

The Wilderness Society

Audited Consolidated Financial Statements

*Years ended September 30, 2017 and 2016
with Report of Independent Auditors*

The Wilderness Society

Audited Consolidated Financial Statements

Years ended September 30, 2017 and 2016

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Report of Independent Auditors

Governing Council
The Wilderness Society
Washington, DC

We have audited the accompanying consolidated financial statements of The Wilderness Society (the Society), which comprise the consolidated statements of financial position as of September 30, 2017 and 2016 and the related consolidated statements of activities, functional expenses and cash flows for years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Wilderness Society as of September 30, 2017 and 2016 and the changes in its consolidated net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Vienna, Virginia
January 29, 2018

The Wilderness Society

Consolidated Statements of Financial Position

	September 30,	
	2017	2016
Assets		
Cash and cash equivalents	\$ 6,203,502	\$ 3,617,070
Accounts and contributions receivable, net	4,085,300	9,864,657
Investments	40,758,727	34,312,249
Planned giving investments	4,603,697	4,573,471
Beneficial interest in assets held by others	5,214,400	5,596,471
Long-term receivables, net	669,478	2,506,830
Prepaid expenses and other assets	1,010,284	629,419
Fixed assets, net	436,256	481,164
Total assets	\$ 62,981,644	\$ 61,581,331
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,161,869	\$ 2,170,931
Deferred revenue	162,120	32,891
Deferred rent	1,403,682	1,419,962
Deposits	6,800	5,000
Planned giving liabilities	2,853,580	2,931,241
Total liabilities	7,588,051	6,560,025
Net assets:		
Unrestricted net assets	15,935,482	10,533,543
Temporarily restricted net assets	27,057,590	32,294,391
Permanently restricted net assets	12,400,521	12,193,372
Total net assets	55,393,593	55,021,306
Total liabilities and net assets	\$ 62,981,644	\$ 61,581,331

See accompanying notes to the consolidated financial statements.

The Wilderness Society
Consolidated Statements of Activities

For the years ended September 30,

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues								
Contributions:								
Individuals	\$ 18,108,778	\$ 5,310,934	\$ 8,000	\$ 23,427,712	\$ 14,382,858	\$ 7,292,495	\$ 32,521	\$ 21,707,874
Foundations	757,680	3,390,239	10,000	4,157,919	669,350	5,624,705	10,000	6,304,055
Corporations	495,541	125,558	-	621,099	71,397	393,329	-	464,726
	<u>19,361,999</u>	<u>8,826,731</u>	<u>18,000</u>	<u>28,206,730</u>	<u>15,123,605</u>	<u>13,310,529</u>	<u>42,521</u>	<u>28,476,655</u>
Program services	178,744	-	-	178,744	148,897	-	-	148,897
Government grants	-	-	-	-	20,000	-	-	20,000
Investment income (Note C)	75,479	84,337	-	159,816	43,807	126,817	-	170,624
Spending policy	765,542	(765,542)	-	-	734,684	(734,684)	-	-
Other revenues	493,935	-	-	493,935	575,312	-	-	575,312
Total revenues	<u>20,875,699</u>	<u>8,145,526</u>	<u>18,000</u>	<u>29,039,225</u>	<u>16,646,305</u>	<u>12,702,662</u>	<u>42,521</u>	<u>29,391,488</u>
Net assets released (Note I)	<u>14,628,906</u>	<u>(14,628,906)</u>	<u>-</u>	<u>-</u>	<u>13,471,106</u>	<u>(13,471,106)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>35,504,605</u>	<u>(6,483,380)</u>	<u>18,000</u>	<u>29,039,225</u>	<u>30,117,411</u>	<u>(768,444)</u>	<u>42,521</u>	<u>29,391,488</u>
Expenses								
Program services:								
Land and Water	14,425,906	-	-	14,425,906	13,726,676	-	-	13,726,676
Energy and Climate	7,068,854	-	-	7,068,854	5,594,634	-	-	5,594,634
People Outdoors	3,101,248	-	-	3,101,248	2,633,822	-	-	2,633,822
Action Fund	60,602	-	-	60,602	-	-	-	-
	<u>24,656,610</u>	<u>-</u>	<u>-</u>	<u>24,656,610</u>	<u>21,955,132</u>	<u>-</u>	<u>-</u>	<u>21,955,132</u>
Support services:								
Fundraising	5,007,593	-	-	5,007,593	5,405,269	-	-	5,405,269
Management and general	992,315	-	-	992,315	1,034,783	-	-	1,034,783
	<u>5,999,908</u>	<u>-</u>	<u>-</u>	<u>5,999,908</u>	<u>6,440,052</u>	<u>-</u>	<u>-</u>	<u>6,440,052</u>
Total expenses	<u>30,656,518</u>	<u>-</u>	<u>-</u>	<u>30,656,518</u>	<u>28,395,184</u>	<u>-</u>	<u>-</u>	<u>28,395,184</u>
Change in net assets from operations	4,848,087	(6,483,380)	18,000	(1,617,293)	1,722,227	(768,444)	42,521	996,304
Gain on investments	553,852	1,445,082	-	1,998,934	528,423	1,379,858	-	1,908,281
Change in value of beneficial interest	-	(122,590)	113,236	(9,354)	-	(268,599)	(11,589)	(280,188)
Change in net assets	<u>5,401,939</u>	<u>(5,160,888)</u>	<u>131,236</u>	<u>372,287</u>	<u>2,250,650</u>	<u>342,815</u>	<u>30,932</u>	<u>2,624,397</u>
Reclassifications of net assets	-	(75,913)	75,913	-	-	-	-	-
Beginning net assets	<u>10,533,543</u>	<u>32,294,391</u>	<u>12,193,372</u>	<u>55,021,306</u>	<u>8,282,893</u>	<u>31,951,576</u>	<u>12,162,440</u>	<u>52,396,909</u>
Ending net assets	<u>\$ 15,935,482</u>	<u>\$ 27,057,590</u>	<u>\$ 12,400,521</u>	<u>\$ 55,393,593</u>	<u>\$ 10,533,543</u>	<u>\$ 32,294,391</u>	<u>\$ 12,193,372</u>	<u>\$ 55,021,306</u>

See accompanying notes to the consolidated financial statements.

The Wilderness Society

Consolidated Statement of Functional Expenses

Year ended September 30, 2017

	Program Services					Supporting Services			2017 Total
	Land and Water	Energy and Climate	People Outdoors	Legislative Advocacy	Total	Fundraising	Management and General	Total	
Compensation	\$ 5,944,548	\$ 2,644,414	\$ 1,084,495	\$ 173	\$ 9,673,630	\$ 2,143,044	\$ 410,605	\$ 2,553,649	\$ 12,227,279
Fringe benefits	<u>1,499,276</u>	<u>667,143</u>	<u>274,130</u>	<u>45</u>	<u>2,440,594</u>	<u>540,362</u>	<u>95,925</u>	<u>636,287</u>	<u>3,076,881</u>
	7,443,824	3,311,557	1,358,625	218	12,114,224	2,683,406	506,530	3,189,936	15,304,160
Professional fees	2,498,340	1,666,378	684,275	60,200	4,909,193	678,746	214,330	893,076	5,802,269
Grants and awards	460,052	244,000	63,800	-	767,852	-	-	-	767,852
Supplies	105,114	46,541	21,944	1	173,600	39,238	19,924	59,162	232,762
Telephone	189,442	83,138	33,297	5	305,882	73,820	15,975	89,795	395,677
Postage and shipping	311,533	213,137	205,446	-	730,116	293,472	43,582	337,054	1,067,170
Occupancy	1,408,736	621,927	251,310	41	2,282,014	557,856	100,939	658,795	2,940,809
Equipment rental	53,165	24,375	9,738	1	87,279	20,411	6,721	27,132	114,411
Printing and art work	1,034,964	545,533	289,726	-	1,870,223	325,850	62,273	388,123	2,258,346
Travel	700,050	210,390	126,288	14	1,036,742	212,676	17,310	229,986	1,266,728
Dues and subscriptions	85,849	25,666	9,316	118	120,949	25,298	6,353	31,651	152,600
Insurance	34,870	15,396	6,228	1	56,495	13,829	2,374	16,203	72,698
Mailing list rentals	49,599	35,407	23,020	-	108,026	38,945	7,039	45,984	154,010
Personnel acquisitions	5,749	4,830	875	-	11,454	9,222	346	9,568	21,022
Miscellaneous	(47,407)	(20,051)	924	-	(66,534)	(1,672)	(17,666)	(19,338)	(85,872)
Depreciation and amortization	<u>92,026</u>	<u>40,630</u>	<u>16,436</u>	<u>3</u>	<u>149,095</u>	<u>36,496</u>	<u>6,285</u>	<u>42,781</u>	<u>191,876</u>
Total	<u>\$ 14,425,906</u>	<u>\$ 7,068,854</u>	<u>\$ 3,101,248</u>	<u>\$ 60,602</u>	<u>\$ 24,656,610</u>	<u>\$ 5,007,593</u>	<u>\$ 992,315</u>	<u>\$ 5,999,908</u>	<u>\$ 30,656,518</u>

See accompanying notes to the consolidated financial statements.

The Wilderness Society

Consolidated Statement of Functional Expenses

Year ended September 30, 2016

	Program Services				Supporting Services			2016 Total
	Land and Water	Energy and Climate	People Outdoors	Total	Fundraising	Management and General	Total	
Compensation	\$ 6,072,435	\$ 2,505,993	\$ 917,408	\$ 9,495,836	\$ 2,096,526	\$ 472,084	\$ 2,568,610	\$ 12,064,446
Fringe benefits	<u>1,555,210</u>	<u>641,771</u>	<u>235,906</u>	<u>2,432,887</u>	<u>537,456</u>	<u>107,800</u>	<u>645,256</u>	<u>3,078,143</u>
	7,627,645	3,147,764	1,153,314	11,928,723	2,633,982	579,884	3,213,866	15,142,589
Professional fees	2,097,584	1,053,102	602,940	3,753,626	912,982	180,377	1,093,359	4,846,985
Grants and awards	464,026	45,000	46,880	555,906	-	-	-	555,906
Supplies	98,401	39,337	13,196	150,934	33,783	6,166	39,949	190,883
Telephone	208,674	86,189	30,831	325,694	80,937	18,854	99,791	425,485
Postage and shipping	312,790	121,582	164,193	598,565	377,712	33,525	411,237	1,009,802
Occupancy	1,427,959	589,291	212,620	2,229,870	558,326	105,986	664,312	2,894,182
Equipment rental	61,698	25,022	8,657	95,377	22,557	10,373	32,930	128,307
Printing and art work	403,901	136,276	229,004	769,181	422,983	46,551	469,534	1,238,715
Travel	721,660	205,226	101,966	1,028,852	212,393	30,768	243,161	1,272,013
Dues and subscriptions	66,693	46,301	18,940	131,934	14,599	2,969	17,568	149,502
Insurance	23,384	9,656	3,489	36,529	9,162	1,670	10,832	47,361
Mailing list rentals	52,832	25,258	16,341	94,431	51,454	6,082	57,536	151,967
Personnel acquisitions	4,009	166	974	5,149	2,640	74	2,714	7,863
Miscellaneous	18,965	8,117	10,119	37,201	18,297	1,757	20,054	57,255
Depreciation and amortization	<u>136,455</u>	<u>56,347</u>	<u>20,358</u>	<u>213,160</u>	<u>53,462</u>	<u>9,747</u>	<u>63,209</u>	<u>276,369</u>
Total	<u><u>\$ 13,726,676</u></u>	<u><u>\$ 5,594,634</u></u>	<u><u>\$ 2,633,822</u></u>	<u><u>\$ 21,955,132</u></u>	<u><u>\$ 5,405,269</u></u>	<u><u>\$ 1,034,783</u></u>	<u><u>\$ 6,440,052</u></u>	<u><u>\$ 28,395,184</u></u>

See accompanying notes to the consolidated financial statements.

The Wilderness Society

Consolidated Statements of Cash Flows

	Years ended September 30,	
	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 372,287	\$ 2,624,397
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	191,876	276,369
Loss on sale of fixed assets	19,042	-
Discount on long-term receivables	(104,726)	(52,522)
Allowance for uncollectible receivables	(213,432)	(53,747)
Net realized and unrealized investment gains	(1,998,934)	(1,908,281)
Changes in investments held in trust	30,226	129,592
Donated securities	(1,157,654)	(750,759)
Contributions restricted for long-term investment	(18,000)	(42,521)
Changes in operating assets and liabilities:		
Accounts and contributions receivable	7,873,383	1,031,048
Prepaid expenses and other assets	(380,865)	(454,374)
Beneficial interests in assets held by others	382,071	420,627
Accounts payable and accrued expenses	1,052,422	303,354
Deferred rent	(16,280)	39,537
Deposits	1,800	(8,750)
Deferred revenue	129,229	951
Net cash provided by operating activities	6,162,445	1,554,921
Cash flows from investing activities		
Purchase of equipment	(166,010)	(149,300)
Proceeds from sale of investments	3,176,657	5,972,768
Purchase of investments	(6,682,321)	(5,924,700)
Net cash used in investing activities	(3,671,674)	(101,232)
Cash flows from financing activities		
Planned giving payments to beneficiaries	(77,611)	(7,569)
Investment return on planned giving assets	155,272	458,038
Contributions restricted for long-term investment	18,000	42,521
Net cash flows provided by financing activities	95,661	492,990
Change in cash and cash equivalents	2,586,432	1,946,679
Cash and cash equivalents, beginning of year	3,617,070	1,670,391
Cash and cash equivalents, end of year	\$ 6,203,502	\$ 3,617,070

See accompanying notes to the consolidated financial statements.

The Wilderness Society

Notes to Consolidated Financial Statements

Years ended September 30, 2017 and 2016

Note A - Organization and Purpose

The Wilderness Society (TWS) is the leading conservation organization working to protect wilderness and inspire Americans to care for our wild places. Founded in 1935, and now with more than 700,000 members and supporters, The Wilderness Society has led the effort to permanently protect 109 million acres of wilderness. We work to ensure sound management of our shared national lands, which include 635 million acres owned by the American people and managed by our government.

The Wilderness Society Action Fund (Action Fund) is an affiliated organization to the Society and was created for the purpose of educating the public and advancing issue advocacy dedicated to protecting wilderness.

Our work has profoundly improved the way our shared national lands are managed and enjoyed. The nation's wildlands provide us all with clean air and water, wildlife habitat and havens for recreation, learning and solitude. Federal lands are also important sources of renewable energy and vital natural resources that must be managed wisely.

We bring a unique breadth of expertise to public land issues. Our staff are recognized leaders in the fields of natural resource science, policy, and community engagement. From Capitol Hill and federal agencies to communities across the nation, we work strategically and collaboratively with diverse arrays of stakeholders. Through these efforts, we find common-ground solutions that lead to better protection, stewardship and restoration of our public lands, preserving the nation's rich natural legacy for current and future generations.

Our public lands represent a uniquely American ideal – that millions of acres of our country's lands belong to, and should benefit, all of us. We envision a future where at least half of the nation's public lands are protected to preserve our unique natural heritage and the special places people love. When these special lands are part of big, connected landscapes, they provide us with the best hope of helping natural systems and human communities thrive in the face of climate change and other threats. Energy development on our public lands should be part of the climate solution in the transition to a clean energy future and sited in appropriate places. We envision a country in which people from all backgrounds can connect to nature, from local parks to big wild places, where people recognize and share in the benefits we all receive from our public lands, and where people are inspired to care for these places.

Land and Water Program

Our Land and Water Program focuses on priority landscapes and watersheds to ensure they are better protected, connected and able to adapt to the changing climate and include a variety of ecosystem types. This requires better funding of land agencies and defense of the nation's bedrock conservation laws. Our nation's protected lands must also include more places that honor and recognize geographic, racial, ethnic, cultural and socioeconomic diversity. We work to build awareness and support for public lands among diverse people, partners and decision makers.

The Wilderness Society

Notes to Consolidated Financial Statements (Continued)

Note A - Organization and Purpose (Continued)

Energy and Climate Program

The Wilderness Society also works to address the key challenges for public lands as we transition to a cleaner energy future. Specifically, we work to ensure that wildlands and high-value-conservation areas are protected from degradation from new energy infrastructure, and appropriate protections established in key areas. We strive to secure policies so public lands are managed to reduce their contributions to climate change. We engage the public to increase awareness and support for the management of public lands as part of our national response to climate change.

People Outdoors Program

Inspiring Americans to care for wild places is a challenge due to the effects of urbanization, outdated policies and lack of access, among other factors. We work to spur new initiatives to get people outdoors and make public lands more inclusive. We focus on connecting communities of color and low-income residents in urban areas with public lands, helping to make them accessible and relevant to their lives; ensuring young people have multiple chances to learn, play and work outside; and fostering sustainable recreation that results in life-long enjoyment and connections to the outdoors.

Legislative Advocacy

Defending the nation's most treasured places requires action. The Action Fund works to generate awareness among citizens about threatened places. Concerned citizens in turn ask lawmakers in Congress to support conservation goals. This grassroots effort is essential for protecting specific places, whether the Arctic National Wildlife Refuge in northeast Alaska, wild forests in Maine or rugged landscapes in southern Utah. This action is also essential for protecting the bedrock laws that undergird legal protections for America's lands and waters. The Action Fund is an avenue through which The Wilderness Society pursues this type of advocacy work.

Note B - Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of TWS and the Action Fund (collectively, the Society). Significant intercompany accounts and transactions have been eliminated in consolidation. For purposes of consolidated reporting, the Society has classified the unrestricted net assets of the Action Fund under the category of temporarily net assets.

Basis of accounting

The Society presents its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) promulgated by the Financial Accounting Standards Board Accounting Standards Codification. Accordingly, the cost of the Society's programs and other activities has been summarized on a functional basis in the consolidated statements of activities. Additionally, certain costs have been allocated among the programs and supporting services benefited based on an estimate of time spent by Society personnel.

Subsequent events

The Society has performed an evaluation of subsequent events through January 29, 2018, which is the date the consolidated financial statements were available to be issued and has considered any relevant matters in the preparation of the consolidated financial statements and notes.

The Wilderness Society

Notes to Consolidated Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Use of estimates

GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts and classifications of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Income taxes

TWS is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is not a private foundation under Section 509(a) of the IRC. The Action Fund is exempt from Federal income taxes under Section 501(c)(4) of the IRC. The Society is required to pay federal and state income taxes only on unrelated business income. Management has concluded that the Society has properly maintained its exempt status and there are no uncertain tax positions as of September 30, 2017. There are currently no examinations being conducted.

Risk and uncertainties

The Society invests in various securities. These securities are exposed to a variety of 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 consolidated statements of financial position.

Cash and cash equivalents

The Society considers all highly liquid investments with original maturities at the purchase date of 90 days or less to be cash equivalents. The Federal Deposit Insurance Corporation (FDIC) insures amounts on deposit with each financial institution up to limits prescribed by law. The Society may hold funds with financial institutions in excess of the FDIC insured amounts; however, the Society has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments and fair value measurement

Investments are recorded at fair value. Investment income or loss, including realized and unrealized gains and losses, is included in the consolidated statements of activities as an increase or decrease in unrestricted net assets unless the income or loss is restricted by donor or law.

Dividend and interest income are considered operating revenue of the Society. Realized and unrealized gains and losses above the spending rate approved by the Governing Council are not used in operations and, therefore, are reported as temporarily restricted in the consolidated statements of activities as gain on investments.

The Wilderness Society

Notes to Consolidated Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Investments and fair value measurement (continued)

In accordance with GAAP, the Society prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The levels of the hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are quoted (unadjusted) for identical assets or liabilities in actively traded markets which the Society has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

The Society recognizes transfers between levels at the end of the reporting period in which circumstances occur causing changes in the availability of inputs to the fair value methodology.

Planned giving assets and liabilities

The Society maintains a pooled income fund for planned giving investments. Donors contribute to the Society an irrevocable remainder interest in assets while they reserve the right to income from the property. The Society recognizes its remainder interest in the assets received as temporarily or permanently restricted contribution revenue in the period the assets are received. The contribution is recorded at the fair value of the asset discounted over the actuarially estimated time period until the donor's death.

Charitable gift annuity contributions are recorded net of the present value of the liability of the future annuity payments. The rate used to calculate the net present value is the adjusted discount rate for the month in which the gift is made. The value of the liability is adjusted to reflect amortization of the discount, payments to the donor, and changes in actuarial assumptions.

Charitable remainder trusts are recorded at the present value of estimated future cash flows. The discount rate used to calculate the net present value of the estimated future cash flows for the years ended September 30, 2017 and 2016 was 2% and 1% respectively. The value of the trust liability is adjusted to reflect amortization of the discount and changes in actuarial assumptions related to interest rate fluctuations or other variables.

Earnings generated by planned giving investments are recorded as liabilities to cover commitments to the beneficiaries of planned giving agreements. The change in the actuarial value of planned giving assets is recorded as change in value of beneficial interest in the consolidated statements of activities.

The Wilderness Society

Notes to Consolidated Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Planned giving assets and liabilities (continued)

The beneficial interest in assets held by others for which the Society does not serve as trustee, amounted to \$5,571,000 and \$6,043,171 as of September 30, 2017 and 2016, respectively, and is recorded in temporarily or permanently restricted net assets in the accompanying consolidated statements of financial position. Of these amounts, \$356,600 and \$446,700, is included within accounts receivable as of September 30, 2017 and 2016, respectively as is due within one year. It is the policy of the Society to record such assets only when the Society's interest is deemed to be irrevocable and where there is sufficient information to quantify a fair and accurate valuation. The Society's beneficial interest is recorded at the discounted present value of the gift, based on the date of the gift and the trust life. Trust assets include publicly traded U.S. stock, corporate and government bonds, mutual funds, property and land, and life insurance policies. Amounts received related to these beneficial interests are used for purposes designated by the donor, if any.

The change in the actuarial valuation of total planned giving agreements, including those held by third parties, is recorded in the consolidated statements of activities. The change in value of these agreements was \$(9,354) and \$(280,188) for the years ended September 30, 2017 and 2016, respectively.

Contributions receivable

Contributions receivable that are expected to be collected within one year are reported net of any estimated uncollectible amounts. Contributions expected to be collected beyond one year are reported net of any estimated uncollectible amounts and are discounted to present value using the United States Treasury obligations risk-adjusted rate according to their corresponding terms.

Allowance for uncollectible contributions

The Society has established an allowance for uncollectible contributions based on management's judgment of the creditworthiness of the donors, past collection experience, and other relevant factors. Although variability is inherent in such estimates, management believes that the allowance provided in the consolidated financial statements is adequate, but largely dependent on economic conditions.

Fixed assets

Furniture and equipment expenditures over \$5,000 are recorded at cost and are depreciated using the straight-line method, with estimated useful lives ranging from three to ten years. Leasehold improvements are recorded at cost and are amortized over the shorter of their useful lives or the remaining term of the lease.

Collections

The Society's collections include artwork and photographs that are held for educational purposes. Each item is preserved and cared for in a manner similar to works of art held for public exhibition. The collections, which were acquired through various donations since the Society's inception, are not recognized as assets on the consolidated statements of financial position.

The Wilderness Society

Notes to Consolidated Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Endowment funds

The Society is a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Therefore, the net asset classification of donor restricted endowment funds is presented in accordance with the related accounting guidance and disclosures.

Classification of net assets

The Society's net assets have been grouped into the following three classes:

Unrestricted net assets - result from contributions and other inflows of assets whose use by the Society is not limited by donor-imposed restrictions.

Temporarily restricted net assets - result from contributions and other inflows of assets whose use is limited by donor-imposed restrictions that either expire with the passage of time or can be fulfilled and removed by actions of the Society related to those restrictions.

Permanently restricted net assets - result from contributions and other inflows of assets whose use by the Society is limited by donor-imposed restrictions, that must be maintained in perpetuity by the Society.

Restricted and unrestricted revenues

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Unconditional promises are recorded as unrestricted, temporarily restricted, or permanently restricted depending on donor-imposed restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the consolidated statements of activities as net assets released from restriction.

Reclassifications

Certain prior year balances have been reclassified to conform with the current year presentation.

Allocation of joint costs of informational materials

In 2017 and 2016, the Society incurred joint costs of \$4,185,361 and \$4,007,601, respectively, for informational materials and activities that included fundraising appeals. Of those costs, \$1,764,332 and \$1,477,186, respectively, were allocated to program expenses, \$1,619,708 and \$1,862,359, respectively, were allocated to management and general, and \$801,321 and \$1,354,658, respectively, remained in fundraising.

The Wilderness Society

Notes to Consolidated Financial Statements (Continued)

Note C - Investments and Fair Value Measurement

Investments, at fair value, within the fair value hierarchy at September 30, 2017 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Mutual funds	\$ 13,953,607	\$ -	\$ -	\$ 13,953,607
Equities	17,875,888	-	-	17,875,888
Fixed income	5,822,841	3,067,033	-	8,889,874
Exchange traded funds	-	39,358	-	39,358
Total investments	37,652,336	3,106,391	-	40,758,727
Planned giving assets:				
Money market funds	130,828	-	-	130,828
Mutual funds	1,421,962	-	-	1,421,962
Exchange-traded funds	-	1,154,750	-	1,154,750
Common stock	850,144	-	-	850,144
Fixed income	274,514	489,480	-	763,994
Life insurance contracts	-	282,019	-	282,019
Total planned giving assets	2,677,448	1,926,249	-	4,603,697
Beneficial interest in assets held by others	-	-	5,214,400	5,214,400
Total	<u>\$ 40,329,784</u>	<u>\$ 5,032,640</u>	<u>\$ 5,214,400</u>	<u>\$ 50,576,824</u>

Investments, at fair value, within the fair value hierarchy at September 30, 2016 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Mutual funds	\$ 7,129,732	\$ -	\$ -	\$ 7,129,732
Equities	17,339,584	-	-	17,339,584
Fixed income	6,124,930	3,718,003	-	9,842,933
Total investments	30,594,246	3,718,003	-	34,312,249
Planned giving assets:				
Money market funds	159,204	-	-	159,204
Mutual funds	1,667,667	-	-	1,667,667
Exchange-traded funds	-	1,132,886	-	1,132,886
Common stock	609,263	-	-	609,263
Fixed income	106,962	622,750	-	729,712
Life insurance contracts	-	274,739	-	274,739
Total planned giving assets	2,543,096	2,030,375	-	4,573,471
Beneficial interest in assets held by others	-	-	5,596,471	5,596,471
Total	<u>\$ 33,137,342</u>	<u>\$ 5,748,378</u>	<u>\$ 5,596,471</u>	<u>\$ 44,482,191</u>

The Wilderness Society

Notes to Consolidated Financial Statements (Continued)

Note C - Investments and Fair Value Measurement (Continued)

There were no transfers between levels of the fair value hierarchy in 2017 and 2016.

The fair value of assets classified as Level 1 are derived from identical assets traded in active markets. The fair value of Level 2 assets are derived from prices for similar or identical assets in non-active markets including pricing that is obtained directly from broker-dealers. The beneficial interest in assets held by others are classified as level 3 assets as their fair values are derived from inputs to the valuation methodology that are unobservable for the asset and are based on actuarial assumptions such as mortality rates and the applicable federal rate for charitable gifts. These assumptions are significant to the fair value measurement.

The following table summarizes changes in the Level 3 assets measured at fair value on a recurring basis:

Balance at October 1, 2015	\$	6,146,600
Change in value		(103,331)
Payments, sales, transfers, and maturities		<u>(446,798)</u>
Balance at September 30, 2016		5,596,471
Change in value		(25,512)
Payments, sales, transfers, and maturities		<u>(356,559)</u>
Balance at September 30, 2017	\$	<u><u>5,214,400</u></u>

Investment earnings are reported net of investment fees at September 30, 2017 and 2016 of \$247,222 and \$261,599, respectively.

Note D - Endowment Funds

The Society's endowment consists of four individual funds established for a variety of purposes and are donor-restricted. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Governing Council of The Wilderness Society has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 Society 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 organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Wilderness Society

Notes to Consolidated Financial Statements (Continued)

Note D - Endowment Funds (Continued)

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

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

Return Objectives and Risk Parameters

The Society has 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 consist of those assets of donor-restricted funds that the Society must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Governing Council, the endowment's assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark including 75% S&P 500 index and 25% Barclays Capital Aggregate Bond Index. The Society expects its endowment funds, over time, to provide an average rate of return of approximately 6 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Society has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long term, the Society expects the current spending policy to allow its endowment to grow at an average sufficient 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.

The Wilderness Society

Notes to Consolidated Financial Statements (Continued)

Note D - Endowment Funds (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy (continued)

Total endowment fund and activity are as follows for September 30, 2017:

	Temporarily Restricted <u>Net Assets</u>	Permanently Restricted <u>Net Assets</u>	Total <u>Endowment</u>
Endowment net assets, October 1, 2016	\$ 6,872,400	\$ 12,193,372	\$ 19,065,772
Reclassification of net assets	(75,913)	75,913	-
Investment income, net	56,335	-	56,335
Net realized and unrealized appreciation	<u>1,404,148</u>	-	<u>1,404,148</u>
Total investment return	1,460,483	-	1,460,483
Contributions	-	18,000	18,000
Transfers and adjustments	136,174	-	136,174
Change in value of split-interest agreements	-	113,236	113,236
Appropriation of endowment assets for expenditure	<u>(874,235)</u>	-	<u>(874,235)</u>
Endowment net assets, September 30, 2017	<u>\$ 7,518,909</u>	<u>\$ 12,400,521</u>	<u>\$ 19,919,430</u>

Total endowment fund and activity are as follows for September 30, 2016:

	Temporarily Restricted <u>Net Assets</u>	Permanently Restricted <u>Net Assets</u>	Total <u>Endowment</u>
Endowment net assets, October 1, 2015	\$ 6,213,380	\$ 12,162,440	\$ 18,375,820
Investment income, net	53,036	-	53,036
Net realized and unrealized depreciation	<u>986,621</u>	-	<u>986,621</u>
Total investment return	1,039,657	-	1,039,657
Contributions	-	42,521	42,521
Transfers and adjustments	483,363	-	483,363
Change in value of split-interest agreements	-	(11,589)	(11,589)
Appropriation of endowment assets for expenditure	<u>(864,000)</u>	-	<u>(864,000)</u>
Endowment net assets, September 30, 2016	<u>\$ 6,872,400</u>	<u>\$ 12,193,372</u>	<u>\$ 19,065,772</u>

The Wilderness Society

Notes to Consolidated Financial Statements (Continued)

Note E - Accounts and Contributions Receivable

Accounts and contributions receivable, including long-term receivables, included the following at September 30:

	2017	2016
Contributions receivable:		
Due in one to five years	\$ 919,789	\$ 3,075,299
Less: Allowance for uncollectible pledges	(144,798)	(358,230)
Less: Discount on long-term portion	(105,513)	(210,239)
	669,478	2,506,830
Due in less than one year	3,741,809	9,418,754
	4,411,287	11,925,584
Beneficial interest in assets held by others due in less than one year	356,600	446,700
Accounts receivable	(13,109)	(797)
	\$ 4,754,778	\$ 12,371,487

Note F - Fixed Assets

Furniture, equipment, and leasehold improvements consist of the following at September 30:

	2017	2016
Furniture and equipment	\$ 1,302,611	\$ 1,352,102
Computer equipment and related assets	3,610,578	3,528,950
Leasehold improvements	2,286,585	2,286,585
	7,199,774	7,167,637
Accumulated depreciation and amortization	(6,763,518)	(6,686,473)
	\$ 436,256	\$ 481,164

Note G - Obligations Under Facility and Other Leases

The Society has entered into various operating lease agreements for office space at both its headquarters and its field offices, as well as operating leases for various office equipment. Rent expense, rent abatements, and other concessions are recognized on a straight-line basis over the term of the lease, with the difference between the straight-line rent and the actual rent payments being recorded as deferred rent in the accompanying consolidated statements of financial position. Occupancy expense under operating leases was \$2,941,082 and \$2,894,182 in 2017 and 2016, respectively.

The Wilderness Society

Notes to Consolidated Financial Statements (Continued)

Note G - Obligations Under Facility and Other Operating Leases (Continued)

The Society's future minimum payments for occupancy and equipment under noncancelable operating leases as of September 30, 2017 are:

	<u>Facility</u>	<u>Equipment</u>	<u>Total</u>
2018	\$ 2,556,801	\$ 50,708	\$ 2,607,509
2019	2,640,272	50,633	2,690,905
2020	2,665,991	38,708	2,704,699
2021	2,524,331	33,477	2,557,808
2022	2,461,415	2,060	2,463,475
Thereafter	<u>1,577,563</u>	<u>-</u>	<u>1,577,563</u>
Total	<u>\$ 14,426,373</u>	<u>\$ 175,586</u>	<u>\$ 14,601,959</u>

As required by the terms of its lease for its headquarters, the Society maintains a letter-of-credit agreement for \$200,000 with a local financial institution.

Note H - Rental Income

The Society is the lessor of a portion of its building space to various organizations under operating leases expiring at various times through 2022. Future minimum rental income to be received under these noncancelable leases for the years ended September 30 are as follows:

2018	\$ 314,118
2019	126,205
2020	79,615
2021	54,173
2022	<u>51,474</u>
Total	<u>\$ 625,585</u>

Note I - Net Assets

Net assets were released from restrictions when donor use or time restrictions were satisfied. Net assets were released during the years ended September 30 for the following purposes:

	<u>2017</u>	<u>2016</u>
<i>Purpose restriction</i>	\$ 10,375,907	\$ 8,820,178
<i>Time restriction:</i>		
Split interest agreements	74,767	146,023
Multi-year pledge payments	<u>4,178,232</u>	<u>4,504,905</u>
Net assets released from restriction	<u>\$ 14,628,906</u>	<u>\$ 13,471,106</u>

The Wilderness Society

Notes to Consolidated Financial Statements (Continued)

Note I - Net Assets (Continued)

As of September 30, temporarily restricted net assets consist of funds available for the following purposes:

	2017	2016
Conservation and education programs	\$ 10,670,535	\$ 14,816,140
Accumulated earnings (net) from endowments available for conservation and education programs	9,956,923	10,556,922
Time restrictions on planned giving agreements	6,430,132	6,921,329
Total temporarily restricted net assets	\$ 27,057,590	\$ 32,294,391

As of September 30, permanently restricted net assets consisted of the following:

	2017	2016
General endowments	\$ 10,897,576	\$ 10,803,664
Planned giving agreements	1,502,945	1,389,708
Total permanently restricted net assets	\$ 12,400,521	\$ 12,193,372

Note J - Retirement Plan

The Society has a noncontributory defined contribution pension plan covering all eligible permanent employees. The Society makes quarterly contributions of 6% of the eligible compensation paid to plan participants. For the years ended September 30, 2017 and 2016, the Society contributed \$686,542 and \$651,270, respectively, to the plan.

Note K - Related Party Transactions

The consolidated statements of financial position include \$3,333,334 and \$6,665,993 in outstanding contributions receivable as of September 30, 2017 and 2016, respectively, from members of the Society's Governing Council. The Society recognized \$6,105,964 and \$7,222,569 in contribution revenue from these members for the years ended September 30, 2017 and 2016, respectively.

Note L - Self-Insured Health Plan

The Society provides self-insured health benefits for its eligible employees. Under the Program, the Society pays the administrative fees and benefit claims of its employees up to \$50,000 (through December 31, 2015) and \$70,000 (effective January 1, 2016). Individual claims in excess of these limits are insured by a third-party insurance carrier.

The Society recorded claims payable and incurred but not reported of \$184,086 and \$177,495 as of September 30, 2017 and 2016, respectively, which is included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position. Additionally, the claims paid under this Program were \$1,577,601 and \$1,128,465 for the years ended September 30, 2017 and 2016.

The Wilderness Society

Notes to Consolidated Financial Statements (Continued)

Note L - Self-Insured Health Plan (Continued)

It is inherently difficult to estimate the liability for claims payable and incurred but not reported as of the consolidated statement of financial position date due to the unknown nature of the claims and the potentially lengthy settlement process. This significant estimate is based on management's best estimate and judgment, and may be adjusted as more current information becomes available. Resulting adjustments could be material.