



Consolidated Financial Statements
June 30, 2017

Western Association of Fish and Wildlife Agencies and Affiliates

Western Association of Fish and Wildlife Agencies and Affiliates

Table of Contents

June 30, 2017

Independent Auditors' Report	1
Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements.....	6
Federal Awards Reports in Accordance with the Single Audit Act and Uniform Guidance	
Schedule of Expenditures of Federal Awards	14
Notes to Schedule of Expenditures of Federal Awards	15
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance.....	18
Schedule of Findings and Questioned Costs.....	20
Independent Auditor's Report on Supplementary Information	22
Supplementary Information	
Consolidating Statement of Financial Position	23
Consolidating Statement of Activities	24



Independent Auditors' Report

To the Board of Directors
Western Association of Fish and Wildlife Agencies and Affiliates
Boise, Idaho

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Western Association of Fish and Wildlife Agencies and Affiliates (the Organization), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statement of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 risk 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 Organization'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 Organization'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 financial position of Western Association of Fish and Wildlife Agencies and Affiliates as of June 30, 2017, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2017 on our consideration of the Organization's internal control over financial reporting and 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 compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Boise, Idaho
October 27, 2017

Western Association of Fish and Wildlife Agencies and Affiliates
Consolidated Statement of Financial Position
June 30, 2017

Assets

Current Assets

Cash and cash equivalents	\$ 2,917,604
Investments	41,295,077
Accounts receivable, net	503,904
Deposits	54,066
Grant and contracts receivable	474,778
Prepaid expenses	87,562
	<u>87,562</u>

Total current assets	45,332,991
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Property and Equipment, Net	<u>11,088,058</u>
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	<u><u>\$ 56,421,049</u></u>
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Liabilities and Net Assets

Liabilities

Current Liabilities

Accounts payable	\$ 783,799
Accrued payroll and expenses	568,347
Deferred revenue	321,720
	<u>321,720</u>

Total current liabilities	<u>1,673,866</u>
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Net Assets

Unrestricted	763,215
Temporarily restricted	53,983,968
	<u>53,983,968</u>

Total net assets	<u>54,747,183</u>
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	<u><u>\$ 56,421,049</u></u>
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Western Association of Fish and Wildlife Agencies and Affiliates
Consolidated Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue and Other Support			
Enrollment and impact fees	\$ -	\$ 1,096,492	\$ 1,096,492
Contributions	30,366	-	30,366
Grants and contracts	2,516,278	-	2,516,278
Conferences	675,572	-	675,572
Membership dues and assessments	330,607	-	330,607
Investment income	279	4,447,626	4,447,905
In-kind donations	-	48,224	48,224
Rental income	37,372	-	37,372
Net assets released from restrictions	6,191,820	(6,191,820)	-
	<u>9,782,294</u>	<u>(599,478)</u>	<u>9,182,816</u>
Total revenue and other support			
Expenses			
Program services			
Contract services	3,433,172	-	3,433,172
Landowner payments	2,562,297	-	2,562,297
Travel	206,839	-	206,839
Conferences	17,811	-	17,811
Office	99,944	-	99,944
Other	101,023	-	101,023
	<u>6,421,086</u>	<u>-</u>	<u>6,421,086</u>
Total program services			
Supporting Services			
Administration	3,136,328	-	3,136,328
	<u>9,557,414</u>	<u>-</u>	<u>9,557,414</u>
Total expenses			
Change in Net Assets	224,880	(599,478)	(374,598)
Net Assets, Beginning of Year	538,335	54,583,446	55,121,781
Net Assets, End of Year	<u>\$ 763,215</u>	<u>\$ 53,983,968</u>	<u>\$ 54,747,183</u>

Western Association of Fish and Wildlife Agencies and Affiliates
Consolidated Statement of Cash Flows
Year Ended June 30, 2017

Operating Activities	
Change in net assets	\$ (374,598)
Adjustments to reconcile change in net assets to net cash used for operating activities	
Depreciation	248,968
Net of realized and unrealized gain on investments	(3,163,388)
Loss on sale of property and equipment	1,256
Changes in operating assets and liabilities	
Accounts receivable	550,843
Grants and contracts receivable	(292,426)
Accounts payable	161,436
Accrued payroll and related costs	482,159
Deferred revenue	(6,300)
Deposit	(53,856)
Prepaid expenses	(87,562)
	<u>(2,533,468)</u>
Net Cash used for Operating Activities	
Investing Activities	
Purchase of furniture and equipment	(930,309)
Proceeds from redemption of investments	15,068,456
Proceeds from sales of property and equipment	19,650
Purchase of investments	(13,110,079)
	<u>1,047,718</u>
Net Cash from Investing Activities	
Net Change in Cash and Cash Equivalents	(1,485,750)
Cash and Cash Equivalents, Beginning of Year	<u>4,403,354</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,917,604</u></u>

Note 1 - Principal Business Activity and Significant Accounting Policies

Organization

Western Association of Fish and Wildlife Agencies (WAFWA) is a nonprofit organization incorporated under the laws of the State of Wyoming to promote the preservation of natural resources and protect the right of jurisdiction of the western states over their wildlife resources on public and private lands. WAFWA's financial statements are consolidated and include its supporting foundations, Foundation for Western Fish and Wildlife (FWFW), and the WAFWA Species Restoration Foundation (SRF). During the year ended June 30, 2017, to better reflect the Organization's work and eliminate confusion with other organizations, WAFWA changed its affiliate name from Western Conservation Foundation (WCF) to WAFWA Species Restoration Foundation (SRF).

Principles of Consolidation

The accompanying financial statements present the consolidation of the financial statements of WAFWA and its supporting foundations, FWFW and SRF, which are under common control. Unless otherwise noted, these consolidated entities are hereinafter referred to as "the Organization". Inter-entity accounts and transactions are eliminated in consolidation.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted use or other long-term purposes are excluded from this definition.

Accounts Receivable

Accounts receivable consist primarily of conservation enrollments associated with the Lesser Prairie Chicken, as well as membership dues and assessments for WAFWA. Management establishes an allowance for doubtful accounts for uncollectible receivables based on historical collection experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. At June 30, 2017, the allowance for doubtful accounts was \$357,376.

Grants Receivable

Grants receivable consist of outstanding amounts that have been earned as of the end of the fiscal year per the terms of the grant. Grants receivable consist of amounts from both federal and state government agencies. Management considers all of the receivables collectible.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on net assets or change in net assets.

Property and Equipment

The Organization records property and equipment additions over \$500 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to thirty-nine years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying value of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2017.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions and/or the passage of time.

The Organization reports contributions restricted by donors as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expired by the passage of time nor can be fulfilled or otherwise removed by the Organization's actions. The restrictions stipulate that resources be maintained permanently but permit expending the income generated in accordance with the provisions of the agreements. There were no permanently restricted net assets of June 30, 2017.

Revenue and Revenue Recognition

Revenue is generally recognized when earned. Program service fees and payments under cost-reimbursable contracts received advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets are received. Revenue from enrollment and impact fees for SRF and dues and assessments for WAFWA are recognized when billed.

Software Development Costs

When the Organization implements on premise software for internal use, software development costs incurred during the planning and post implementation phases, as well as minor enhancements and maintenance, are expensed as incurred. Once the preliminary project stage is complete and management authorizes the project, qualifying application development costs are capitalized. Capitalization ends when the project is substantially complete and ready for its intended use. The capitalized costs are included in property and equipment and are amortized using a straight-line basis over the estimated useful life of the software.

Donated Services and In-Kind Contributions

The Organization records donated professional services at the respective fair values of the services received (Note 9).

Marketing and Advertising Costs

Marketing and advertising costs are expensed as incurred, and approximated \$19,579 during the year ended June 30, 2017.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes

WAFWA, SRF, and FFWW are organized as Wyoming nonprofit corporations. WAFWA and SRF have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(4). FFWW has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organizations described in Section 501(c)(3), qualifies for the charitable contributions deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Management has determined that each entity is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that each entity has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The entities would recognized future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

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

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash and money market accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Organization's mission.

Investments are made by diversified investment managers whose performance is monitored by management and the Budget, Finance and Compliance Committee of the Board. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Budget, Finance and Compliance Committee of the Board believe that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

Subsequent Events

The Organization has evaluated subsequent events through October 27, 2017, which is the date the consolidated financial statements were available to be issued.

Note 2 - Fair Value Measurements and Disclosures

The Organization reports certain assets at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date.

Western Association of Fish and Wildlife Agencies and Affiliates

Notes to Consolidated Financial Statements

June 30, 2017

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of investment assets are classified within Level 1 because they are comprised of open-end mutual funds and securities with readily determinable fair values based on daily redemption values. The organization invests in fixed income securities traded in the financial markets. Those investments are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2. There are no investments considered to be Level 3 measurements.

The following table presents assets measured at fair value on a recurring basis, at June 30, 2017:

	Year Ended June 30, 2017			
	Total	Level 1	Level 2	Level 3
International equities	\$ 8,900,113	\$ 8,900,113	\$ -	\$ -
Fixed income securities	18,264,167	-	18,264,167	-
Real estate funds	1,677,381	1,677,381	-	-
U.S. equities	12,453,416	12,453,416	-	-
	\$ 41,295,077	\$ 23,030,910	\$ 18,264,167	\$ -

Note 3 - Net Investment Income

Net investment return consists of the following for the year ended June 30, 2017:

	Unrestricted	Temporarily Unrestricted	Permanently Restricted	Total
Interest and dividends	\$ 279	\$ 1,284,238	\$ -	\$ 1,284,517
Net realized / unrealized	-	3,163,388	-	3,163,388
	\$ 279	\$ 4,447,626	\$ -	\$ 4,447,905

Note 4 - Property and Equipment

At June 30, 2017, property and equipment consists of the following:

Land	\$ 9,250,000
Land easement	514,968
Construction in progress	98,475
Building	650,000
Software	632,269
Furniture and equipment	<u>228,347</u>
	11,374,059
Less accumulated depreciation	<u>(286,001)</u>
	<u><u>\$ 11,088,058</u></u>

Projects in process at June 30, 2017 represent Wildlife Conservation Toolkit (WCT). The estimated cost to complete WCT is \$25,000, which will be financed with SRF funds.

Note 5 - Line of Credit

On June 22, 2017, the Organization renewed the unsecured revolving line of credit held with a local financial institution for a six month term. The line has a borrowing capacity of \$250,000, which bears an interest rate of 3% plus the three month LIBOR rate. As of June 30, 2017, the interest rate charged was 0% and the balance owed on the line totaled \$0.

Note 6 - Leases

The Organization leases their office in Emporia, Kansas and a copier under non-cancelable operating lease agreements expiring in 2019. During the year ended June 30, 2017, the Organization discontinued their lease for their office in Boise. Future minimum lease payments as of June 30, 2017 are as follows:

2018	\$ 5,112
2019	<u>4,246</u>
	<u><u>\$ 9,358</u></u>

Operating lease expense for the year ended June 30, 2017 was \$55,216.

Note 7 - Conservation Easements

As a condition of administering the Lesser Prairie Chicken Initiative SRF must place a certain amount of acreage into conservation easements. The initiative requires a certain amount of the easements to be permanently protected along with the temporarily restricted land.

SRF also enters into temporary conservation easements, typically 10 year agreements in which Landowners receive payments for enrolling their property into the program and completing certain performance requirements. Payments under the program for the year ended June 30, 2017 were \$2,498,697. Management estimates that future payments based on current enrollments will be:

2018	\$ 1,696,317
2019	1,657,850
2020	1,597,254
2021	1,618,473
2022	1,644,554
Thereafter	<u>5,792,947</u>
	<u><u>\$ 14,007,395</u></u>

Note 8 - Temporarily Restricted Net Assets

At June 30, 2017, temporarily restricted net assets consisted of the following:

Restricted by donors for	
Lesser Prairie Chicken Initiative	<u>\$ 53,983,968</u>
Total	<u><u>\$ 53,983,968</u></u>

Net assets were released from restrictions as follows during the year ended June 30, 2017:

Satisfaction of purpose restrictions	
Lesser Prairie Chicken Initiative	<u>\$ 6,191,820</u>
Total	<u><u>\$ 6,191,820</u></u>

Note 9 - Donated Professional Services

The Organization received donated professional services of \$48,224 during the year ended June 30, 2017 for GIS and technical support.

Note 10 - Retirement Plan

During 2014, the Organization established a qualified retirement plan under Section 401(k) of the Internal Revenue Code. The Plan is available to eligible employees of the Organization, and is self-directed by participants. Employees are allowed to make elective deferrals up to the maximum allowed by law (based on a calendar year). The Organization contributes five percent of an employee's eligible wages to the Plan. For the year ended June 30, 2017, retirement expense totaled \$39,779.

Note 11 - Related Party Transactions

Members of the Board, from time to time, provide professional management services to the Organization. During the year ending June 30, 2017, the Organization paid \$112,972 for these services.

Note 12 - Economic Dependence

The Organization, received a major portion of the current year revenues from the Lesser Prairie Chicken enrollment and impact fees. The Organization also continues to receive federal awards. The Organization's management is of the opinion that it will continue to operate if some of the funding sources are no longer available.



Federal Awards Reports in Accordance
with the Uniform Guidance
June 30, 2017

Western Association of Fish and Wildlife Agencies and Affiliates

Western Association of Fish and Wildlife Agencies and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Pass through Expenditures</u>
Department of Interior				
Direct Awards:				
Fish and Wildlife Management Assistance	N/A	15.608	\$ 87,739	\$ -
Migratory Bird Joint Venture	N/A	15.637	224,339	-
National Fish and Wildlife Foundation	N/A	15.663	7,641	-
Adaptive Science	N/A	15.670	377,156	-
Fish and Wildlife Coordination and Assistance	N/A	15.664	98,691	-
Pheasants Forever Direct Award	N/A	10.902	20,291	-
Passed through the Soil and Water Conservation	F15AC01136	10.902	40,915	-
			<u>61,206</u>	<u>-</u>
Fish, Wildlife, Plant Conservation Resource Management Direct Award	N/A	15.231	423,061	-
Passed through the National Fish and Wildlife Foundation	5001.100326	15.231	12,006	-
Passed through the Western Governors' Association	L11AC20352	15.231	6,391	-
			<u>441,458</u>	<u>-</u>
Multi-State Conservation Program Direct Award	N/A	15.628	564,165	-
Passed through the Association of Fish and Wildlife Agencies	F13AP00136	15.628	8,859	-
			<u>573,024</u>	<u>-</u>
State Wildlife Grants Direct Award	N/A	15.634	310,428	-
Passed through the Arizona Fish and Game Department	AZ-U2-1-C1	15.634	97,153	-
			<u>407,581</u>	<u>-</u>
Passed through the USFWS & Wildlife Restoration Act Wildlife Restoration and Basic Hunter Education Pheasants Forever (Fish and Wildlife Cluster)	W-97-R-1	15.611	44,093	-
Total Expenditure of Federal Awards			<u>\$ 2,322,928</u>	<u>\$ -</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Western Association of Fish and Wildlife Agencies, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Western Association of Fish and Wildlife Agencies (the Organization) received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

Note 2 - Significant Accounting Policies

Expenditures are recognized following the cost principles contained in Subpart E – Cost Principles of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as reimbursement. The Organization’s summary of significant accounting policies is presented in Note 1 of the consolidated financial statements.

The Organization has elected to use the 10% de minimis cost rate.



Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Western Association of Fish and Wildlife Agencies and Affiliates
Boise, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Western Association of Fish and Wildlife Agencies and Affiliates (the Organization), which comprise the consolidated statement of financial position as June 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Western Association of Fish and Wildlife Agencies and Affiliates internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Western Association of Fish and Wildlife Agencies and Affiliates internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiency may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness, 2017-A.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Western Association of Fish and Wildlife Agencies and Affiliates consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Entity's Response to Findings

Western Association of Fish and Wildlife Agencies' response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Western Association of Fish and Wildlife Agencies' response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
October 27, 2017



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Western Association of Fish and Wildlife Agencies and Affiliates
Boise, Idaho

Report on Compliance for Each Major Federal Program

We have audited Western Association of Fish and Wildlife Agencies and Affiliates' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Western Association of Fish and Wildlife Agencies and Affiliates major federal programs for the year ended June 30, 2017. Western Association of Fish and Wildlife Agencies and Affiliates major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Western Association of Fish and Wildlife Agencies and Affiliates major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Western Association of Fish and Wildlife Agencies and Affiliates compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Western Association of Fish and Wildlife Agencies and Affiliates compliance.

Opinion on Each Major Federal Program

In our opinion, Western Association of Fish and Wildlife Agencies and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Western Association of Fish and Wildlife Agencies and Affiliates is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Western Association of Fish and Wildlife Agencies and Affiliates internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Western Association of Fish and Wildlife Agencies and Affiliates internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and, corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Boise, Idaho
October 27, 2017

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Multi-State Conservation Program	15.628
Adaptive Science	15.670

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2017-A Financial Statement Preparation and Material Adjustments
Material Weakness

Criteria: Management should have an internal control structure in place for the preparation of consolidated financial statements in accordance with generally accepted accounting principles that are materially correct.

Condition: Eide Bailly was requested to prepare the consolidated financial statements and accompanying notes to the consolidated financial statements and as part of our testing material adjustments were identified.

Cause: A control structure was not in place during the fiscal year to prepare consolidated financial statements or identify adjustments.

Effect: Adjustments related to receivables, revenues and expenses in the current period.

Recommendation: Management should implement a control structure for the preparation of the consolidated financial statements and identification of necessary adjustments.

Views of Responsible Officials: Individual entity financial statements were produced. However, consolidated financial statements were not prepared and therefore management concurs with this finding. Management is implementing a structure that will lend itself to the preparation of consolidated financial statements in the future.

Section III – Federal Award Findings and Questioned Costs

None reported



Supplementary Information
June 30, 2017

Western Association of Fish and Wildlife Agencies and Affiliates



Independent Auditor's Report on Supplementary Information

To the Board of Directors
Western Association of Fish and Wildlife Agencies and Affiliates
Boise, Idaho

We have audited the consolidated financial statements of Western Association of Fish and Wildlife Agencies and Affiliates as of and for the year ended June 30, 2017, and our report thereon dated October 27, 2017, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information on pages 23 through 24 is presented for the purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
October 27, 2017

Western Association of Fish and Wildlife Agencies and Affiliates
Consolidating Statement of Financial Position
June 30, 2017

	<u>WAFWA</u>	<u>SRF</u>	<u>FWFW</u>	<u>Elimination</u>	<u>Total</u>
Assets					
Current Assets					
Cash and cash equivalents	\$ 959,151	\$ 1,893,175	\$ 65,278	\$ -	\$ 2,917,604
Investments	-	41,295,077	-	-	41,295,077
Accounts receivable, net	202,720	300,934	250	-	503,904
Due from affiliates	16,704	426,487	-	(443,191)	-
Deposits	53,636	430	-	-	54,066
Grant and contracts receivable	474,778	-	-	-	474,778
Prepaid expenses	87,562	-	-	-	87,562
Total current assets	<u>1,794,551</u>	<u>43,916,103</u>	<u>65,528</u>	<u>(443,191)</u>	<u>45,332,991</u>
Property and Equipment, Net	<u>689,832</u>	<u>10,398,226</u>	<u>-</u>	<u>-</u>	<u>11,088,058</u>
	<u><u>\$ 2,484,383</u></u>	<u><u>\$ 54,314,329</u></u>	<u><u>\$ 65,528</u></u>	<u><u>\$ (443,191)</u></u>	<u><u>\$ 56,421,049</u></u>
Liabilities and Net Assets					
Liabilities					
Current Liabilities					
Accounts payable	\$ 695,848	\$ 85,790	\$ 2,161	\$ -	\$ 783,799
Due to affiliates	403,354	5,356	34,481	(443,191)	-
Accrued payroll and expenses	329,132	239,215	-	-	568,347
Deferred revenue	321,720	-	-	-	321,720
Total current liabilities	<u>1,750,054</u>	<u>330,361</u>	<u>36,642</u>	<u>(443,191)</u>	<u>1,673,866</u>
Net Assets					
Unrestricted	734,329	-	28,886	-	763,215
Temporarily restricted	-	53,983,968	-	-	53,983,968
Total net assets	<u>734,329</u>	<u>53,983,968</u>	<u>28,886</u>	<u>-</u>	<u>54,747,183</u>
	<u><u>\$ 2,484,383</u></u>	<u><u>\$ 54,314,329</u></u>	<u><u>\$ 65,528</u></u>	<u><u>\$ (443,191)</u></u>	<u><u>\$ 56,421,049</u></u>

Western Association of Fish and Wildlife Agencies and Affiliates
Consolidating Statement of Activities
Year Ended June 30, 2017

	WAFWA		SRF		FWFW		Unrestricted Eliminations	Unrestricted Total	Temporarily Restricted Total
	Unrestricted	Temporarily	Unrestricted	Temporarily	Unrestricted	Temporarily			
		Restricted		Restricted		Restricted			
Revenue and Other Support									
Enrollment and impact fees	\$ -	\$ -	\$ -	1,096,492	\$ -	\$ -	\$ -	\$ -	\$ 1,096,492
Contributions	53,589	-	-	-	29,915	-	(53,138)	30,366	-
Grants and contracts	2,516,278	-	-	-	-	-	-	2,516,278	-
Conferences	675,572	-	-	-	-	-	-	675,572	-
Membership dues and assessments	330,607	-	-	-	-	-	-	330,607	-
Investment income	236	-	-	4,447,626	43	-	-	279	4,447,626
In-kind contributions	-	-	-	48,224	-	-	-	-	48,224
Rental income	37,372	-	-	-	-	-	-	37,372	-
Net assets released from restrictions	-	-	6,191,820	(6,191,820)	-	-	-	6,191,820	(6,191,820)
Total revenue and other support	<u>3,613,654</u>	<u>-</u>	<u>6,191,820</u>	<u>(599,478)</u>	<u>29,958</u>	<u>-</u>	<u>(53,138)</u>	<u>9,782,294</u>	<u>(599,478)</u>
Expenses									
Program Services									
Contract services	2,627,922	-	783,486	-	21,764	-	-	3,433,172	-
Landowner payments	-	-	2,562,297	-	-	-	-	2,562,297	-
Travel	73,594	-	133,245	-	-	-	-	206,839	-
Conferences	16,585	-	1,226	-	-	-	-	17,811	-
Office	70,747	-	29,197	-	-	-	-	99,944	-
Donations	-	-	53,138	-	-	-	(53,138)	-	-
Other	38,341	-	54,492	-	8,190	-	-	101,023	-
Total program services	<u>2,827,189</u>	<u>-</u>	<u>3,617,081</u>	<u>-</u>	<u>29,954</u>	<u>-</u>	<u>(53,138)</u>	<u>6,421,086</u>	<u>-</u>
Supporting Services									
Administration	561,589	-	2,574,739	-	-	-	-	3,136,328	-
Total expenses	<u>3,388,778</u>	<u>-</u>	<u>6,191,820</u>	<u>-</u>	<u>29,954</u>	<u>-</u>	<u>(53,138)</u>	<u>9,557,414</u>	<u>-</u>
Change in Net Assets	224,876	-	-	(599,478)	4	-	-	224,880	(599,478)
Net Assets, Beginning of Year	509,453	-	-	54,583,446	28,882	-	-	538,335	54,583,446
Net Assets, End of Year	<u>\$ 734,329</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$53,983,968</u>	<u>\$ 28,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 763,215</u>	<u>\$53,983,968</u>