaware	10.932	68-2D37-15-762	226,466	
NRCS-RCPP Chesapeake	10.932	68-2D37-15-763	132,014	
NRCS-Improving Working La	10.932	68-7442-16-1260	4,732	
Total U.S. Department of Agriculture -Regional Conservation Partnership Program			363,212	355,039
Total U.S. Department of Agriculture			9,189,486	8,317,593
Environmental Protection Agency				
EPA LISFF FY13	66.437	LI-96175001	200,848	
EPA LISFF FY14	66.437	LI-96184301-0	193,321	
EPA LISFF FY15	66.437	LI-00A00008-0	470,522	
EPA LISFF FY16	66.437	LI-00A00129-0	166,709	
Total EPA - Long Island Sound Program			1,031,400	936,347
EPA Five Star 4	66.462	WD-83538401	212,082	
EPA Five Star 5	66.462	WD-83658001	89,156	
Total EPA - National Wetland Program Development Grants and Five-Star Restoration Training Grant			301,238	268,900
EPA CB INSR 3*	66.466	CB-97398401	2,675,705	
EPA CBSWG 4*	66.466	CB-97398301	185,949	
EPA-CBINSR 2014*	66.466	96331101	3,085,513	
EPA-SWG 2014*	66.466	96331001	4,844,517	
Total EPA - Chesapeake Bay Program			10,791,684	9,435,148
Total Environmental Protection Agency			12,124,322	10,640,395
U.S. Department of Commerce				
MMC FY12 Agreement	11.439	MMC12 185	(79)	
MMC-FY15 Agreement	11.439	PO MMC14201	30,202	
NOAA-Beluga Whale	11.439	NA14NMF4390092	94,520	
Total U.S. Department of Commerce - Marine Mammal Data Program			124,643	92,948
NOAA-Approps FY15	11.454	NA15NMF4540082	602,762	
NOAA-Approps FY16	11.454	NA16NMF4540289	947,895	
NOAA Fisheries Innovation	11.454	NA10NMF4540293	240,651	
NOAA-FIF 2016-2020	11.454	NA15NMF4540400	211,186	
NOAA-Instituting Coordina	11.454	NA17NMF4540116	341	
Total U.S. Department of Commerce - Unallied Management Projects			2,002,835	1,952,109

The accompanying notes are an integral part of this schedule.

National Fish and Wildlife Foundation

Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

Federal Grantor/Program	CFDA No.	Award No.	Total Expenditures	Provided to Subrecipients
NOAA Partnership 2010-13	11.463	NA10NOS4630131	605,722	
NOAA DARRP 2012-2016	11.463	NA12NMF4630196	584,553	
NOAA-Choptank River	11.463	NA14NMF4630260	555,955	
NOAA-Cape Fear R Basin 15	11.463	NA15NMF4630392	404,882	
NOAA DARRP 2016-2021	11.463	NA16NMF4630023	2,345,696	
NOAA-Coastal Resiliency	11.463	NA16NMF4630355	167,988	
DARRP DWH-X-001-004	11.463	NA16NMF4630023	2,051	
DARRP GENERAL-X-000-001	11.463	NA16NMF4630023	925	
DARRP LUCKENBACH-X-000-00	11.463	NA16NMF4630023	29	
Total U.S. Department of Commerce - Habitat Conservation			4,667,801	2,669,521
NOAA OPR	11.469	NA14NMF4690277	997,357	
NOAA Bld Sust Fisheries	11.469	NA14NMF4690157	54,419	
Total U.S. Department of Commerce - Congressionally Identified Awards and Projects			1,051,776	152,407
NOAA Coral Reef FY15	11.482	NA14NOS4820143	827,294	
Total U.S. Department of Commerce - Educational Partnership Program			827,294	720,793
Total U.S. Department of Commerce			8,674,349	5,587,778
U.S. Department of Energy				
BPA-CBWTP FY15	81.000	66153	(106)	
BPA-CBWTP FY16	81.000	69882	646,483	
BPA - CBWTP Umatilla FY16	81.000	69776	103,328	
BPA-CBWTP Colville 2016	81.000	69775	8,606	
BPA - CBWTP FY17	81.000	73531	3,123,513	
BPA - CBWTP Umatilla FY17	81.000	73920	849,780	
BPA-CBWTP Colville FY17	81.000	73735	167,327	
Total U.S. Department of Energy			4,898,931	4,296,300
U.S. Department of Defense				
DOD Longleaf 2016	12.632	HQ0034-16-2-0023	33,937	
Total U.S. Department of Defense - Legacy Resource Management Program			33,937	—
DOD Longleaf 2011	12.000	HQ0034-11-2-0005	570,987	
USACE - Lake Isabella	12.000	DACW059820001	51,179	
Total U.S. Department of Defense			622,166	546,918
Total U.S. Department of Defense			656,103	546,918
Total Expenditures of Federal Awards			\$ 104,806,471	\$ 94,594,841

* Major Program

The accompanying notes are an integral part of this schedule.

National Fish and Wildlife Foundation

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

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—REAL PROPERTY TRANSFER

During 2017, under the authority of Bureau of Reclamation, CFDA 15.508, the Foundation reconveyed property valued at \$11,097,647 to various organizations through the execution of subrecipient agreements. Accordingly, these transfers are not included in the current year's Schedule of Expenditures of Federal Awards (SEFA) as the original purchases of the related real property occurred in prior periods. Such subrecipient agreements are being monitored in accordance with the Foundation's subrecipient monitoring policies.

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

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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, 2017, 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 9, 2018.

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.



Baltimore, Maryland
February 9, 2018

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

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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, 2017. 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, 2017.

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.



Baltimore, Maryland
February 9, 2018

National Fish and Wildlife Foundation

Schedule of Findings and Questioned Costs

Year ended September 30, 2016

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. |
| 15.153 | Hurricane Sandy | Various |
| 66.466 | Chesapeake Bay | Various |
| 10.902 | Natural Resources | Various |
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | | \$3,000,000 |
| 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, 2017

Section 2—Financial Statements Findings

None reported.

Section 3—Federal Award Findings and Questioned Costs

None reported.