

*NORTH CAROLINA
WILDLIFE FEDERATION, INC.*

*FINANCIAL STATEMENTS
DECEMBER 31, 2018*

North Carolina Wildlife Federation, Inc.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
North Carolina Wildlife Federation, Inc.
Charlotte, North Carolina

We have audited the accompanying financial statements of North Carolina Wildlife Federation, Inc. (the "Federation" - a nonprofit corporation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of North Carolina Wildlife Federation, Inc., as of December 31, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Federation's 2017 financial statements, and our report dated April 30, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. Dewitt Foard & Company, P.A.

February 1, 2019

NORTH CAROLINA WILDLIFE FEDERATION, INC.**Statement of Financial Position****December 31, 2018, with prior year comparative totals**

	December, 31	
	2018	2017
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 2,264,694	\$ 4,271,728
Grants receivable	-	58,100
Prepaid expenses	13,235	10,533
Investments	2,681,559	767,296
<i>Total Current Assets</i>	4,959,488	5,107,657
Long-Term Assets:		
Investments	42,000	42,000
Property and equipment (net)	206,829	217,588
Other assets	7,400	7,400
<i>Total Long-Term Assets</i>	256,229	266,988
<i>TOTAL ASSETS</i>	\$ 5,215,717	\$ 5,374,645
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 10,944	\$ 21,039
Funds held for the benefit of others	194,104	218,000
<i>Total Liabilities</i>	205,048	239,039
Net Assets:		
Without donor restrictions	4,836,152	4,873,297
With donor restrictions	174,517	262,309
<i>Total Net Assets</i>	5,010,669	5,135,606
<i>TOTAL LIABILITIES AND NET ASSETS</i>	\$ 5,215,717	\$ 5,374,645

NORTH CAROLINA WILDLIFE FEDERATION, INC.**Statement of Activities****Year Ended December 31, 2018, with prior year comparative totals**

	Year ended December 31, 2018			Prior Year Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	Totals	
<u>SUPPORT AND REVENUE</u>				
Contributions	\$ 881,032	\$ -	\$ 881,032	\$ 945,339
Grants	245,472	6,000	251,472	382,908
Membership	165,515	-	165,515	190,967
Investment income	(130,093)	-	(130,093)	89,294
Other income	18,395	-	18,395	18,592
Net assets released from restrictions by payments	93,792	(93,792)	-	-
<i>Total</i>	<i>1,274,113</i>	<i>(87,792)</i>	<i>1,186,321</i>	<i>1,627,100</i>
<u>EXPENSES</u>				
Program services	1,059,515	-	1,059,515	1,156,165
Management and general	137,195	-	137,195	105,287
Fundraising	114,548	-	114,548	93,586
<i>Total</i>	<i>1,311,258</i>	<i>-</i>	<i>1,311,258</i>	<i>1,355,038</i>
<i>CHANGE IN NET ASSETS</i>	<i>(37,145)</i>	<i>(87,792)</i>	<i>(124,937)</i>	<i>272,062</i>
<i>NET ASSETS, BEGINNING</i>	<i>4,873,297</i>	<i>262,309</i>	<i>5,135,606</i>	<i>4,863,544</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 4,836,152</i>	<i>\$ 174,517</i>	<i>\$ 5,010,669</i>	<i>\$ 5,135,606</i>

NORTH CAROLINA WILDLIFE FEDERATION, INC.**Statement of Functional Expenses****Year Ended December 31, 2018, with prior year comparative totals**

	Year ended December 31, 2018				Prior Year Comparative Totals
	Program Services	Management and General	Fundraising	Totals	
<u>PERSONNEL</u>					
Salaries	\$ 374,364	\$ 92,232	\$ 75,955	\$ 542,551	\$ 431,345
Payroll taxes	27,036	6,661	5,485	39,182	31,996
Benefits	39,311	9,685	7,976	56,972	54,445
Total	440,711	108,578	89,416	638,705	517,786
<u>OTHER EXPENSES</u>					
Printing and reproduction	62,711	6,800	6,044	75,555	84,702
Conferences and meetings	28,982	3,143	2,793	34,918	33,268
Contract labor	277,984	-	-	277,984	360,488
Special project materials	91,937	-	-	91,937	175,241
Postage and delivery	22,945	2,488	2,212	27,645	25,240
Occupancy	18,881	4,652	3,831	27,364	26,531
Insurance	16,741	1,815	1,614	20,170	22,367
Communications	5,128	556	494	6,178	6,951
Professional services	10,401	1,128	1,003	12,532	20,485
Travel	43,543	4,722	4,197	52,462	44,124
Scholarships	9,005	-	-	9,005	9,955
Other expenses	2,831	307	273	3,411	3,192
Bank charges	3,279	356	316	3,951	5,102
Property taxes	1,290	140	124	1,554	1,479
Supplies	8,620	935	831	10,386	4,066
Dues and subscriptions	5,596	607	539	6,742	1,951
Total	609,874	27,649	24,271	661,794	825,142
Total Expenses Before					
Depreciation	1,050,585	136,227	113,687	1,300,499	1,342,928
Depreciation expense	8,930	968	861	10,759	12,110
TOTAL EXPENSES	\$ 1,059,515	\$ 137,195	\$ 114,548	\$ 1,311,258	\$ 1,355,038

NORTH CAROLINA WILDLIFE FEDERATION, INC.**Statement of Cash Flows****Year Ended December 31, 2018, with prior year comparative totals**

	December 31,	
	2018	2017
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ (124,937)	\$ 272,062
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	10,759	12,109
Realized and unrealized losses (gains)	168,074	(69,621)
(Increase) in operating assets:		
Grants receivable	58,100	(58,100)
Prepaid expenses	(2,702)	(2,876)
Increase (decrease) in operating liabilities:		
Accounts payable	(10,095)	19,639
Funds held for the benefit of others	(23,896)	203
<i>Cash Flows from Operating Activities</i>	75,303	173,416
<u>INVESTING ACTIVITIES</u>		
Purchase of investments	(2,586,965)	(102,820)
Proceeds from sale of investments	504,628	56,686
<i>Cash Flows from Investing Activities</i>	(2,082,337)	(46,134)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,007,034)	127,282
CASH AND CASH EQUIVALENTS, BEGINNING	4,271,728	4,144,446
CASH AND CASH EQUIVALENTS, ENDING	\$ 2,264,694	\$ 4,271,728

North Carolina Wildlife Federation, Inc.

Notes to Financial Statements

December 31, 2018

NOTE 1 - NATURE OF ACTIVITIES

Organization

North Carolina Wildlife Federation, Inc. (the "Federation") was incorporated in April, 1945, under the laws of the State of North Carolina as a nonprofit organization. Its primary purpose is to protect, conserve and restore North Carolina wildlife and habitat. Programs and special events held by the Federation serve as an outreach to the public to educate them on the value and importance of wildlife in North Carolina.

Funding sources

The Federation is supported primarily by membership dues and contributions from other organizations and individuals.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, contributions and revenue are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Gifts of land, buildings and equipment are recorded as increases in net assets without donor restrictions unless explicit donor restrictions specify how the donated assets must be used. Contributions with donor-imposed restrictions, such as time or purpose restrictions, are recorded as net assets with restrictions. When donor-imposed time restrictions expire, or a donor-imposed purpose restriction is fulfilled, the net assets with restrictions are released to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are accomplished in the year received are shown as contributions without donor restrictions. Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization are also included as a component of net assets with restrictions.

Cash and equivalents

Cash and equivalents consist of cash on hand, cash in banks, and certificates of deposit with original maturities of three months or less.

Property and equipment

Property and equipment, which consists of equipment, vehicles, and leasehold improvements, valued at \$1,000 or more is carried on the books at its original cost if purchased or fair value if donated and depreciation expense is recorded using the straight-line method of depreciation over an estimated life of the assets, which vary from 10-40 years for buildings, 3-5 years for vehicles, and 5-20 years for equipment and software.

Other assets

Other assets consist of artwork that is not for sale that was recorded at fair value of \$5,800 when donated and \$1,600 of security deposits.

North Carolina Wildlife Federation, Inc.**Notes to Financial Statements****December 31, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**Donated services and goods**

Donated services are reported as contributions when the services (a) create or enhance non-financial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated goods, if significant, are included in support at fair value. During year ended December 31, 2018, the Federation recorded no donated goods or services.

In addition, the Federation receives a substantial amount of donated services from unpaid volunteers in carrying out its program activities. No amounts have been reflected in the financial statements for these services since they do not meet the criteria for recognition.

Federal income tax status

The Federation is exempt from Federal income tax on its exempt function income under Internal Revenue Code Section 501(c)(3). The Federation is classified as other than a private foundation as defined by Section 509(a) of the Internal Revenue Code.

Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Funds held for the benefit of others

The accompanying statement of activities does not include funds transferred to the Federation for the benefit of other unrelated organizations for which the Federation acts only as an agent and has no variance power over the use of these funds. During the year, the Federation received \$20,000 for the benefit of another organization. The Federation disbursed \$43,897 of these funds during the year and retained the balance in a separate cash account.

Prior-year comparative totals

The financial statements include certain prior-year summarized information, which is presented for comparative purposes only. Accordingly, such information should be read in conjunction with the Federation's 2017 financial statements, from which the summarized information was derived. Also certain prior-year amounts have been restated to conform with the current-year presentation.

North Carolina Wildlife Federation, Inc.**Notes to Financial Statements****December 31, 2018**

NOTE 3 - FUNCTIONAL EXPENSES

The Federation's activities are focused in three functional areas. Program services represent the primary focus of the Federation's activities. Supporting services are fundraising activities and general and administrative activities. The expenses that are allocated include personnel and benefits, which are allocated on the basis of estimates of time and effort. Depreciation and amortization and occupancy are also allocated on a similar percentage as personnel. Outside services are fully allocated to program services. Administrative, finance, communications and technology expenses are based on an analysis of the various expenses that comprise those costs. The costs of providing the various programs and other activities are summarized in the accompanying financial statements.

NOTE 4 - INVESTMENTS AND INVESTMENT INCOME

Investments of the Federation are recorded at fair value based on market quotations. Changes in the fair value of securities are reflected as unrealized investment gains or losses in the accompanying statement of activities.

Purchases and sales of securities are reflected on a trade-date basis. Interest and dividend income is recorded as earned or declared on an accrual basis.

Investments at Suntrust consist of the following as of December 31, 2018:

Fixed income	\$ 1,299,807
Equities	1,125,902
U.S. Treasury bonds	247,863
Certificates of Deposit	<u>49,987</u>
TOTAL	<u>\$ 2,723,559</u>

Investment income

Investment income for the year 2018 is comprised of the following:

Interest and dividends	\$ 59,621
Unrealized and realized losses	(168,074)
Fees	<u>(21,640)</u>
TOTAL	<u>\$ (130,093)</u>

North Carolina Wildlife Federation, Inc.**Notes to Financial Statements****December 31, 2018**

NOTE 4 - INVESTMENTS AND INVESTMENT INCOME - continued*Fair value of financial instruments*

GAAP requires fair value of financial instruments to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. It establishes a three-level valuation hierarchy based upon observable and unobservable inputs. Level 1 assets are those whose fair value is based on quoted prices in active markets for identical assets or liabilities. Level 2 assets are those whose fair value is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 3 assets are those whose fair value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Federation's investments all are classified as Level 1 investments.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2018:

Building	\$ 318,905
Furniture and equipment	23,612
Computer software	<u>34,635</u>
Total Property and Equipment	377,152
Less – accumulated depreciation	<u>170,323</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 206,829</u>

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent amounts with donor stipulations that limit the use of the funds. Net assets with donor restrictions at year-end are as follows:

Subject to expenditure for specified purposes:

Native Fish Conservation Area Videos and Maps	\$ 8,849
Habitat Enhancement Project	59,168
Red Wolf/Elk Reward	20,000
Catawba Garbage Clean Up	35,500
Mountain Island Lake Project	<u>9,000</u>
Total Not Available for Expenditure	132,517
Donor Restricted Endowment – permanently restricted	<u>42,000</u>
TOTAL	<u>\$ 174,517</u>

North Carolina Wildlife Federation, Inc.

Notes to Financial Statements

December 31, 2018

NOTE 7 - ENDOWMENTS

The Federation's endowments consist of four funds established for conservation education and scholarships. The Federation's endowments include donor-restricted funds to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Federation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Federation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Federation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Federation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Federation, and (7) the Federation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Federation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Under this policy, as approved by the Board of Directors, endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities that is intended to produce results that attempt to match the price and yield results of the S&P 500 index. Actual returns in any given year may vary.

Spending Policy. The distributable amount determined for the funds shall include all earnings, realized capital gains, and support received during the year.

NOTE 8 - LEASES

Lease payments for office space made during the current fiscal year were \$19,584. Future minimum payments of \$19,200 under non-cancelable operating lease agreements for office space are due during 2019 and \$6,400 due during the year 2020. The Federation also collected \$15,270 of rental income from tenants who sub-lease a portion of their office space.

North Carolina Wildlife Federation, Inc.**Notes to Financial Statements****December 31, 2018**

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Federation has \$4,946,253 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$2,264,694 and investments of \$2,723,559. Included in the financial assets available within one year, \$326,621 are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Federation has a goal to maintain financial assets, which consist of cash and investments, on hand to meet 150 days of normal operating expenses, which are, on average, approximately \$108,833. The Federation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management the Federation invests cash in excess of daily requirements in various investments, including certificates of deposit, short-term treasury instruments, equities and fixed income securities.

NOTE 10 - CONCENTRATIONS OF CREDIT RISK***Cash***

The Federation regularly maintains cash balances at financial institutions in excess of FDIC and SIPC insured limits. At December 31, 2018, the uninsured balance of cash was \$1,511,492. However, management believes that the risk related to the accounts is minimal because of the strong credit rating of the financial institutions.

Credit risk

Investments held in financial institutions are insured up to \$500,000 by the Securities Investor Protection Corporation (SIPC); however, this insurance does not cover the loss of value of the underlying assets. As disclosed in Note 4 above, the Federation maintains a variety of investments which are subject to fluctuations in market values and expose the Federation to a certain degree of investment risk.

Revenue concentration

A limited number of funding sources provide a significant portion of the Federation's revenue. This represents a significant concentration of risk that operations could be affected if any of these donors discontinued giving to the Federation.

NOTE 11 - SUBSEQUENT EVENTS

The Federation has evaluated subsequent events from the date of the statement of financial position through the date of the audit report which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.