

NATIONAL PARK FOUNDATION

FINANCIAL STATEMENTS

**Years Ended September 30, 2017 and 2016
AND
INDEPENDENT AUDITORS' REPORT**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Park Foundation

We have audited the accompanying financial statements of the National Park Foundation (the Foundation), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

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

Prior Period Adjustment

As discussed in Note 19, management became aware of new information during the current fiscal year and revised its estimate of the fair value of certain property accepted in August 2015 and transferred in December 2015. Accordingly, certain amounts previously reported in the statement of activities for the year ended September 30, 2016 have been restated in the accompanying statement of activities for the year then ended. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2018, on our consideration of National Park Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering National Park Foundation's internal control over financial reporting and compliance.

Other Matter – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses for the year ended September 30, 2017, is presented for purposes of additional analysis and is a not required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to 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 financial statements as a whole.



April 20, 2018
Bethesda, Maryland

**NATIONAL PARK FOUNDATION
STATEMENTS OF FINANCIAL POSITION
September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 37,390,571	\$ 29,382,410
Accounts and other receivables	12,722	18,609
Prepaid and deferred expenses	1,481,284	1,055,196
Pledges and support receivable, net	57,783,015	57,835,650
Investments, at market	84,534,859	72,317,801
Furniture and equipment, net	861,176	788,971
Conservation property	730,275	37,777
Funds managed as agent for others	<u>37,251,070</u>	<u>30,764,450</u>
 Total assets	 <u>\$ 220,044,972</u>	 <u>\$ 192,200,864</u>
LIABILITIES AND NET ASSETS		
Accounts and other payables	\$ 3,210,825	\$ 3,277,916
Deferred income, commemorative coin sales	2,228,780	-
Grants payable, net	-	715,010
Notes payable, net	4,920,642	1,000,000
Deferred rent	179,405	189,033
Funds managed as agent for others	<u>37,251,070</u>	<u>30,764,450</u>
 Total liabilities	 <u>47,790,722</u>	 <u>35,946,409</u>
Net assets		
Unrestricted	40,675,874	32,710,159
Temporarily restricted	90,694,578	92,783,986
Permanently restricted	<u>40,883,798</u>	<u>30,760,310</u>
 Total net assets	 <u>172,254,250</u>	 <u>156,254,455</u>
 Total liabilities and net assets	 <u>\$ 220,044,972</u>	 <u>\$ 192,200,864</u>

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

**NATIONAL PARK FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended September 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Contributions and gifts	\$ 23,755,279	\$ 38,436,372	\$ 123,488	\$ 62,315,139
Contributed property, goods and services	4,044,125	10,450,873	-	14,494,998
Government grants and support	2,303,109	-	10,000,000	12,303,109
Recovery of indirect costs	931,293	-	-	931,293
Litigation settlement contributions	-	170,886	-	170,886
Management and other income	1,771,188	15,970	-	1,787,158
Net assets released from restrictions - satisfaction of program and time restrictions	57,141,655	(57,141,655)	-	-
Total revenue and support	89,946,649	(8,067,554)	10,123,488	92,002,583
Expenses				
Program services				
Program grants	41,507,069	-	-	41,507,069
Program grants (land)	100,000	-	-	100,000
Program support	20,319,973	-	-	20,319,973
Total program expenses	61,927,042	-	-	61,927,042
Supporting services				
General and administrative	10,932,219	-	-	10,932,219
Fundraising	12,197,693	-	-	12,197,693
Total expenses	85,056,954	-	-	85,056,954
Changes in net assets from operations	4,889,695	(8,067,554)	10,123,488	6,945,629
Non-operating activity				
Investment income	3,062,472	5,975,146	-	9,037,618
Land valuation gain	13,548	3,000	-	16,548
Total non-operating activity	3,076,020	5,978,146	-	9,054,166
Changes in net assets	7,965,715	(2,089,408)	10,123,488	15,999,795
Net assets, beginning of year	32,710,159	92,783,986	30,760,310	156,254,455
Net assets, end of year	\$ 40,675,874	\$ 90,694,578	\$ 40,883,798	\$ 172,254,250

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

**NATIONAL PARK FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended September 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support				
Contributions and gifts	\$ 18,114,659	\$ 38,348,337	\$20,296,920	\$ 76,759,916
Contributed property, goods and services	480,000	81,344,144	-	81,824,144
Recovery of indirect costs	592,563	-	-	592,563
Litigation settlement contributions	-	37,767	-	37,767
Management and other income	1,294,029	361,470	-	1,655,499
Net assets released from restrictions - satisfaction of program and time restrictions	<u>155,554,472</u>	<u>(155,554,472)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>176,035,723</u>	<u>(35,462,754)</u>	<u>20,296,920</u>	<u>160,869,889</u>
Expenses				
Program services				
Program grants	20,686,908	-	-	20,686,908
Program grants (land)	114,016,500	-	-	114,016,500
Program support	<u>25,093,446</u>	<u>-</u>	<u>-</u>	<u>25,093,446</u>
Total program expenses	159,796,854	-	-	159,796,854
Supporting services				
General and administrative	6,387,553	-	-	6,387,553
Fundraising	<u>10,321,120</u>	<u>-</u>	<u>-</u>	<u>10,321,120</u>
Total expenses	<u>176,505,527</u>	<u>-</u>	<u>-</u>	<u>176,505,527</u>
Changes in net assets from operations	(469,804)	(35,462,754)	20,296,920	(15,635,638)
Non-operating activity				
Investment income	2,361,315	4,462,633	-	6,823,948
Land valuation gain	<u>-</u>	<u>930,000</u>	<u>-</u>	<u>930,000</u>
Total non-operating activity	<u>2,361,315</u>	<u>5,392,633</u>	<u>-</u>	<u>7,753,948</u>
Changes in net assets, restated (Note 19)	1,891,511	(30,070,121)	20,296,920	(7,881,690)
Net assets, beginning of year, as previously reported	<u>30,818,648</u>	<u>90,014,107</u>	<u>10,463,390</u>	<u>131,296,145</u>
Increase in valuation of contributed property (Note 19)	<u>-</u>	<u>32,840,000</u>	<u>-</u>	<u>32,840,000</u>
Net assets, beginning of year, restated	<u>30,818,648</u>	<u>122,854,107</u>	<u>10,463,390</u>	<u>164,136,145</u>
Net assets, end of year	<u>\$ 32,710,159</u>	<u>\$ 92,783,986</u>	<u>\$30,760,310</u>	<u>\$156,254,455</u>

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

**NATIONAL PARK FOUNDATION
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 15,999,795	\$ (7,881,690)
Reconciling adjustments:		
Support restricted for endowment	(9,129,232)	(3,296,920)
Net realized and unrealized gains on marketable securities	(6,777,868)	(4,517,460)
Depreciation and amortization	393,739	207,106
(Contribution) distribution of conservation property	(692,498)	39,690,000
Loss on disposal of property and equipment	450	-
Allowance for present value of pledges receivable	(282,620)	703,748
Allowance for doubtful pledges	(500)	(8,000)
Amortization of loan discount	(196,413)	-
Changes in operating assets and liabilities:		
Pledges and support receivable	335,755	(5,680,240)
Accounts and other receivables	5,887	(1,629)
Prepaid and deferred expenses	(426,088)	(633,950)
Accounts and other payables	(119,402)	341,432
Deferred income, commemorative coin sales	2,228,780	-
Deferred rent	(9,628)	20,128
Grants payable	(715,010)	(1,571,509)
Net cash provided by operating activities	<u>615,147</u>	<u>17,371,016</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(430,011)	(761,696)
Purchases of marketable securities	(17,418,185)	(10,943,520)
Sales of marketable securities	<u>11,978,995</u>	<u>9,236,199</u>
Net cash used by investing activities	<u>(5,869,201)</u>	<u>(2,469,017)</u>
Cash flows from financing activities:		
Support restricted for endowment	9,129,232	3,296,920
Proceeds from notes payable	9,523,704	1,000,000
Repayments of notes payable	(5,406,649)	-
Principal payments on capital lease obligation	<u>15,928</u>	<u>(19,554)</u>
Net cash provided by financing activities	<u>13,262,215</u>	<u>4,277,366</u>
Net increase in cash and cash equivalents	8,008,161	19,179,365
Cash and cash equivalents, beginning of year	<u>29,382,410</u>	<u>10,203,045</u>
Cash and cash equivalents, end of year	<u>\$ 37,390,571</u>	<u>\$ 29,382,410</u>
Supplemental Cash Flow Information:		
Interest paid	<u>\$ 15,070</u>	<u>\$ 5,396</u>
Property additions financed through lease obligations	<u>\$ 36,383</u>	<u>\$ -</u>

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

NATIONAL PARK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2017 and 2016

1. Organization

The National Park Foundation (the Foundation), a not-for-profit, charitable corporation located in Washington, D.C., was established in 1967 by an Act of the U.S. Congress (Public Law 90-209). The purpose of the Foundation is to provide a means for citizen participation in, and support of, the National Park System. The Foundation receives contributions and raises funds to help conserve, preserve, and enhance the national parks in the United States.

Effective December 16, 2016, Public Law 90-209 was amended by enactment of Public Law 114-289. Public Law 114-289 provides that the Foundation shall consist of a Board of Directors having as members no fewer than six private citizens of the United States appointed by the Secretary of the Interior. The Secretary and the Director of the National Park Service shall be non-voting, ex officio members of the Board. The Chairman of the Board shall be elected by the Board from its members for a 2-year term. Activities of the National Park Foundation to solicit, accept, administer, and use any gifts, devises, or bequests for the benefit of, or in connection with, the NPS, shall be undertaken after consultation with the Director to ensure that these activities are consistent with NPS programs and policies.

The Foundation is exempt from federal income taxes under Public Law 90-209, as described in Section 501(c)(1)(a)(i) of the Internal Revenue Code (IRC). In addition, in 1981, the Foundation received a determination that it is also exempt from federal income taxes under Section 501(c)(3) of the IRC and it qualifies as a public charity under Section 509(a)(1) of the IRC. The Foundation received a determination letter in 2000 that specifically states it is exempt from filing the Return of Organizations Exempt from Income Tax, Form 990, unless the Foundation has unrelated business income. Effective fiscal year 2012, the Board of Directors elected to file Form 990 on an annual basis.

2. Significant Accounting Policies

Use of Estimates

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

**NATIONAL PARK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2017 and 2016**

2. Significant Accounting Policies (continued)

Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

Cash includes interest and non-interest bearing operating accounts with insured financial institutions. Deposits often exceed federally insured limits. Management, however, does not consider this a significant concentration of credit risk. Cash equivalents at September 30, 2017 and 2016, include money market accounts. Cash and cash equivalents exclude such amounts included with the investment pool as those funds are part of the investment strategy and portfolio.

Investments

Investments are recorded at estimated fair value based on quoted market prices provided by the investment managers. Realized and unrealized holding gains and losses are included as non-operating investment income in the statement of activities. Net investment income is reported as an increase in unrestricted net assets, unless restricted by donor or law.

Funds Managed as Agent for Other Entities

Funds managed as agent for other entities are excluded from net assets. The Foundation acts as the custodial agent of these funds so the related revenues and expenses are not recognized in the accompanying statements of activities.

Furniture and Equipment

The Foundation capitalizes all property and equipment purchased with non-Federal funds with a cost of \$5,000 or more. Furniture and equipment is recorded at cost and depreciated on the straight-line basis over estimated useful lives of 3 to 8 years. Leasehold improvements are also recorded at cost and are amortized over their estimated useful lives or terms of the lease, whichever is shorter.

Maintenance and repair costs are charged to expense as incurred. Replacements and betterments are capitalized. At the time properties are retired or otherwise disposed of, the property and related accumulated depreciation or amortization accounts are relieved of the applicable amounts and any gain or loss is credited or charged to income.

**NATIONAL PARK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2017 and 2016**

2. Significant Accounting Policies (continued)

Conservation Property

The Foundation acquires conservation property through donations or purchases for subsequent sale or donation to or for the benefit of the NPS. Real property donated is valued at its estimated fair market value at the time of donation. The carrying value is reduced if the estimated market value decreases below the original recorded value. Covenants on the properties restrict their future use to conservation activities.

Grant Expenses and Grants Payable

The Foundation is both a grantee and grantor organization. As a grantor, the Foundation recognizes grant expense when the Board has awarded a grant and the grant becomes an enforceable liability (i.e., when substantially all conditions placed on the grantee are met). Grants payable represent grants awarded but not yet disbursed.

Program grants consist of expenditures and the value of in-kind contributions that directly benefit the individual or groups of specific national parks. Program support includes all direct program costs that generally benefit the National Park System.

Fair Value of Financial Instruments

Financial instruments include cash and cash equivalents, pledges, accounts receivable, investments and accounts and grants payable. Management estimates that the respective fair values of the financial instruments, other than investments, approximate their recorded values in the balance sheets due to the relative short-term nature of those instruments. Investments are recorded at fair value in the statements of financial position as discussed in Notes 3 and 16.

Revenue Recognition

Grant Revenue and Support

Revenue and support from government contracts and grants that provide for cost reimbursement are recognized when the related direct and allocated indirect expenses are incurred, deliverables are met, or per-diem services are provided. Revenue recognized in excess of cash received is reported as grants receivable. Cash received in excess of revenue recognized is reported as deferred revenue.

NATIONAL PARK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2017 and 2016

2. Significant Accounting Policies (continued)

Contributions

Contributions and unconditional promises to give are recorded as support, at fair value, when received as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restriction, including inherent time restrictions. Contributions that are restricted by the donor as to time or purpose are reported as an increase in temporarily restricted net assets. When a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. If donors stipulate how the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Unconditional promises to give are reported at their net realizable value as pledges receivable in the accompanying statements of financial position. Unconditional promises to give that are expected to be collected in future years are discounted to present values using a blended rate that contemplates the donor's estimated borrowing rate, and a risk-free rate of return, at the date the contribution is made. The collectability of the pledges receivable is evaluated by management periodically throughout the year, and an allowance for uncollectible amounts, is recorded in the period such a determination is made. Conditional promises to give are not recorded as receivables until the conditions are satisfied. Contributions and grants received by the Foundation consist of support provided primarily by corporations and foundations.

Endowment Funds

Endowment gifts are recognized as support when received. The principal amount of the gift is maintained intact. Investment income on endowments is recognized as an increase in unrestricted net assets, unless the income is restricted by donor or law and such restrictions have not been met in the same fiscal year. The Foundation follows the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) reporting. The required expanded disclosures are included in Note 8.

NATIONAL PARK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2017 and 2016

2. Significant Accounting Policies (continued)

Expense Allocations

The costs of providing various programs and other activities of the Foundation have been summarized on a functional basis in the statement of activities. Expenses are allocated among the programs and supporting services based upon the functions they directly benefit and management's estimates of overhead and other indirect expenses applicable to each function, using primarily direct labor costs.

Subsequent Events

Management has evaluated subsequent events through April 20, 2018, which is the date the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provide evidence about conditions that existed at the statement of position date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events that did not exist at the statement of position date, but disclosures of such events, if any, are included in the accompanying notes.

Reclassification

Certain amounts on the 2016 financial statements have been reclassified to conform with the current year presentation.

3. Investments

Investments consist of the following at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 124,648	\$ 24,244
Mutual funds	83,593,372	72,293,557
Exchange traded funds	<u>816,839</u>	<u>-</u>
Total investments	<u>\$ 84,534,859</u>	<u>\$ 72,317,801</u>

**NATIONAL PARK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2017 and 2016**

3. Investments (continued)

Investment return is comprised of the following for the years ended September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 2,259,750	\$ 2,306,488
Net realized and unrealized gains	<u>6,777,868</u>	<u>4,517,460</u>
Net investment return	<u>\$ 9,037,618</u>	<u>\$ 6,823,948</u>

Investments are reported at fair values at year-end. See Note 16 for a discussion of fair value measurements. The investments are subject to market risks, and their values fluctuate daily. Due to the level of risk associated with investment securities, changes in the values of investment securities will occur in the near term, and such changes could materially affect the Foundation's financial position.

Donated Securities

During the year ended September 30, 2016, the Foundation received a grant of securities from a private foundation organized for charitable purposes and exempt from federal income taxation under Section 501(c)(3). The grant was composed of 39 non-voting, restricted class B shares of an exempt entity, related to the donor, organized for charitable purposes whose class A shares are owned by the donor. As an owner of the class B shares, the Foundation will receive dividends for use toward restricted charitable purposes.

At the time of the grant, the Foundation was not able to establish a supportable fair market value of the class B shares. Accordingly, the Foundation recorded an asset for an estimated value for management tracking purposes and fully reserved the asset to yield a net asset value of \$0 for reporting purposes.

Dividends received during the years ended September 30, 2017 and 2016 totaled approximately \$3.7 million and \$2.2 million which have been recorded as temporarily restricted contributions.

**NATIONAL PARK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2017 and 2016**

4. Furniture and Equipment

A summary of furniture and equipment at September 30, 2017 and 2016, is as follows:

	<u>2017</u>	<u>2016</u>
Computer software and hardware	\$ 1,527,541	\$ 1,118,134
Furniture and equipment	<u>229,116</u>	<u>181,274</u>
	1,756,657	1,299,408
Less: accumulated depreciation and amortization	<u>(895,481)</u>	<u>(510,437)</u>
Furniture and equipment, net	<u>\$ 861,176</u>	<u>\$ 788,971</u>

Depreciation and amortization expense totaled \$393,739 and \$207,106 for the years ended September 30, 2017 and 2016, respectively. The net book value of capital lease equipment was \$78,031 and \$63,994 at September 30, 2017 and 2016, respectively.

5. Pledges and Support Receivable

Pledges receivable that are expected to be collected in future years are discounted to present values using a blended rate that contemplates the donor's estimated borrowing rate, and a risk-free rate of return, at the time the unconditional promises are made. The discount rates for 2017 and 2016 range from 1.79% to 1.98%. The discount is amortized to support from contributions over the pledge collection period. Beginning in fiscal year 2013, an allowance for uncollectible pledges was established using the percentage of accounts receivable based on a four-year average of actual uncollectible amounts. At September 30, 2017 and 2016, the allowance for uncollectible pledges totaled \$423,199 and \$423,699, respectively.

**NATIONAL PARK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2017 and 2016**

5. Pledges and Support Receivable (continued)

Pledges and support receivable at September 30, 2017 and 2016 are expected to be collected as follows:

	<u>2017</u>	<u>2016</u>
Due in less than one year	\$ 35,268,744	\$ 33,580,639
Due in two to five years	21,124,573	23,148,433
Due after five years	<u>2,955,000</u>	<u>2,955,000</u>
 Total pledge receivable	 59,348,317	 59,684,072
Less:		
Discount for present value	(1,142,103)	(1,424,723)
Allowance for doubtful pledges	<u>(423,199)</u>	<u>(423,699)</u>
 Pledges receivable, net	 <u>\$ 57,783,015</u>	 <u>\$ 57,835,650</u>

6. Grants Payable

Grants payable after one year are discounted using the Treasury bill rate at the time the commitments are made. At September 30, 2017, there no grants outstanding. At September 30, 2016, grants outstanding of \$715,010 were due in less than one year.

7. Net Assets

To ensure observance of the limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are internally maintained in accordance with the principles of project or fund accounting. Separate accounts are maintained for each fund. However, in the accompanying financial statements, funds are classified as unrestricted, temporarily restricted, and permanently restricted based on donor-imposed restrictions.

Unrestricted net assets include funds designated by the board for grants, general operations, and other projects.

Temporarily restricted net assets at September 30, 2017 and 2016, some of which are time restricted, are primarily available to support program grant and program support activities.

Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable to support program activities.

NATIONAL PARK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2017 and 2016

8. Endowment Funds

The Foundation's endowment consists of multiple individual funds established to support program activities. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. Net assets associated with endowment funds, including funds designated by the Board of Directors, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (the Act) as requiring the preservation of the fair value of the original gift as the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. 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 Foundation in a manner consistent with the standard of prudence described by the Act.

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

- (1) The duration and preservation of the fund;
- (2) The purposes of the Foundation's and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of the investments;
- (6) Other resources of the Foundation; and
- (7) The investment policies of the Foundation.

NATIONAL PARK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2017 and 2016

8. Endowment Funds (continued)

Return Objectives and Risk Parameters

The Foundation 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 include those assets of the donor-restricted funds that the Foundation 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 growth and to preserve or increase the real value of the endowment to meet the future needs of the national parks, always with the objective of selecting investment vehicles that are at an appropriate level of risk for a non-profit organization. Actual returns in any given year may vary.

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 the Act requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature reported in unrestricted net assets were approximately \$0 and \$15,000 as of September 30, 2017 and 2016, respectively. These deficiencies result generally from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs.

Spending Policy

The Foundation currently appropriates funds for the distribution of program support activities based upon the demand for these purposes and on the availability of funds during the particular year. The Foundation has a board policy that permits as part of its annual budget process a transfer from the unrestricted Board-designated net assets to the unrestricted undesignated net assets of up to 5% of the average market value of the unrestricted board-designated net assets as of March 31 for the three preceding years. Additional transfers are permitted by Board action. Transfers during the year ended September 30, 2017 and 2016, were approximately \$1,000,000 and \$2,000,000, respectively.

NATIONAL PARK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2017 and 2016

8. Endowment Funds (continued)

The changes in endowment net assets for the years ended September 30, 2017 and 2016 are as follows:

	Board Designated & Deficient Funds (Unrestricted)	Endowment Earnings (Temporarily Restricted)	Endowed Funds (Permanently Restricted)	Total
Endowment net assets				
September 30, 2015	<u>\$ 21,371,633</u>	<u>\$ 9,697,652</u>	<u>\$ 10,463,390</u>	<u>\$41,532,675</u>
Investment return:				
Investment income	827,038	806,199	-	1,633,237
Net appreciation (realized and unrealized)	<u>1,478,156</u>	<u>1,419,094</u>	<u>-</u>	<u>2,897,250</u>
Total investment return	<u>2,305,194</u>	<u>2,225,293</u>	<u>-</u>	<u>4,530,487</u>
Contributions	<u>-</u>	<u>48,913</u>	<u>20,296,920</u>	<u>20,345,833</u>
Appropriation of endowment assets for expenditure	<u>(2,000,000)</u>	<u>(551,986)</u>	<u>-</u>	<u>(2,551,986)</u>
Reclassifications, net	<u>11,923</u>	<u>-</u>	<u>-</u>	<u>11,923</u>
Endowment net assets, September 30, 2016	<u>21,688,750</u>	<u>11,419,872</u>	<u>30,760,310</u>	<u>63,868,932</u>
Investment return:				
Investment income	867,408	917,792	-	1,785,200
Net appreciation (realized and unrealized)	<u>2,008,611</u>	<u>2,828,991</u>	<u>-</u>	<u>4,837,602</u>
Total investment return	<u>2,876,019</u>	<u>3,746,783</u>	<u>-</u>	<u>6,622,802</u>
Contributions	<u>13,998</u>	<u>300,495</u>	<u>10,123,488</u>	<u>10,437,981</u>
Appropriation of endowment assets for expenditure	<u>(1,000,000)</u>	<u>(1,399,025)</u>	<u>-</u>	<u>(2,399,025)</u>
Reclassifications, net	<u>15,466</u>	<u>-</u>	<u>-</u>	<u>15,466</u>
Endowment net assets, September 30, 2017	<u>\$ 23,594,233</u>	<u>\$ 14,068,125</u>	<u>\$ 40,883,798</u>	<u>\$78,546,156</u>

NATIONAL PARK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2017 and 2016

8. Endowment Funds (continued)

The net asset composition of the endowment funds as of September 30, 2017 and 2016, is as follows:

	Board Designated & Deficient Funds (Unrestricted)	Endowment Earnings (Temporarily Restricted)	Endowed Funds (Permanently Restricted)	<u>Total</u>
<u>2017</u>				
Donor-restricted	\$ -	\$ 14,068,125	\$ 40,883,798	\$ 54,951,923
Board-designated	<u>23,594,233</u>	<u>-</u>	<u>-</u>	<u>23,594,233</u>
Total funds	<u>\$ 23,594,233</u>	<u>\$ 14,068,125</u>	<u>\$ 40,883,798</u>	<u>\$ 78,546,156</u>
 <u>2016</u>				
Donor-restricted	\$ (15,466)	\$ 11,419,872	\$ 30,760,310	\$ 42,164,716
Board-designated	<u>21,704,216</u>	<u>-</u>	<u>-</u>	<u>21,704,216</u>
Total funds	<u>\$ 21,688,750</u>	<u>\$ 11,419,872</u>	<u>\$ 30,760,310</u>	<u>\$ 63,868,932</u>

9. Commitments

Operating Lease Commitments

The Foundation has entered into a lease agreement ending in May 2020 for subleased premises at 1110 Vermont Avenue. Rent payments are recognized as expense on a straight line-basis over the term of the lease. The deferred rent liability balance as of September 30, 2017 and 2016 was \$179,405 and \$189,033, respectively. Rental expense as of September 30, 2017 and 2016 totaled \$867,236 and \$867,340, respectively.

The minimum annual commitment under this lease is as follows:

Year ending September 30, 2018	\$ 908,000
2019	939,000
2020	<u>645,000</u>
	<u>\$ 2,492,000</u>

**NATIONAL PARK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2017 and 2016**

9. Commitments (continued)

Capital Equipment Leases

The Foundation entered into lease agreements to finance certain equipment that expires July 2020. The lease agreements have been classified as capital leases which is generally accounted for as additions to property and equipment using lease financing. The capital lease liability is reported as part of accounts and other payables in the financial statements. The following is a schedule of future minimum payments under capital leases:

Year ending September 30,	2018	\$	29,037
	2019		28,075
	2021		24,795
	2022		8,395
	Thereafter		<u>7,696</u>
Total minimum lease payments			97,998
Less: amount representing interest			<u>(12,016)</u>
Total principal obligation		\$	<u><u>85,982</u></u>

10. Line of Credit

The Foundation has an unsecured line of credit. The total amount available under the line of credit as of September 30, 2017 and 2016 is \$3,000,000. Borrowings bear interest at the one-month London Interbank Offered Rate (LIBOR) as quoted by the bank, two business days prior to the date of the draw. Such rate is to be effective and adjusted for Federal Reserve board reserve requirements and FDIC Insurance, plus 1.5%. The effective interest rate at September 30, 2017 and 2016 was 2%. There was no balance outstanding at September 30, 2017 and 2016. The line has not been drawn for the last ten years.

11. Notes Payable

During July 2016, the Foundation entered into a three-year loan agreement for \$1,000,000 with an unrelated nonprofit public benefit corporation. Interest on the unpaid principal is due monthly at a rate of 1%. Principal payments of \$500,000 are due July 2018 and July 2019.

NATIONAL PARK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2017 and 2016

11. Notes Payable (continued)

During December 2016, the Foundation entered into a second loan with the same unrelated nonprofit public benefit corporation for a four-year loan agreement for \$9,523,704. Interest on the unpaid principal is due monthly at a rate of 1%. Principal payments are due through January 31, 2021. At September 30, 2017, the balance of the loan was \$3,920,642, net of unamortized discount of \$196,413, based on an imputed interest rate of 4.25%. Contribution revenue and imputed interest expense of \$351,698 and \$155,285, respectively, are reflected in the 2017 statement of activities.

12. Donated Property, Goods and Services

On August 14, 2015, NPF Schoodic Woods LLC, a limited liability company organized under the laws of the District of Columbia, accepted the transfer and title of property adjacent to Acadia National Park in Winter Harbor Maine. The property was originally valued at \$6,850,000, and was revalued as discussed in Note 19. The owner/donor wishes to remain forever anonymous. During December 2015, the LLC transferred the title of the property to the National Park Service.

During 2016, the Foundation received a gift of land in Maine valued at \$69,130,000. The Foundation transferred the title of the property to the National Park Service in August 2016. Other land transfers totaling \$4,266,500 were also made during 2016.

During 2017, the Foundation received gifts of land totaling \$775,500. The Foundation transferred the title of \$100,000 of the property received to an unrelated nonprofit organization during September 2017.

During 2017 and 2016, the Foundation received donated goods and services valued at \$13,719,498 and \$12,694,144, respectively. These include recycled lumber for trails, travel- related support, and media support to specific Parks as well as various communication and outreach about philanthropy to the National Park System as a whole.

13. Litigation Settlement Contributions (Community Service Payments)

Since 1999, the Foundation has received over \$20 million from several litigation settlements. These funds represent voluntary community service payments from corporations that have entered into a plea agreement related to charges by the Department of Justice for violations of certain environment regulations such as polluting and the mistreatment of hazardous waste materials. The plea agreements specify the parks or areas to which the funds are to be allocated by the Foundation. The Foundation received \$170,886 and \$37,767, respectively, under these agreements for the years ended September 30, 2017 and 2016. The Foundation believes that these plea agreements represent voluntary non-reciprocal payments to the Foundation and has, therefore, classified them as temporarily restricted support.

**NATIONAL PARK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2017 and 2016**

14. Employee Benefit Plans

The Foundation has maintained a 403(b) retirement plan for its employees since 1992. All employees over 21 years of age with at least one year of service to the Foundation (consisting of at least 1,000 hours of service in a 12-months period) are eligible to receive an employer matching contribution to the Plan. The Foundation matches 100% of employees' contributions, up to 3% of salary, and 50% of the next 2% of employees' contribution, with a maximum contribution by the Foundation of 4%. Participants are eligible to participate after one year of service and are fully vested in all contributions of the Plan. The Foundation's contributions to the plan were \$162,206 and \$124,155, respectively, for the years ended September 30, 2017 and 2016.

During the year ended September 30, 2017, the Foundation established a 457(f) deferred compensation plan for its President. Included with other payables at September 30, 2017 is \$28,350 accrued under this arrangement.

15. Funds Managed as Agent for Other Entities

The Foundation acts as a fiscal agent of funds from other entities, for the benefit of or in connection with the National Park Service, its activities, or its services. At September 30, 2017 and 2016, the funds managed as an agent for other entities were invested in mutual funds totaling \$37,251,070 and \$30,764,450, respectively.

The funds are held for the following purposes as of September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Washington Metropolitan Area Transit Authority (WATA) - park land	\$ 2,073,139	\$ 1,961,439
WMATA - tree and shrub replacement	1,386,049	1,315,965
Wetland mitigation - Everglades National Park	33,273,675	26,861,132
Other	<u>518,207</u>	<u>625,914</u>
Total funds managed as agent for other entities	<u>\$ 37,251,070</u>	<u>\$ 30,764,450</u>

**NATIONAL PARK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2017 and 2016**

15. Funds Managed as Agent for Other Entities (continued)

The fund activity during the years ended September 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of the year	\$ 30,764,450	\$ 26,205,014
Receipts	6,234,242	3,076,738
Disbursements	(3,046,191)	(1,124,220)
Investment income, net	<u>3,298,569</u>	<u>2,606,918</u>
Balance, end of the year	<u>\$ 37,251,070</u>	<u>\$ 30,764,450</u>

16. Fair Value Measurements

The Foundation records its investments based on fair value on a recurring basis. Financial accounting and reporting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The standards emphasize that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability.

As a basis for considering market participant assumptions in fair value measurements, the new standards established a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent from the reporting entity (observable inputs that are classified within level 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within level 3 of the hierarchy).

The fair value levels are as follows:

Level 1: Inputs that utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

**NATIONAL PARK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2017 and 2016**

16. Fair Value Measurements (continued)

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

Level 3: Inputs that are unobservable for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Foundation's assessment of the significance of the particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the assets or liabilities.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported as of the end of the reporting period. For the years ended September 30, 2017 and 2016 there were no significant transfers in or out of levels 1, 2 or 3.

Investments in *money market and mutual funds* (Note 3 and Note 15) are valued at the net asset value of shares held by the Foundation at year-end reported in the listing of the applicable major exchanges.

The following summarizes information about the fair value measurements used as of September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Input Level</u>
Investments			
(Notes 2 and 3)	\$ 84,534,859	\$ 72,317,801	1
Funds managed as agent			
for other entities - Investments	\$ 37,251,070	\$ 30,764,450	1
(Note 15)			

**NATIONAL PARK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2017 and 2016**

17. Concentrations

As of September 30, 2017, pledges receivable from two donors represented approximately 52% of total pledges receivable.

As of September 30, 2016, pledges receivable from two donors represented approximately 50% of total pledges receivable. The Foundation's support from those two donors, for the year ended September 30, 2016, represented approximately 23% of total revenue and support.

18. Government Support

Commemorative Coin Proceeds

During 2017, the Foundation was the recipient of \$2,228,780 from the U.S. Mint for the sale of coins in commemoration of the 100th anniversary of the establishment of the National Park Service in accordance with Public Law 113-291 and The Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act of Fiscal Year 2015. The proceeds are to be used help finance the needs of the parks and programs of the National Park Service. As of September 30, 2017, the Foundation has not designated how the proceeds will be spent. Accordingly, the Foundation has recorded deferred revenue for the \$2,228,780 received from the U.S. Mint.

National Park Service Endowment

During 2017, the Foundation was awarded an endowment of \$10 million under the National Park Service Centennial Act. A total of \$9,005,744 has been received as of September 30, 2017, and the remaining \$994,256 is included with pledges and support receivable. The endowment earnings are to be used to help finance the needs of the parks and programs of the National Park Service.

Every Kid in the Park

The Foundation has entered into a cooperative agreement with the National Park Service to provide opportunities for fourth grade students and their families to visit federal park lands and waters. Revenue is recognized as reimbursable costs are incurred as discussed in Note 2.

NATIONAL PARK FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2017 and 2016

19. Prior Period Adjustment

As discussed in Note 12, the Foundation accepted certain property during the fiscal year ended September 30, 2015 and transferred the title of the property to the National Park Service during the fiscal year ended September 30, 2016. The property was originally valued and recorded at \$6,850,000. Prior to the issuance of the September 30, 2017 financial statements, management was informed that the contributed property included, in addition to land, several buildings and extensive land improvements with a fair value of \$32,840,000 when received and \$33,770,000 when transferred to the National Park Service. The fair values were based on independent appraisals, a level 3 input as discussed in Note 16. As a result, management increased temporarily restricted net asset as of September 30, 2015 by \$32,840,000, and restated the accompanying statement of activities for the year ended September 30, 2016 for the effect of the revised valuations as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Increase in land valuation gain for increase in value between dates received and transferred	\$ -	\$ 930,000	\$ -	\$ 930,000
Change in net assets released from restrictions	33,770,000	(33,770,000)	-	-
Change in program grants (land)	<u>(33,770,000)</u>	<u>-</u>	<u>-</u>	<u>(33,770,000)</u>
Reduction in change in net assets	-	(32,840,000)	-	(32,840,000)
Change in net assets previously reported	<u>1,891,511</u>	<u>2,769,879</u>	<u>20,296,920</u>	<u>24,958,310</u>
Change in net assets, restated	<u>\$ 1,891,511</u>	<u>\$ (30,070,121)</u>	<u>\$ 20,296,920</u>	<u>\$ (7,881,690)</u>

The statement of cash flows for the year ended September 30, 2016 was also restated for the revised valuations.

There was no effect on the statement of activities for the year ended September 30, 2017. In addition, there was no effect on the statements of financial position as of September 30, 2016 and 2017.

NATIONAL PARK FOUNDATION
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended September 30, 2017

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related benefits	\$ 2,412,653	\$ 2,820,834	\$ 3,107,091	\$ 8,340,578
Program grants	41,607,069	-	-	41,607,069
In-kind	9,775,373	4,044,125	-	13,819,498
Direct response	49,757	-	6,855,886	6,905,643
Professional services	3,873,289	1,643,569	1,302,012	6,818,870
Staff development and subscription	43,280	53,496	83,173	179,949
Supplies, phone and postage	35,847	82,482	294,811	413,140
Communications	403,653	454,603	139,357	997,613
Staff travel	95,121	138,353	150,901	384,375
Meetings and events	1,383,518	225,486	104,540	1,713,544
Facilities, net, and insurance	332,583	1,165,339	-	1,497,922
Bank charges and other	19,059	226,266	159,922	405,247
Indirect costs and management fees	<u>1,895,840</u>	<u>77,666</u>	<u>-</u>	<u>1,973,506</u>
	<u>\$ 61,927,042</u>	<u>\$ 10,932,219</u>	<u>\$ 12,197,693</u>	<u>\$ 85,056,954</u>