



NFWF

NATIONAL FISH AND WILDLIFE FOUNDATION

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Item VI(d)
MRCA
11/7/18

Mitigation Endowment Certification under CA Government Code Section 65968(e) (Issued July 2018)

California Government Code Section 65968(e) requires that any holder of a mitigation “endowment” certify to the project proponent (or the holder of the mitigation property or conservation easement at issue) and the local or state agency that required the endowment that the holder meets certain specified requirements. The National Fish and Wildlife Foundation (“NFWF”) issues the Mitigation Endowment Certification twice a year (in January based on data current through September of the immediately preceding year; and July based on data current through March of the same year) in satisfaction of the requirement set forth in California Government Code Section 65968(e). Based on data current through the end of March 2018, NFWF hereby certifies as follows:

(1) NFWF has the capacity to effectively manage the mitigation funds.

NFWF was established in 1984 by the National Fish and Wildlife Foundation Establishment Act, 16 U.S.C. §3701, and operates as a private nonprofit corporation dedicated to supporting the conservation and management of the nation’s natural resources. NFWF operates through an extensive program of conservation funds management and grantmaking nationwide, including the administration of many significant conservation programs in the State of California. Since 1984, NFWF has awarded over 16,000 grants to more than 4,500 organizations in all 50 states, leveraging over \$1.2 billion in publicly-sourced funding into more than \$4.8 billion for environmental benefits. As of the period ending March 2018, NFWF manages approximately 700 distinct funding sources with a total value of over \$2.9 billion.

Additional facts about NFWF include:

- 30-member board of directors appointed by U.S. Secretary of Interior; includes by law Director of U.S. Fish and Wildlife Service and Administrator of NOAA
- Subject to annual external financial audit by independent auditors and audit in compliance with OMB Circular A-133
- Required by law to provide to Congress annually a “full and complete statement of its receipts, expenditures, and investments”
- As of March 2018, employs over 129 personnel nationwide. Headquartered in Washington, DC; regional offices in Washington, DC, San Francisco, CA, Bloomington, MN, Denver, CO, with program offices in Portland, OR, and Baton Rouge, LA

The mitigation funds at issue would be managed by NFWF's Impact-Directed Environmental Accounts ("IDEA") department. The IDEA department receives, manages, and disburses funds that originate from court orders, settlements of legal cases, regulatory permits, licenses, and restoration and mitigation plans. The IDEA department has administered hundreds of millions of dollars since its inception at NFWF more than two decades ago, and as of the period ending March 2018 manages a total portfolio with an aggregate value of approximately \$2.4 billion.

(2) NFWF has the capacity to achieve reasonable rates of return on the investment of those funds similar to those of other prudent investors for endowment funds and shall manage and invest the endowment in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances, consistent with the Uniform Prudent Management of Institutional Funds Act (Part 7 (commencing with Section 18501) of Division 9 of the Probate Code).

As of the period ending March 2018, NFWF manages approximately 700 funding sources with a total value of over \$2.9 billion. Of this amount, NFWF received approximately \$2.7 billion in advance of sub-recipient expenditure. That is, those funds were "advanced" to NFWF for management pending disbursement.

Funds advanced to NFWF are managed by outside professional investment managers based on Investment Policy Statements ("IPS") that are either approved by the provider of the funds, proffered by NFWF, or both. In all cases, NFWF ensures compliance between a specific funding source under management and its guiding IPS.

Currently, NFWF oversees the management of eight distinct investment portfolios. Each portfolio has one or more investment managers who must comply with a designated IPS. Each portfolio contains funds from a variety of individual funding sources, which are called sub-accounts within the portfolio. Investment managers for each portfolio pool funds, however, in order to enhance total returns, benefit from efficiencies of scale, and better control risk.

The IPS that would govern the long-term mitigation land stewardship "endowment" has been provided to the project proponent (or the holder of the mitigation property or conservation easement at issue) and the local or state agency that required the endowment. The IPS was developed by NFWF in consultation with its investment advisor Commonfund. Commonfund is a national leader in nonprofit endowment management, endowment best practices, and related education. The IPS sets forth the return objectives and corresponding asset allocation profile of the "endowment" portfolio and, as such, will drive the rates of return realized over time on the long-term mitigation land stewardship "endowment."

(3) NFWF utilizes generally accepted accounting practices as promulgated by the Financial Accounting Standards Board or any successor entity for nonprofit organizations.

NFWF accounts for all of its funds and other assets and liabilities using generally accepted accounting practices as promulgated by the Financial Accounting Standards Board. Moreover, all transactions affecting NFWF's financial position are subject to annual external audit in compliance with OMB Circular A-133 and an annual external financial audit by independent auditors. NFWF's current independent auditor is Grant Thornton, a global accounting firm with an industry recognized expertise in not-for-profit accounting.

(4) NFWF will be able to ensure that funds are accounted for, and tied to, a specific property.

Each separate deposit of mitigation (and other) funds made to NFWF is designated as a unique "funding source." NFWF's administration of each funding source is governed by the permits, agreements, or other documents that gave rise to the applicable funds.

For accounting purposes, each funding source is segregated and managed to ensure that activities and transactions can at all times be tracked, accounted for, and reported on separately. Funding source management in this regard is effected through the following NFWF systems and tools:

- **Deltek-Costpoint:** Funding sources are established within NFWF's accounting system (Deltek-Costpoint) as Funding Source Projects (FSPs); each FSP receives a unique identifying code. These FSPs are created in a manner that enables a multi-dimensional relation of sub-recipient projects and conservation programs and the associated project/direct expenses and other accounting transactions.
- **Funding Source Database (FSD):** This system provides a database to comprehensively capture funding source attributes, and is established with the same unique identifying code established in Deltek-Costpoint as indicated above.
- **EasyGrants:** This system is the Foundation's project management database for all Sub-Recipient Projects (SRPs). Each SRP is assigned a unique identifying code distinct and different from an FSP code.

One result of the operation of these systems is that all funding sources – for example, a single "endowment" account associated with a particular permit and property – are at all times tracked separately and comprehensively within NFWF's accounting systems. NFWF at all times can ascertain, among other metrics, (a) the balance of any sub-account; (b) credits to the sub-account during any period; (c) disbursements from the sub-account during any period; and (d) investment earnings accrued to the sub-account.

(5) NFWF has an investment policy that is consistent with the Uniform Prudent Management of Institutional Funds Act (Part 7 (commencing with Section 18501) of Division 9 of the Probate Code).

The IPS that would govern the long-term mitigation land stewardship “endowment” at issue has previously been provided to and approved for use with respect to mitigation endowments required by permits or approvals issued by various governmental entities. The response to item (2) above provides additional detail about the derivation of this IPS. This IPS is consistent with the Uniform Prudent Management of Institutional Funds Act.

A handwritten signature in black ink, appearing to read 'Tokunbo Falayi', is written over a horizontal line. The signature is stylized and cursive.

Tokunbo Falayi
Chief Financial Officer
National Fish and Wildlife Foundation