

COMBINED FINANCIAL STATEMENTS



**NATIONAL PARKS CONSERVATION ASSOCIATION
AND NATIONAL PARKS ACTION FUND**

**FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017**

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
National Parks Conservation Association and National Parks Action Fund
Washington, D.C.

We have audited the accompanying combined financial statements of the National Parks Conservation Association and the National Parks Acton Fund, collectively the Organizations, which comprise the combined statements of financial position as of June 30, 2018 and 2017, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organizations as of June 30, 2018 and 2017, and the combined changes in its net assets and its combined cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Other Matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Combining Schedules of Financial Position and Activities and Changes in Net Assets on pages 33 - 36 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

October 29, 2018

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

**COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017**

ASSETS

| | <u>2018</u> | <u>2017</u> |
|---|-----------------------------|-----------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 7,261,408 | \$ 6,549,245 |
| Short-term investments | 2,417,614 | 247,760 |
| Grants and contributions receivable, net of allowance for doubtful accounts of \$37,824 and \$33,666 in 2018 and 2017, respectively | 1,806,067 | 2,069,958 |
| Accounts receivable | 61,112 | 509,278 |
| Prepaid expenses and other | <u>259,835</u> | <u>169,617</u> |
| Total current assets | <u>11,806,036</u> | <u>9,545,858</u> |
| FIXED ASSETS | | |
| Equipment | 685,932 | 619,464 |
| Furniture | 673,096 | 639,235 |
| Software | 411,788 | 370,188 |
| Leasehold improvements | <u>2,685,561</u> | <u>2,644,285</u> |
| | 4,456,377 | 4,273,172 |
| Less: Accumulated depreciation and amortization | <u>(3,204,822)</u> | <u>(2,979,666)</u> |
| Net fixed assets | <u>1,251,555</u> | <u>1,293,506</u> |
| OTHER ASSETS | | |
| Deposits | 32,276 | 25,325 |
| Investments, net of current portion | 38,597,579 | 37,271,551 |
| Grants and contributions receivable, net of current portion | <u>1,766,633</u> | <u>1,137,957</u> |
| Total other assets | <u>40,396,488</u> | <u>38,434,833</u> |
| TOTAL ASSETS | <u>\$ 53,454,079</u> | <u>\$ 49,274,197</u> |

LIABILITIES AND NET ASSETS

| | <u>2018</u> | <u>2017</u> |
|---|-----------------------------|-----------------------------|
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 1,709,987 | \$ 1,477,282 |
| Accrued salaries and related benefits | 1,037,168 | 951,573 |
| Charitable gift annuities, current portion | 338,756 | 335,085 |
| Deferred membership dues | 599,222 | 586,951 |
| Deferred rent, current portion | 147,659 | 92,132 |
| Other current liabilities | <u>216,892</u> | <u>110,860</u> |
| Total current liabilities | <u>4,049,684</u> | <u>3,553,883</u> |
| LONG-TERM LIABILITIES | | |
| Charitable gift annuities, net of current portion | 2,487,409 | 2,506,475 |
| Deferred rent, net of current portion | <u>2,032,492</u> | <u>1,661,185</u> |
| Total long-term liabilities | <u>4,519,901</u> | <u>4,167,660</u> |
| Total liabilities | <u>8,569,585</u> | <u>7,721,543</u> |
| NET ASSETS | | |
| Unrestricted | 15,240,795 | 13,244,426 |
| Temporarily restricted | 14,862,142 | 13,526,671 |
| Permanently restricted | <u>14,781,557</u> | <u>14,781,557</u> |
| Total net assets | <u>44,884,494</u> | <u>41,552,654</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 53,454,079</u> | <u>\$ 49,274,197</u> |

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

**COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

| | <u>2018</u> | | | |
|--|-----------------------------|-----------------------------------|-----------------------------------|-----------------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
| REVENUE | | | | |
| Contributions | \$ 26,864,149 | \$ 2,727,109 | \$ - | \$ 29,591,258 |
| Grants | 109,000 | 5,513,767 | - | 5,622,767 |
| Membership dues | 1,135,436 | - | - | 1,135,436 |
| Bequests | 2,281,017 | - | - | 2,281,017 |
| Investment return | 1,378,994 | 1,408,177 | - | 2,787,171 |
| Marketing income | 559,210 | 595,777 | - | 1,154,987 |
| Special events | 1,496,606 | 23,985 | - | 1,520,591 |
| Change in value of charitable gift annuities | (120,969) | - | - | (120,969) |
| Other revenue | 222,534 | - | - | 222,534 |
| Net assets released from donor restrictions | <u>8,933,344</u> | <u>(8,933,344)</u> | <u>-</u> | <u>-</u> |
| Total revenue | <u>42,859,321</u> | <u>1,335,471</u> | <u>-</u> | <u>44,194,792</u> |
| EXPENSES | | | | |
| Program Services: | | | | |
| Protect and Restore | 15,065,076 | - | - | 15,065,076 |
| Engage, Educate and Empower | 15,060,274 | - | - | 15,060,274 |
| Strengthen and Enhance | <u>3,023,819</u> | <u>-</u> | <u>-</u> | <u>3,023,819</u> |
| Total program services | <u>33,149,169</u> | <u>-</u> | <u>-</u> | <u>33,149,169</u> |
| Supporting Services: | | | | |
| Management and General | 3,037,108 | - | - | 3,037,108 |
| Fundraising | <u>4,676,675</u> | <u>-</u> | <u>-</u> | <u>4,676,675</u> |
| Total supporting services | <u>7,713,783</u> | <u>-</u> | <u>-</u> | <u>7,713,783</u> |
| Total expenses | <u>40,862,952</u> | <u>-</u> | <u>-</u> | <u>40,862,952</u> |
| Changes in net assets before other item | 1,996,369 | 1,335,471 | - | 3,331,840 |
| OTHER ITEM | | | | |
| Cancellation of funder award | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Changes in net assets | 1,996,369 | 1,335,471 | - | 3,331,840 |
| Net assets at beginning of year | <u>13,244,426</u> | <u>13,526,671</u> | <u>14,781,557</u> | <u>41,552,654</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 15,240,795</u> | <u>\$ 14,862,142</u> | <u>\$ 14,781,557</u> | <u>\$ 44,884,494</u> |

| 2017 | | | |
|-----------------------------|-----------------------------------|-----------------------------------|-----------------------------|
| Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| \$ 24,484,674 | \$ 3,373,002 | \$ - | \$ 27,857,676 |
| 27,500 | 3,402,757 | - | 3,430,257 |
| 1,183,825 | - | - | 1,183,825 |
| 1,445,562 | 322,330 | - | 1,767,892 |
| 2,033,564 | 2,131,274 | - | 4,164,838 |
| 328,212 | 1,086,520 | - | 1,414,732 |
| 385,689 | 40,722 | - | 426,411 |
| (140,398) | - | - | (140,398) |
| 83,500 | - | - | 83,500 |
| <u>8,817,682</u> | <u>(8,817,682)</u> | <u>-</u> | <u>-</u> |
| <u>38,649,810</u> | <u>1,538,923</u> | <u>-</u> | <u>40,188,733</u> |
| 12,524,380 | - | - | 12,524,380 |
| 13,363,031 | - | - | 13,363,031 |
| <u>2,506,525</u> | <u>-</u> | <u>-</u> | <u>2,506,525</u> |
| <u>28,393,936</u> | <u>-</u> | <u>-</u> | <u>28,393,936</u> |
| 2,812,675 | - | - | 2,812,675 |
| <u>4,380,088</u> | <u>-</u> | <u>-</u> | <u>4,380,088</u> |
| <u>7,192,763</u> | <u>-</u> | <u>-</u> | <u>7,192,763</u> |
| <u>35,586,699</u> | <u>-</u> | <u>-</u> | <u>35,586,699</u> |
| 3,063,111 | 1,538,923 | - | 4,602,034 |
| <u>-</u> | <u>(500,000)</u> | <u>-</u> | <u>(500,000)</u> |
| 3,063,111 | 1,038,923 | - | 4,102,034 |
| <u>10,181,315</u> | <u>12,487,748</u> | <u>14,781,557</u> | <u>37,450,620</u> |
| <u>\$ 13,244,426</u> | <u>\$ 13,526,671</u> | <u>\$ 14,781,557</u> | <u>\$ 41,552,654</u> |

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

| | Program Services | | | Total Program Services |
|--|--------------------------------|--|-----------------------------------|---------------------------------------|
| | Protect and Restore | Engage, Educate and Empower | Strengthen and Enhance | |
| Salaries and benefits | \$ 6,426,090 | \$ 6,491,679 | \$ 1,777,632 | \$14,695,401 |
| Professional and outside services | 5,759,992 | 1,314,703 | 270,176 | 7,344,871 |
| Grants and awards | 35,535 | 358,496 | 90,090 | 484,121 |
| Office supplies and expense | 161,041 | 174,616 | 75,881 | 411,538 |
| Telephone | 132,616 | 72,033 | 18,149 | 222,798 |
| Postage, shipping, lists and related costs | 93,431 | 2,325,549 | 77,659 | 2,496,639 |
| Equipment rental and maintenance | 76,078 | 55,969 | 14,171 | 146,218 |
| Printing | 227,985 | 1,942,914 | 124,284 | 2,295,183 |
| Publications, subscriptions and membership dues | 18,550 | 62,585 | 22,049 | 103,184 |
| Travel | 634,649 | 454,158 | 200,643 | 1,289,450 |
| Meetings and conferences | 20,941 | 11,159 | 2,179 | 34,279 |
| Special events | 187,914 | 378,257 | 71,731 | 637,902 |
| Building occupancy expense | 805,058 | 640,349 | 153,411 | 1,598,818 |
| Depreciation and amortization | 89,485 | 71,949 | 17,248 | 178,682 |
| Other | 395,711 | 705,858 | 108,516 | 1,210,085 |
| TOTAL | \$ 15,065,076 | \$ 15,060,274 | \$ 3,023,819 | \$33,149,169 |

| Supporting Services | | | |
|-----------------------------------|---------------------|--|---------------------------|
| Management and General | Fundraising | Total Supporting Services | Total Expenses |
| \$ 566,631 | \$ 1,724,007 | \$ 2,290,638 | \$ 16,986,039 |
| 209,204 | 363,517 | 572,721 | 7,917,592 |
| 242 | 1,415 | 1,657 | 485,778 |
| 5,929 | 12,552 | 18,481 | 430,019 |
| 9,178 | 14,800 | 23,978 | 246,776 |
| 986,062 | 1,002,850 | 1,988,912 | 4,485,551 |
| 15,793 | 17,047 | 32,840 | 179,058 |
| 713,231 | 788,383 | 1,501,614 | 3,796,797 |
| 719 | 2,440 | 3,159 | 106,343 |
| 9,906 | 92,442 | 102,348 | 1,391,798 |
| 367 | 2,974 | 3,341 | 37,620 |
| 1,253 | 192,146 | 193,399 | 831,301 |
| 238,133 | 173,696 | 411,829 | 2,010,647 |
| 26,874 | 19,600 | 46,474 | 225,156 |
| 253,586 | 268,806 | 522,392 | 1,732,477 |
| \$ 3,037,108 | \$ 4,676,675 | \$ 7,713,783 | \$ 40,862,952 |

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

| | Program Services | | | Total Program Services |
|--|------------------------|-----------------------------------|---------------------------|------------------------------|
| | Protect and Restore | Engage, Educate and Empower | Strengthen and Enhance | |
| Salaries and benefits | \$ 6,022,438 | \$ 6,093,423 | \$ 1,603,191 | \$13,719,052 |
| Professional and outside services | 4,225,419 | 871,623 | 157,269 | 5,254,311 |
| Grants and awards | 12,379 | 348,686 | 85,652 | 446,717 |
| Office supplies and expense | 170,925 | 168,962 | 68,630 | 408,517 |
| Telephone | 134,312 | 75,578 | 19,139 | 229,029 |
| Postage, shipping, lists and related costs | 90,752 | 2,290,042 | 71,328 | 2,452,122 |
| Equipment rental and maintenance | 29,067 | 20,600 | 4,432 | 54,099 |
| Printing | 215,106 | 1,534,089 | 75,678 | 1,824,873 |
| Publications, subscriptions and membership dues | 15,310 | 70,203 | 24,035 | 109,548 |
| Travel | 538,450 | 367,238 | 148,233 | 1,053,921 |
| Meetings and conferences | 14,931 | 13,244 | 6,231 | 34,406 |
| Special events | 205,371 | 294,838 | 57,222 | 557,431 |
| Building occupancy expense | 338,390 | 263,519 | 62,776 | 664,685 |
| Depreciation and amortization | 132,299 | 105,584 | 25,149 | 263,032 |
| Other | 379,231 | 845,402 | 97,560 | 1,322,193 |
| TOTAL | \$ 12,524,380 | \$ 13,363,031 | \$ 2,506,525 | \$28,393,936 |

| Supporting Services | | | |
|-----------------------------------|---------------------|--|---------------------------|
| Management and General | Fundraising | Total Supporting Services | Total Expenses |
| \$ 458,654 | \$ 1,797,723 | \$ 2,256,377 | \$ 15,975,429 |
| 188,217 | 250,452 | 438,669 | 5,692,980 |
| 60 | 7,729 | 7,789 | 454,506 |
| 11,377 | 14,211 | 25,588 | 434,105 |
| 9,902 | 16,307 | 26,209 | 255,238 |
| 1,045,497 | 1,021,877 | 2,067,374 | 4,519,496 |
| 4,644 | 7,064 | 11,708 | 65,807 |
| 625,104 | 673,431 | 1,298,535 | 3,123,408 |
| 318 | 9,289 | 9,607 | 119,155 |
| 2,715 | 81,048 | 83,763 | 1,137,684 |
| 198 | 1,012 | 1,210 | 35,616 |
| 48 | 50,430 | 50,478 | 607,909 |
| 101,505 | 72,125 | 173,630 | 838,315 |
| 41,124 | 29,221 | 70,345 | 333,377 |
| 323,312 | 348,169 | 671,481 | 1,993,674 |
| \$ 2,812,675 | \$ 4,380,088 | \$ 7,192,763 | \$ 35,586,699 |

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

| | <u>2018</u> | <u>2017</u> |
|--|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in net assets | \$ 3,331,840 | \$ 4,102,034 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 225,156 | 333,377 |
| Unrealized losses (gains) | 3,113,494 | (2,354,587) |
| Realized gains | (5,018,003) | (949,819) |
| Change in value of charitable gift annuities | 120,969 | 140,398 |
| Change in allowance for uncollectable pledges | 4,158 | (321,831) |
| Change in discount on grants and contributions receivable | 59,829 | (122,917) |
| Cancellation of funder award | - | (500,000) |
| Loss on disposal of fixed assets | - | 141,140 |
| (Increase) decrease in: | | |
| Grants and contributions receivable | (428,772) | 2,683,037 |
| Accounts receivable | 448,166 | (402,230) |
| Inventory | (105) | 270 |
| Prepaid expenses | (90,113) | 58,451 |
| Deposits | (6,951) | (198) |
| Increase (decrease) in: | | |
| Accounts payable and accrued liabilities | 232,705 | 286,589 |
| Accrued salaries and related benefits | 85,595 | (55,594) |
| Deferred membership dues | 12,271 | (94,061) |
| Deferred rent | 292,357 | (1,092,500) |
| Other liabilities | <u>106,032</u> | <u>110,860</u> |
| Net cash provided by operating activities | <u>2,488,628</u> | <u>1,962,419</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (48,728) | (5,543) |
| Purchase of investments | (3,770,132) | (2,057,982) |
| Proceeds from sale of investments | <u>2,178,759</u> | <u>3,881,255</u> |
| Net cash (used) provided by investing activities | <u>(1,640,101)</u> | <u>1,817,730</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments made on charitable gift annuities | (301,505) | (297,975) |
| Liability related to charitable gift annuities | <u>165,141</u> | <u>326,805</u> |
| Net cash (used) provided by financing activities | <u>(136,364)</u> | <u>28,830</u> |
| Net increase in cash and cash equivalents | 712,163 | 3,808,979 |
| Cash and cash equivalents at beginning of year | <u>6,549,245</u> | <u>2,740,266</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 7,261,408</u> | <u>\$ 6,549,245</u> |

See accompanying notes to combined financial statements.

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

| SUPPLEMENTAL INFORMATION | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|
| Leasehold Improvements Funded by Landlord | \$ <u>134,477</u> | \$ <u>432,125</u> |
| Donated Stock Received | \$ <u>560,102</u> | \$ <u>599,574</u> |

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The National Parks Conservation Association (NPCA) was established in 1919 as a national nonprofit membership organization that focuses on defending, promoting and improving America's National Park System while educating the public about the parks. NPCA seeks to protect park visitors, natural and historic resources from the impacts of air pollution and climate change. NPCA also seeks to ensure the long-term health of park wildlife populations and habitat for the enjoyment of present and future generations. NPCA was incorporated in the District of Columbia.

NPCA established the National Parks Action Fund (the Action Fund) during fiscal year 2016. The Action Fund is a 501(c)(4) non-profit organization. The Action Fund's fundamental goal is to protect, restore, and fund the National Park System by informing the public about threats facing our parks, educating members of Congress about proposals to help parks, and influencing their positions to forward those proposals.

Basis of presentation -

The accompanying combined financial statements reflect the activities of the above mentioned organizations for the years ended June 30, 2018 and 2017.

The financial statements of NPCA and the Action Fund (collectively, the Organizations), have been combined because they are under common control. All intercompany transactions have been eliminated in combination.

The accompanying combined financial statements are presented on the accrual basis of accounting, in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 *Not-for-Profit Entities*.

Cash and cash equivalents -

The Organizations consider all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Cash and cash equivalents held by investment managers in the amounts of \$3,211,079 and \$629,277 for the years ended June 30, 2018 and 2017, respectively, are reported as investments instead of cash because the Organizations hold those funds as an endowment.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, the Organizations maintain cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, unrealized and realized gains and losses are included in investment return in the Combined Statements of Activities and Changes in Net Assets.

Accounts, grants and contributions receivable -

Accounts receivable are recorded at their net realizable value, which approximates fair value. Grants and contributions receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Accounts, grants and contributions receivable (continued) -

Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and historical experience.

Fixed assets -

Fixed assets in excess of \$5,000 are capitalized and stated at cost, or if donated, are recorded at the fair market value at the date of donation. Equipment, furniture and software are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

Agency transactions -

NPCA receives and holds funds to be distributed to other organizations. The funds received are recorded in cash and cash equivalents and a corresponding liability is recorded in other current liabilities on the accompanying Combined Statements of Financial Position.

Grants and contributions -

Grants and contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants and contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying combined financial statements.

Other revenue -

Membership dues are recognized when earned. Membership dues received in advance and not yet earned are deferred to the applicable period.

Bequests are recognized when received.

Marketing income includes advertising and corporate sponsorship revenue. Advertising revenue is recognized when received. Corporate sponsorship revenue is recorded when contracts are ratified and may include sponsor imposed restrictions and benefits. Corporate sponsorship revenue is shown as temporarily restricted in the accompanying combined financial statements until sponsor benefits have been realized and time restrictions satisfied.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Organizations and include both internally designated and undesignated resources.

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Net asset classification (continued) -

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Organizations and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statements of Activities and Changes in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by the Organizations.

Income taxes -

NPCA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. NPCA is not a private foundation.

NPCA earns unrelated business income on advertising and its alternative investments. NPCA's income tax expense related to its alternative investments for the years ended June 30, 2018 and 2017 was \$7,008 and \$1,168, respectively. NPCA did not have income tax expense related to advertising for the years ended June 30, 2018 and 2017.

The Action Fund is exempt from Federal income taxes under Section 501(c)(4) of the Internal Revenue Code. The Action Fund is exempt from Federal taxes on income other than 1) unrelated business income; or 2) the lesser of political expenditures under Internal Revenue Code Section 537(f)(3) or net investment income. For the years ended June 30, 2018 and 2017, the Action Fund had no taxable unrelated business income.

Uncertain tax positions -

For the years ended June 30, 2018 and 2017, the Organizations have documented their consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined financial statements.

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Risks and uncertainties -

The Organizations invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying combined financial statements.

Fair value measurement -

The Organizations adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Organizations account for a significant portion of their financial instruments at fair value or consider fair value in their measurement.

2. INVESTMENTS

Investments consisted of the following at June 30, 2018 and 2017:

| | Fair Value | |
|------------------------------------|-----------------------------|-----------------------------|
| | 2018 | 2017 |
| Cash and money market | \$ 3,211,079 | \$ 629,277 |
| Certificate of deposit | 173,761 | 173,593 |
| Equities: | | |
| Emerging markets | 2,848,908 | 2,599,598 |
| International | 6,868,847 | 6,346,866 |
| Domestic | 12,279,134 | 13,148,263 |
| Global region | 1,477,807 | 1,845,793 |
| Fixed income: | | |
| Corporate bonds | 3,887,881 | 4,630,398 |
| Government obligations | 5,357,664 | 3,614,776 |
| International mutual funds | 301,410 | 250,638 |
| Domestic mutual funds | 1,587,105 | 1,567,740 |
| Real estate funds | 2,027,006 | 1,530,352 |
| Alternatives: | | |
| Limited partnerships | <u>994,591</u> | <u>1,182,017</u> |
| | 41,015,193 | 37,519,311 |
| Less: Short-term investments | <u>(2,417,614)</u> | <u>(247,760)</u> |
| TOTAL LONG-TERM INVESTMENTS | <u>\$ 38,597,579</u> | <u>\$ 37,271,551</u> |

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. INVESTMENTS (Continued)

Short-term investments include operating funds and Board Project Funds (see Note 4).

Under the terms of certain agreements for several alternative investments, the Organizations are obligated to remit additional funding periodically as capital calls are exercised. As of June 30, 2018 and 2017, the Organizations have uncalled commitments of \$108,000 and \$111,600, respectively.

Alternative investments are comprised of the following:

| Investment Type | 2018 | 2017 | Liquidity |
|--|--------------------------|----------------------------|--|
| Northgate IV Limited Partnership | \$ 783,616 | \$ 878,853 | Long-term limited partnerships with investment period where capital is drawn down and then as investments are sold, capital is returned. Term will continue until assets are sold and proceeds distributed and will expire in approximately 6 years. |
| Siguler Guff Distressed Opportunities Fund Limited Partnership | <u>210,975</u> | <u>303,164</u> | Long-term limited partnerships with investment period where capital is drawn down and then as investments are sold, capital is returned. Term will expire on the earlier of December 31, 2018 or the date all assets have been distributed. |
| ALTERNATIVE INVESTMENTS | <u>\$ 994,591</u> | <u>\$ 1,182,017</u> | |

Included in the investments balance at June 30, 2018 and 2017 are investments related to certain charitable gift annuities (see Note 7) as follows:

| | <u>2018</u> | <u>2017</u> |
|--|----------------------------|----------------------------|
| Cash and money market | \$ 167,038 | \$ 119,318 |
| Equities: | | |
| International | 457,721 | 805,108 |
| Domestic | 2,230,789 | 1,901,478 |
| Fixed income: | | |
| Government obligations | 813,069 | 578,285 |
| International mutual funds | 301,410 | 250,638 |
| Domestic mutual funds | 934,698 | 908,487 |
| Real estate funds | <u>314,473</u> | <u>325,325</u> |
| TOTAL INVESTMENTS FOR CHARITABLE GIFT ANNUITIES | <u>\$ 5,219,198</u> | <u>\$ 4,888,639</u> |

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

2. INVESTMENTS (Continued)

Included in investment return are the following:

| | <u>2018</u> | <u>2017</u> |
|--------------------------------|----------------------------|----------------------------|
| Interest and dividends | \$ 882,662 | \$ 860,432 |
| Realized gains | 5,018,003 | 949,819 |
| Unrealized (loss) gain | <u>(3,113,494)</u> | <u>2,354,587</u> |
| TOTAL INVESTMENT RETURN | <u>\$ 2,787,171</u> | <u>\$ 4,164,838</u> |

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable consisted of the following at June 30, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|--|----------------------------|----------------------------|
| Amounts due in: | | |
| Less than one year | \$ 1,843,891 | \$ 2,103,624 |
| One to five years | <u>1,951,505</u> | <u>1,263,000</u> |
| Total amounts due | 3,795,396 | 3,366,624 |
| Less: Present value discount | (184,872) | (125,043) |
| Allowance for uncollectable pledges | <u>(37,824)</u> | <u>(33,666)</u> |
| NET GRANTS AND CONTRIBUTIONS RECEIVABLE | <u>\$ 3,572,700</u> | <u>\$ 3,207,915</u> |

The present value discount is calculated using a rate of 5% for the years ended June 30, 2018 and 2017. Grants and contributions receivable include \$150,000 and \$225,000 from officers, directors and employees of the Organizations as of June 30, 2018 and 2017, respectively.

4. UNRESTRICTED NET ASSETS

Included within unrestricted net assets, the Board of Trustees has established three board designated funds; the Board Reserve Fund, the Board Project Fund and the Board Designated Endowment Fund.

The Board Reserve Fund provides financial stability and capital in order to meet the future needs of the Organizations. Investment income may be used to support programs and operations of the Organizations up to 4.5% of the rolling average of the fund's market value of the previous twelve quarters. At June 30, 2018 and 2017, the Board Reserve Fund amounted to \$2,444,147 and \$2,778,130, respectively.

The Board Project Fund is designed to meet the expenses occurring as a result of unanticipated activities and multi-year projects funded through temporarily restricted income, improve the return on funds held for expenditure over the next one to five years, and to manage investment risk. Income generated by the Board Project Fund may be used to fund current operating expenses. At June 30, 2018 and 2017, the Board Project Fund amounted to \$2,209,869 and \$196,954, respectively.

The Board Designated Endowment Fund enhances the long term financial base of the Organizations. Wholly funded by Board Reserve Funds, the Board Designated Endowment Fund combined with the Donor Restricted Endowments achieves the targeted goal of more than \$25 million in endowment investments.

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

4. UNRESTRICTED NET ASSETS (Continued)

At June 30, 2018 and 2017, the Board Designated Endowment Fund amounted to \$10,586,779 and \$10,269,342, respectively. See Note 6 for further details.

During the years ended June 30, 2018 and 2017, the Board of Trustees authorized the the transfer of assets from the Board Reserve Fund to the Board Project Fund. The table below summarizes the activities for the year ended June 30, 2018.

| | <u>Board Reserve Fund</u> | <u>Board Project Fund</u> | <u>Board Endowment Fund</u> | <u>National Parks Action Fund</u> | <u>Total Unrestricted Net Assets</u> |
|-------------------------------|-------------------------------|-----------------------------------|-------------------------------------|---|--|
| Balance, June 30, 2017 | \$ 2,778,130 | \$ 196,954 | \$10,269,342 | \$ - | \$ 13,244,426 |
| Revenue | 37,507,714 | 12,915 | 317,437 | 27,661 | 37,865,727 |
| Expenses | <u>(35,841,697)</u> | <u>-</u> | <u>-</u> | <u>(27,661)</u> | <u>(35,869,358)</u> |
| Balance before transfer | 4,444,147 | 209,869 | 10,586,779 | - | 15,240,795 |
| Transfer | <u>(2,000,000)</u> | <u>2,000,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| BALANCE, JUNE 30, 2018 | <u>\$ 2,444,147</u> | <u>\$ 2,209,869</u> | <u>\$10,586,779</u> | <u>\$ -</u> | <u>\$ 15,240,795</u> |

The table below summarizes the activities for the year ended June 30, 2017.

| | <u>Board Reserve Fund</u> | <u>Board Project Fund</u> | <u>Board Endowment Fund</u> | <u>National Parks Action Fund</u> | <u>Total Unrestricted Net Assets</u> |
|-------------------------------|-------------------------------|-----------------------------------|-------------------------------------|---|--|
| Balance, June 30, 2016 | \$ 363,719 | \$ 164,002 | \$ 9,549,033 | \$ 104,561 | \$ 10,181,315 |
| Revenue | 37,878,989 | 32,952 | 720,309 | 17,560 | 38,649,810 |
| Expenses | <u>(35,464,578)</u> | <u>-</u> | <u>-</u> | <u>(122,121)</u> | <u>(35,586,699)</u> |
| BALANCE, JUNE 30, 2017 | <u>\$ 2,778,130</u> | <u>\$ 196,954</u> | <u>\$10,269,342</u> | <u>\$ -</u> | <u>\$ 13,244,426</u> |

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|--|-----------------------------|-----------------------------|
| Timing Restrictions | \$ 1,105,998 | \$ 1,787,351 |
| Protect and Restore | 11,588,583 | 9,038,578 |
| Engage, Educate and Empower | 1,412,479 | 1,635,696 |
| Strengthen and Enhance | <u>755,082</u> | <u>1,065,046</u> |
| TOTAL TEMPORARILY RESTRICTED NET ASSETS | <u>\$ 14,862,142</u> | <u>\$ 13,526,671</u> |

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

5. TEMPORARILY RESTRICTED NET ASSETS (Continued)

The following temporarily restricted net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors or the passage of time:

| | <u>2018</u> | <u>2017</u> |
|--|----------------------------|----------------------------|
| Passage of Time | \$ 630,253 | \$ 966,622 |
| Protect and Restore | 4,679,066 | 3,930,618 |
| Engage, Educate and Empower | 1,940,684 | 2,572,132 |
| Strengthen and Enhance | <u>1,683,341</u> | <u>1,348,310</u> |
| TOTAL NET ASSETS RELEASED FROM RESTRICTIONS | <u>\$ 8,933,344</u> | <u>\$ 8,817,682</u> |

6. ENDOWMENT

The Organizations' endowment consists of donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Organizations to appropriate for expenditures or accumulate so much of an endowment fund as the Organizations determine is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless state otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Trustees. As a result of this interpretation, the Organizations have not changed the way permanently restricted net assets are classified. See Note 1 for further information on net asset classification. The remaining portion of the donor-restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organizations consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

6. ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of June 30, 2018:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|-----------------------------|-----------------------------------|-----------------------------------|-----------------------------|
| Endowment net assets, June 30, 2017 | \$ <u>10,269,342</u> | \$ <u>3,280,131</u> | \$ <u>14,781,557</u> | \$ <u>28,331,030</u> |
| Investment return: | | | | |
| Investment income | 243,348 | 441,507 | - | 684,855 |
| Net appreciation (realized and unrealized) | <u>533,124</u> | <u>966,670</u> | <u>-</u> | <u>1,499,794</u> |
| Total investment return | <u>776,472</u> | <u>1,408,177</u> | <u>-</u> | <u>2,184,649</u> |
| Appropriation of endowment assets for expenditure | <u>(459,035)</u> | <u>(832,765)</u> | <u>-</u> | <u>(1,291,800)</u> |
| ENDOWMENT NET ASSETS, JUNE 30, 2018 | \$ <u>10,586,779</u> | \$ <u>3,855,543</u> | \$ <u>14,781,557</u> | \$ <u>29,223,879</u> |

Endowment net asset composition by type of fund as of June 30, 2017:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|-----------------------------|-----------------------------------|-----------------------------------|-----------------------------|
| Endowment net assets, June 30, 2016 | \$ <u>9,549,033</u> | \$ <u>1,974,733</u> | \$ <u>14,781,557</u> | \$ <u>26,305,323</u> |
| Investment return: | | | | |
| Investment income | 236,333 | 428,269 | - | 664,602 |
| Net appreciation (realized and unrealized) | <u>939,739</u> | <u>1,703,005</u> | <u>-</u> | <u>2,642,744</u> |
| Total investment return | <u>1,176,072</u> | <u>2,131,274</u> | <u>-</u> | <u>3,307,346</u> |
| Appropriation of endowment assets for expenditure | <u>(455,763)</u> | <u>(825,876)</u> | <u>-</u> | <u>(1,281,639)</u> |
| ENDOWMENT NET ASSETS, JUNE 30, 2017 | \$ <u>10,269,342</u> | \$ <u>3,280,131</u> | \$ <u>14,781,557</u> | \$ <u>28,331,030</u> |

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

6. PERMANENTLY RESTRICTED NET ASSETS (Continued)

The income from permanently restricted net assets are restricted for the following as of June 30, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|--|-----------------------------|-----------------------------|
| Park Protection Endowment | \$ 9,999,981 | \$ 9,999,981 |
| EDAR Endowment | 1,207,942 | 1,207,942 |
| Frank H. Filley and Family Endowment Fund | 440,416 | 440,416 |
| H. William Walter Endowed Internship Program | 305,300 | 305,300 |
| Stephen Tyng Mather Award Endowed by Booz, Allen, Hamilton | 100,000 | 100,000 |
| Gretchen Long Endowment | 286,831 | 286,831 |
| General NPCA Endowment Fund | 359,807 | 359,807 |
| Norman G. Cohen Park Education Endowment | 63,280 | 63,280 |
| Yellowstone Conservation Fund Endowment | 518,000 | 518,000 |
| NERO Endowment | <u>1,500,000</u> | <u>1,500,000</u> |
| | <u>\$ 14,781,557</u> | <u>\$ 14,781,557</u> |

Park Protection Endowment:

This endowment is funded through the generosity of an anonymous donor. Its purpose is to enhance the long term financial base of the Organizations in order to consistently propel the organization toward protecting and enhancing America's National Parks for present and future generations.

EDAR Endowment:

The EDAR Endowment was created and initially funded by Armstrong Chinn, Jr. for the purpose of creating a permanent memorial endowment fund to further the mission of the Organizations.

Frank H. Filley and Family Endowment Fund:

The Frank H. Filley and Family Endowment Fund was created in December 2001 and was established as an endowment generally supporting the activities of the Organizations.

H. William Walter Endowed Internship Program:

This endowment is funded by the friends and family of William Walter, to honor him for his years of generous support, leadership and outreach on behalf of the Organizations and our national parks. The investment income is to support an internship program at the Organizations, so that college and graduate students can have an opportunity to gain experience, possibly leading to careers in park conservation.

Stephen Tyng Mather Award (Endowed by Booz, Allen, Hamilton):

The Stephen Tyng Mather Award Endowed by Booz Allen Hamilton Fund was set up in the winter of 2007. The investment income of the fund is specifically directed to be used to offset the cost of the award, given each year to a deserving National Park Service employee who has exhibited exemplary and distinguished performance in park protection and enhancement.

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

6. PERMANENTLY RESTRICTED NET ASSETS (Continued)

Gretchen Long Endowment:

The Gretchen Long Endowment was created by and initially funded by the friends of Gretchen Long to honor her service to the Organizations. Funding by Gretchen Long and friends was endowed to support the mission of the Organizations.

General National Parks Conservation Association Endowment Fund:

The General National Parks Conservation Association Endowment was established for the purpose of supporting the Organizations' activities. This endowment was initiated through the generosity of John and Jane Strandberg who indicated a desire to fund a general endowment for the Organizations.

Norman G. Cohen Park Education Endowment:

The Norman G. Cohen Park Education Endowment was established by Norman G. Cohen in 1992, with the purpose to provide youth from the Washington, D.C. area with educational activities that help them appreciate and understand the national parks.

Yellowstone Conservation Fund Endowment:

The Yellowstone Conservation Endowment Fund was established for the purpose of protecting the greater Yellowstone ecosystem. Individuals from the Midwest and Northern Rockies Regions area are supporting the fund. Income from the fund may be used to support any type of strategy or project to protect the national park and its surroundings.

Northeast Regional Office (NERO) Endowment:

The Northeast Regional Office (NERO) Endowment fund was established to produce income designated for the Organizations' work through its Northeast Regional Office (NERO) or in direct support of it. Income from this fund may be used for Organizations' work that directly supports NERO, for NERO staff salaries and/or benefits, consultants, direct operating expenses, office space, or other reasonable and necessary expenses to maintain an effective presence in the Northeast region.

Return Objectives and Risk Parameters:

The Organizations have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organizations must hold in-perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide real (inflation adjusted) growth of capital, without undue risk.

Strategies Employed for Achieving Objectives:

To satisfy its long-term rate-of-return objectives, the Organizations utilize a strategy of fixed income, equities and cash equivalents in a mix which is conducive to participation in rising markets while allowing for protection in falling markets. The assets will be invested with the care, skill, prudence and diligence under the circumstances then prevailing.

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

6. PERMANENTLY RESTRICTED NET ASSETS (Continued)

Strategies Employed for Achieving Objectives (continued):

The greatest concern should be long-term appreciation of the assets and consistency of total portfolio returns. The criteria utilized to determine the target investment allocation include the total return against CPI, Treasury Bill Index and a standard deviation based on acceptable risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy:

The Organizations have a policy of appropriating for distribution each year up to 4.5% of its endowment fund's average fair value over the prior 12 quarters, unless explicitly directed otherwise by the donor.

In establishing this policy, the Organizations considered the long-term expected return on its endowment. Accordingly, over the long-term, the Organizations expect the current spending policy to allow its endowment to grow at an average of at least 5% annually. This is consistent with the Organizations' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organizations to retain as a fund of perpetual duration. There were no deficiencies at June 30, 2018 and 2017.

7. CHARITABLE GIFT ANNUITIES

The Organizations administer various charitable gift annuity agreements that allow a donor to contribute assets to the Organizations in exchange for a promise to pay a fixed amount to the donor or to other designated beneficiaries over the agreements' term, usually the designated beneficiary's lifetime. At the end of the agreements' term, the remaining assets are available for the Organizations' use.

The portion of the agreement attributable to the future interest of the Organizations is recorded in the Combined Statements of Activities and Changes in Net Assets as unrestricted contributions in the period the agreement is established. Assets are held in investments, which are recorded at readily determinable fair value in the Combined Statements of Financial Position.

On an annual basis, the Organizations revalue the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate ranging from 1.2% to 8.4% and applicable mortality tables.

The following liabilities have been recorded in the Combined Statements of Financial Position at June 30, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|---|----------------------------|----------------------------|
| Current liability to the beneficiaries | \$ 338,756 | \$ 335,085 |
| Long-term liability to the beneficiaries | <u>2,487,409</u> | <u>2,506,475</u> |
| TOTAL LIABILITY TO THE BENEFICIARIES | <u>\$ 2,826,165</u> | <u>\$ 2,841,560</u> |

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

7. CHARITABLE GIFT ANNUITIES (Continued)

Unrestricted contribution revenue from these agreements of \$162,268 and \$251,171 was recorded in the Combined Statements of Activities and Changes in Net Assets for the years ended June 30, 2018 and 2017, respectively.

8. PENSION PLANS

NPCA has a defined contribution plan for employer only contributions to all eligible employees. Employer contributions are based upon each eligible employee's annual compensation. Total pension expense for the years ended June 30, 2018 and 2017 was \$899,586 and \$851,487, respectively. Additionally, NPCA has a 403(b) plan covering all of its employees. Employee contributions are discretionary and are made through salary deferral arrangements, up to the maximum allowable amount.

9. DONATED SERVICES AND MATERIALS

A substantial number of volunteers have donated significant amounts of time to the Organizations' program services and to its fundraising campaigns. No amounts have been recognized in the Combined Statements of Activities and Changes in Net Assets since services performed by the Organizations' volunteers do not fall into the criteria established by the Financial Accounting Standards Board in this area.

The Organizations record donated legal services at the fair market values of the services rendered. For the years ended June 30, 2018 and 2017, the amount of legal services recorded was \$4,993,595 and \$3,622,121, respectively. All donated legal services benefited the Protect and Restore program. These are included in contributions revenue in the Combined Statements of Activities and Changes in Net Assets.

10. ALLOCATION OF JOINT COSTS

For the years ended June 30, 2018 and 2017, NPCA incurred joint costs of \$5,681,412 and \$5,814,480, respectively, for informational materials and activities that included fundraising appeals. For the years ended June 30, 2018 and 2017, \$2,976,285 and \$2,995,804, respectively, of those costs were allocated to Engage, Educate and Empower expense, \$1,230,306 and \$1,446,777, respectively, were allocated to fundraising expense for membership development, and \$1,474,821 and \$1,371,899, respectively, remained in other fundraising expense.

Joint costs were allocated as follows at June 30, 2018:

| | <u>Mailings</u> | <u>Special Events</u> | <u>Total</u> |
|--------------------------------------|----------------------------|---------------------------|----------------------------|
| Program Services: | | | |
| Engage, Educate and Empower | \$ 2,758,031 | \$ 218,254 | \$ 2,976,285 |
| Supporting Services: | | | |
| Fundraising - Membership Development | 1,230,306 | - | 1,230,306 |
| Fundraising - Other | <u>1,249,103</u> | <u>225,718</u> | <u>1,474,821</u> |
| TOTAL EXPENSES | <u>\$ 5,237,440</u> | <u>\$ 443,972</u> | <u>\$ 5,681,412</u> |

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

10. ALLOCATION OF JOINT COSTS (Continued)

Joint costs were allocated as follows at June 30, 2017:

| | <u>Mailings</u> | <u>Special Events</u> | <u>Total</u> |
|--------------------------------------|----------------------------|---------------------------|----------------------------|
| Program Services: | | | |
| Engage, Educate and Empower | \$ 2,858,661 | \$ 137,143 | \$ 2,995,804 |
| Supporting Services: | | | |
| Fundraising - Membership Development | 1,446,777 | - | 1,446,777 |
| Fundraising - Other | <u>1,356,661</u> | <u>15,238</u> | <u>1,371,899</u> |
| TOTAL EXPENSES | <u>\$ 5,662,099</u> | <u>\$ 152,381</u> | <u>\$ 5,814,480</u> |

11. COMMITMENTS

NPCA has commitments under several operating leases for office space expiring at various times. Some leases have scheduled rental increases and some contain options to renew. During fiscal year 2010, NPCA signed a new lease for their headquarters, which began in fiscal year 2011 and expires in the year ending June 30, 2021.

This lease was re-negotiated during fiscal year 2017 and extended through August 31, 2031, with NPCA having the right to terminate on March 31, 2027. NPCA delivered to the landlord a letter of credit in the amount of \$500,000 as a lease security deposit. The lease security deposit and the letter of credit have been reduced to \$125,000 in accordance with the lease security provisions. No draws had been made on the letter of credit as of June 30, 2018.

The landlord originally provided \$2,638,320 of leasehold improvements, which was recorded as deferred rent and is being amortized over the life of the lease. The landlord provided an additional \$832,260 leasehold improvement allowance under the new lease, of which 30% was applied against base rent from the period April 1, 2017 through July 31, 2017. Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for combined financial statement purposes is being deferred.

Future minimum rental payments, by year and in aggregate, under the operating leases are as follows:

| <u>Year Ending June 30,</u> | |
|-----------------------------|-----------------------------|
| 2019 | \$ 1,945,904 |
| 2020 | 1,888,400 |
| 2021 | 1,811,626 |
| 2022 | 1,732,059 |
| 2023 | 1,727,416 |
| Thereafter | <u>6,627,613</u> |
| | <u>\$ 15,733,018</u> |

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

11. COMMITMENTS (Continued)

Rent expense, which is included in building occupancy expense in the Combined Statements of Functional Expenses, for the years ended June 30, 2018 and 2017 was \$1,978,048 and \$804,785, respectively.

NPCA sublet space to a third party. The lease operates on a month-to-month basis. Rental income is included in other revenue in the Combined Statements of Activities and Changes in Net Assets. Rental income received for the years ended June 30, 2018 and 2017 totaled \$5,940.

12. PROGRAM AND SUPPORTING SERVICES DESCRIPTIONS

Since 1919, the nonpartisan National Parks Conservation Association has been the leading voice of the American people in protecting and enhancing our National Park System. The Organizations, its members and partners work together to protect the park system and preserve our nation's natural, historical and cultural heritage for America's tomorrow. A brief description of the Organizations programs and supporting services follows:

Protect and Restore:

The Organizations protect parks from external threats that negatively effect, degrade, or destroy park resources or values, and serves to protect, restore, and maintain park, natural, and cultural resources unimpaired for future generations.

The Organizations have offices across the country to ensure that threats to resources at our parks are detected early and solutions to these threats implemented quickly. The Organizations also identify and cultivate park champions who can advance policies that protect parks and thwart emerging threats.

Engage, Educate, and Empower:

The long-term viability and vibrancy of the national parks depend on a broader, more diverse, committed, and engaged constituency that values the national park idea. To gain broader support for the parks, the Organizations seek to create a larger national park community that is engaged, educated, and empowered to protect and enhance our national parks and monuments. This broader community includes non-traditional allies and a broader constituency that more closely represents the changing demographics of America.

Strengthen and Enhance:

The Organizations will ensure that the national parks have the money they need to keep parks open, thriving, and in good repair by securing adequate funding for the National Park Service and identifying additional public and private funding sources. New national parks are added to the system or expanded to tell the full story of America. Through its Center for Park Management the Organizations work with the National Park Service to promote and enhance the management capacity within the National Park Service.

Management and General:

Expenses include the functions necessary to provide the coordination and articulation of the Organizations' program strategy through the executive offices; to secure proper administrative functioning of the Board of Trustees; to manage the financial and budgetary responsibilities of the Organizations; and to maintain an equitable employment program and ensure an adequate work environment.

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

12. PROGRAM AND SUPPORTING SERVICES DESCRIPTION (Continued)

Fundraising:

Activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; soliciting for prospective members and conducting other activities involved in soliciting contributions from individuals, foundations, corporations and others.

13. CONTINGENCIES

Various lawsuits and other contingent liabilities arise in the ordinary course of the Organizations' activities. While the final outcome of these legal actions cannot be determined at this time, management is of the opinion that the ultimate liability, if any, from the final resolution of these matters will not have a material effect on the Organizations' combined financial statements.

14. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Organizations have categorized their financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Combined Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organizations have the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value.

- *Cash and money market funds* - Fair value is equal to the reported net asset value of the funds.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.
- *Equities* - Fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.
- *Fixed income and real estate funds* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.
- *Alternative investments* - These instruments do not have a readily determinable fair value. The fair values used are generally determined by an external valuation expert and are based on appraisals or other estimates that require varying degrees of judgment. Inputs used in determining fair value may include the cost and recent activity concerning the underlying investments in the funds or partnerships.

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

14. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, the Organizations' investments as of June 30, 2018:

| | Level 1 | Level 2 | Level 3 | Instruments Measured in NAV | Total June 30, 2018 |
|----------------------------|----------------------|---------------------|-------------|-----------------------------------|---------------------------|
| Asset Class: | | | | | |
| Cash and money market | \$ 3,211,079 | \$ - | \$ - | \$ - | \$ 3,211,079 |
| Certificates of deposit | - | 173,761 | - | - | 173,761 |
| Equities: | | | | | |
| Emerging markets | 2,848,908 | - | - | - | 2,848,908 |
| International | 6,868,847 | - | - | - | 6,868,847 |
| Domestic | 12,279,134 | - | - | - | 12,279,134 |
| Global region | 1,477,807 | - | - | - | 1,477,807 |
| Fixed income: | | | | | |
| Corporate bonds | - | 3,887,881 | - | - | 3,887,881 |
| Government obligations | - | 5,357,664 | - | - | 5,357,664 |
| International mutual funds | 301,410 | - | - | - | 301,410 |
| Domestic mutual funds | 1,587,105 | - | - | - | 1,587,105 |
| Alternatives: (1) | | | | | |
| Real estate funds | - | - | - | 2,027,006 | 2,027,006 |
| Limited partnerships | - | - | - | 994,591 | 994,591 |
| TOTAL | \$ 28,574,290 | \$ 9,419,306 | \$ - | \$ 3,021,597 | \$ 41,015,193 |

The table below summarizes, by level within the fair value hierarchy, the Organizations' investments as of June 30, 2017:

| | Level 1 | Level 2 | Level 3 | Instruments Measured in NAV | Total June 30, 2017 |
|----------------------------|----------------------|---------------------|-------------|-----------------------------------|---------------------------|
| Asset Class: | | | | | |
| Cash and money market | \$ 629,277 | \$ - | \$ - | \$ - | \$ 629,277 |
| Certificate of deposit | - | 173,593 | - | - | 173,593 |
| Equities: | | | | | |
| Emerging markets | 2,599,598 | - | - | - | 2,599,598 |
| International | 6,346,866 | - | - | - | 6,346,866 |
| Domestic | 13,148,263 | - | - | - | 13,148,263 |
| Global region | 1,845,793 | - | - | - | 1,845,793 |
| Fixed income: | | | | | |
| Corporate bonds | - | 4,630,398 | - | - | 4,630,398 |
| Government obligations | - | 3,614,776 | - | - | 3,614,776 |
| International mutual funds | 250,638 | - | - | - | 250,638 |
| Domestic mutual funds | 1,567,740 | - | - | - | 1,567,740 |
| Alternatives: (1) | | | | | |
| Real estate funds | - | - | - | 1,530,352 | 1,530,352 |
| Limited partnerships | - | - | - | 1,182,017 | 1,182,017 |
| TOTAL | \$ 26,388,175 | \$ 8,418,767 | \$ - | \$ 2,712,369 | \$ 37,519,311 |

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

14. FAIR VALUE MEASUREMENT (Continued)

Investments measured at net asset value(1): Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Combined Statements of Financial Position.

There were no transfers between levels in the fair value hierarchy during the years ended June 30, 2018 and 2017. Transfers between levels are recorded at the end of the reporting period, if applicable.

15. NEW ACCOUNTING PRONOUNCEMENTS (NOT YET ADOPTED) -

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Combined Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Organizations' combined financial statements, it is not expected to alter the Organizations reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. The Organizations have not yet selected a transition method and are currently evaluating the effect that the updated standard will have on its combined financial statements.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. The Organizations have not yet decided on a transition method. The ASU is effective for years beginning after December 31, 2018.

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

15. NEW ACCOUNTING PRONOUNCEMENTS (NOT YET ADOPTED) (Continued) -

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Combined Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Organizations plan to adopt the new ASUs at the respective required implementation dates.

16. SUBSEQUENT EVENTS

In preparing these combined financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through October 29, 2018, the date the combined financial statements were issued.

SUPPLEMENTAL INFORMATION

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

COMBINING SCHEDULES OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2018

ASSETS

| | NPCA | NPAF | Eliminations | Combined |
|---|-----------------------------|-------------------------|--------------------------|-----------------------------|
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ 7,237,966 | \$ 23,442 | \$ - | \$ 7,261,408 |
| Short-term investments | 2,417,614 | - | - | 2,417,614 |
| Grants and contributions receivable, net of allowance for doubtful accounts of \$37,824 | 1,806,067 | - | - | 1,806,067 |
| Accounts receivable | 61,112 | - | - | 61,112 |
| Inventory | 150 | - | - | 150 |
| Prepaid expenses | 259,685 | - | - | 259,685 |
| Due from NPAF | 1,163 | - | (1,163) | - |
| Total current assets | <u>11,783,757</u> | <u>23,442</u> | <u>(1,163)</u> | <u>11,806,036</u> |
| FIXED ASSETS | | | | |
| Equipment | 685,932 | - | - | 685,932 |
| Furniture | 673,096 | - | - | 673,096 |
| Software | 411,788 | - | - | 411,788 |
| Leasehold improvements | 2,685,561 | - | - | 2,685,561 |
| | 4,456,377 | - | - | 4,456,377 |
| Less: Accumulated depreciation and amortization | <u>(3,204,822)</u> | <u>-</u> | <u>-</u> | <u>(3,204,822)</u> |
| Net fixed assets | <u>1,251,555</u> | <u>-</u> | <u>-</u> | <u>1,251,555</u> |
| OTHER ASSETS | | | | |
| Deposits | 32,276 | - | - | 32,276 |
| Investments, net of current portion | 38,597,579 | - | - | 38,597,579 |
| Grants and contributions receivable, net of current portion and discount of \$184,872 | 1,766,633 | - | - | 1,766,633 |
| Total other assets | <u>40,396,488</u> | <u>-</u> | <u>-</u> | <u>40,396,488</u> |
| TOTAL ASSETS | <u>\$ 53,431,800</u> | <u>\$ 23,442</u> | <u>\$ (1,163)</u> | <u>\$ 53,454,079</u> |

LIABILITIES AND NET ASSETS

| | | | | |
|---|-----------------------------|-------------------------|--------------------------|-----------------------------|
| CURRENT LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 1,709,987 | \$ - | \$ - | \$ 1,709,987 |
| Accrued salaries and related benefits | 1,037,168 | - | - | 1,037,168 |
| Charitable gift annuities, current portion | 338,756 | - | - | 338,756 |
| Deferred membership dues | 599,222 | - | - | 599,222 |
| Deferred rent, current portion | 147,659 | - | - | 147,659 |
| Other current liabilities | 216,892 | - | - | 216,892 |
| Due to NPCA | - | 1,163 | (1,163) | - |
| Total current liabilities | <u>4,049,684</u> | <u>1,163</u> | <u>(1,163)</u> | <u>4,049,684</u> |
| LONG-TERM LIABILITIES | | | | |
| Charitable gift annuities, net of current portion | 2,487,409 | - | - | 2,487,409 |
| Deferred rent, net of current portion | 2,032,492 | - | - | 2,032,492 |
| Total long-term liabilities | <u>4,519,901</u> | <u>-</u> | <u>-</u> | <u>4,519,901</u> |
| Total liabilities | <u>8,569,585</u> | <u>1,163</u> | <u>(1,163)</u> | <u>8,569,585</u> |
| NET ASSETS | | | | |
| Unrestricted | 15,240,795 | - | - | 15,240,795 |
| Temporarily restricted | 14,839,863 | 22,279 | - | 14,862,142 |
| Permanently restricted | 14,781,557 | - | - | 14,781,557 |
| Total net assets | <u>44,862,215</u> | <u>22,279</u> | <u>-</u> | <u>44,884,494</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 53,431,800</u> | <u>\$ 23,442</u> | <u>\$ (1,163)</u> | <u>\$ 53,454,079</u> |

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

**COMBINING SCHEDULES OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

ASSETS

| | NPCA | NPAF | Eliminations | Combined |
|---|-----------------------------|-------------------------|--------------------------|-----------------------------|
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ 6,527,302 | \$ 21,943 | \$ - | \$ 6,549,245 |
| Short-term investments | 247,760 | - | - | 247,760 |
| Grants and contributions receivable, net of allowance for doubtful accounts of \$33,666 | 2,069,958 | - | - | 2,069,958 |
| Accounts receivable | 509,278 | - | - | 509,278 |
| Inventory | 45 | - | - | 45 |
| Prepaid expenses | 169,572 | - | - | 169,572 |
| Due from NPAF | 2,003 | - | (2,003) | - |
| Total current assets | <u>9,525,918</u> | <u>21,943</u> | <u>(2,003)</u> | <u>9,545,858</u> |
| FIXED ASSETS | | | | |
| Equipment | 619,464 | - | - | 619,464 |
| Furniture | 639,235 | - | - | 639,235 |
| Software | 370,188 | - | - | 370,188 |
| Leasehold improvements | 2,644,285 | - | - | 2,644,285 |
| | 4,273,172 | - | - | 4,273,172 |
| Less: Accumulated depreciation and amortization | <u>(2,979,666)</u> | <u>-</u> | <u>-</u> | <u>(2,979,666)</u> |
| Net fixed assets | <u>1,293,506</u> | <u>-</u> | <u>-</u> | <u>1,293,506</u> |
| OTHER ASSETS | | | | |
| Deposits | 25,325 | - | - | 25,325 |
| Investments, net of current portion | 37,271,551 | - | - | 37,271,551 |
| Grants and contributions receivable, net of current portion and discount of \$125,043 | 1,137,957 | - | - | 1,137,957 |
| Total other assets | <u>38,434,833</u> | <u>-</u> | <u>-</u> | <u>38,434,833</u> |
| TOTAL ASSETS | <u>\$ 49,254,257</u> | <u>\$ 21,943</u> | <u>\$ (2,003)</u> | <u>\$ 49,274,197</u> |

LIABILITIES AND NET ASSETS

| | | | | |
|---|-----------------------------|-------------------------|--------------------------|-----------------------------|
| CURRENT LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 1,477,282 | \$ - | \$ - | \$ 1,477,282 |
| Accrued salaries and related benefits | 951,573 | - | - | 951,573 |
| Charitable gift annuities, current portion | 335,085 | - | - | 335,085 |
| Deferred membership dues | 586,951 | - | - | 586,951 |
| Deferred rent, current portion | 92,132 | - | - | 92,132 |
| Other current liabilities | 110,860 | - | - | 110,860 |
| Due to NPCA | - | 2,003 | (2,003) | - |
| Total current liabilities | <u>3,553,883</u> | <u>2,003</u> | <u>(2,003)</u> | <u>3,553,883</u> |
| LONG-TERM LIABILITIES | | | | |
| Charitable gift annuities, net of current portion | 2,506,475 | - | - | 2,506,475 |
| Deferred rent, net of current portion | 1,661,185 | - | - | 1,661,185 |
| Total long-term liabilities | <u>4,167,660</u> | <u>-</u> | <u>-</u> | <u>4,167,660</u> |
| Total liabilities | <u>7,721,543</u> | <u>2,003</u> | <u>(2,003)</u> | <u>7,721,543</u> |
| NET ASSETS | | | | |
| Unrestricted | 13,244,426 | - | - | 13,244,426 |
| Temporarily restricted | 13,506,731 | 19,940 | - | 13,526,671 |
| Permanently restricted | 14,781,557 | - | - | 14,781,557 |
| Total net assets | <u>41,532,714</u> | <u>19,940</u> | <u>-</u> | <u>41,552,654</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 49,254,257</u> | <u>\$ 21,943</u> | <u>\$ (2,003)</u> | <u>\$ 49,274,197</u> |

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

COMBINING SCHEDULES OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018

| | NPCA | NPCA | NPCA | NPCA | NPAF | NPAF | Combined |
|--|----------------------|---------------------------|---------------------------|----------------------|--------------|---------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Combined | Unrestricted | Temporarily Restricted | Total |
| REVENUE | | | | | | | |
| Contributions | \$ 26,864,149 | \$ 2,697,109 | \$ - | \$ 29,561,258 | \$ - | \$ 30,000 | \$ 29,591,258 |
| Grants | 109,000 | 5,513,767 | - | 5,622,767 | - | - | 5,622,767 |
| Membership dues | 1,135,436 | - | - | 1,135,436 | - | - | 1,135,436 |
| Bequests | 2,281,017 | - | - | 2,281,017 | - | - | 2,281,017 |
| Investment return | 1,378,994 | 1,408,177 | - | 2,787,171 | - | - | 2,787,171 |
| Marketing income | 559,210 | 595,777 | - | 1,154,987 | - | - | 1,154,987 |
| Special events | 1,496,606 | 23,985 | - | 1,520,591 | - | - | 1,520,591 |
| Change in value of charitable gift annuities | (120,969) | - | - | (120,969) | - | - | (120,969) |
| Other revenue | 222,534 | - | - | 222,534 | - | - | 222,534 |
| Net assets released from donor restrictions | 8,905,683 | (8,905,683) | - | - | 27,661 | (27,661) | - |
| Total revenue | 42,831,660 | 1,333,132 | - | 44,164,792 | 27,661 | 2,339 | 44,194,792 |
| EXPENSES | | | | | | | |
| Program Services: | | | | | | | |
| Protect and Restore | 15,065,076 | - | - | 15,065,076 | - | - | 15,065,076 |
| Engage, Educate and Empower | 15,032,613 | - | - | 15,032,613 | 27,661 | - | 15,060,274 |
| Strengthen and Enhance | 3,023,819 | - | - | 3,023,819 | - | - | 3,023,819 |
| Total program services | 33,121,508 | - | - | 33,121,508 | 27,661 | - | 33,149,169 |
| Supporting Services: | | | | | | | |
| Management and General | 3,037,108 | - | - | 3,037,108 | - | - | 3,037,108 |
| Fundraising | 4,676,675 | - | - | 4,676,675 | - | - | 4,676,675 |
| Total supporting services | 7,713,783 | - | - | 7,713,783 | - | - | 7,713,783 |
| Total expenses | 40,835,291 | - | - | 40,835,291 | 27,661 | - | 40,862,952 |
| Changes in net assets | 1,996,369 | 1,333,132 | - | 3,329,501 | - | 2,339 | 3,331,840 |
| Net assets at beginning of year | 13,244,426 | 13,506,731 | 14,781,557 | 41,532,714 | - | 19,940 | 41,552,654 |
| NET ASSETS AT END OF YEAR | \$ 15,240,795 | \$ 14,839,863 | \$ 14,781,557 | \$ 44,862,215 | \$ - | \$ 22,279 | \$ 44,884,494 |

NATIONAL PARKS CONSERVATION ASSOCIATION AND NATIONAL PARKS ACTION FUND

**COMBINING SCHEDULES OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017**

| | NPCA Unrestricted | NPCA Temporarily Restricted | NPCA Permanently Restricted | NPCA Total | NPAF Unrestricted | NPAF Temporarily Restricted | Combined Total |
|--|----------------------|-----------------------------------|-----------------------------------|----------------------|----------------------|-----------------------------------|----------------------|
| REVENUE | | | | | | | |
| Contributions | \$ 24,484,674 | \$ 3,335,502 | \$ - | \$ 27,820,176 | \$ - | \$ 37,500 | \$ 27,857,676 |
| Grants | 27,500 | 3,402,757 | - | 3,430,257 | - | - | 3,430,257 |
| Membership dues | 1,183,825 | - | - | 1,183,825 | - | - | 1,183,825 |
| Bequests | 1,445,562 | 322,330 | - | 1,767,892 | - | - | 1,767,892 |
| Investment return | 2,033,564 | 2,131,274 | - | 4,164,838 | - | - | 4,164,838 |
| Marketing income | 328,212 | 1,086,520 | - | 1,414,732 | - | - | 1,414,732 |
| Special events | 385,689 | 40,722 | - | 426,411 | - | - | 426,411 |
| Change in value of charitable gift annuities | (140,398) | - | - | (140,398) | - | - | (140,398) |
| Other revenue | 83,500 | - | - | 83,500 | - | - | 83,500 |
| Net assets released from donor restrictions | 8,800,122 | (8,800,122) | - | - | 17,560 | (17,560) | - |
| Total revenue | 38,632,250 | 1,518,983 | - | 40,151,233 | 17,560 | 19,940 | 40,188,733 |
| EXPENSES | | | | | | | |
| Program Services: | | | | | | | |
| Protect and Restore | 12,524,380 | - | - | 12,524,380 | - | - | 12,524,380 |
| Engage, Educate and Empower | 13,240,910 | - | - | 13,240,910 | 122,121 | - | 13,363,031 |
| Strengthen and Enhance | 2,506,525 | - | - | 2,506,525 | - | - | 2,506,525 |
| Total program services | 28,271,815 | - | - | 28,271,815 | 122,121 | - | 28,393,936 |
| Supporting Services: | | | | | | | |
| Management and General | 2,812,675 | - | - | 2,812,675 | - | - | 2,812,675 |
| Fundraising | 4,380,088 | - | - | 4,380,088 | - | - | 4,380,088 |
| Total supporting services | 7,192,763 | - | - | 7,192,763 | - | - | 7,192,763 |
| Total expenses | 35,464,578 | - | - | 35,464,578 | 122,121 | - | 35,586,699 |
| Change in net assets before other item | 3,167,672 | 1,518,983 | - | 4,686,655 | (104,561) | 19,940 | 4,602,034 |
| OTHER ITEM | | | | | | | |
| Cancellation of funder award | - | (500,000) | - | (500,000) | - | - | (500,000) |
| Changes in net assets | 3,167,672 | 1,018,983 | - | 4,186,655 | (104,561) | 19,940 | 4,102,034 |
| Net assets at beginning of year | 10,076,754 | 12,487,748 | 14,781,557 | 37,346,059 | 104,561 | - | 37,450,620 |
| NET ASSETS AT END OF YEAR | \$ 13,244,426 | \$ 13,506,731 | \$ 14,781,557 | \$ 41,532,714 | \$ - | \$ 19,940 | \$ 41,552,654 |