

**TENNESSEE WILDLIFE RESOURCES FOUNDATION, INC.**  
**AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

(With Independent Auditor's Report Thereon)

**TENNESSEE WILDLIFE RESOURCES FOUNDATION, INC. AND SUBSIDIARIES**  
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**DECEMBER 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors

Tennessee Wildlife Resources Foundation, Inc. and Subsidiaries

I have audited the accompanying consolidated financial statements of Tennessee Wildlife Resources Foundation, Inc. and Subsidiaries (nonprofit organizations) which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities, functional expenses, 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 misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

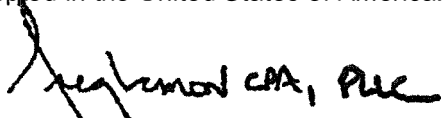
My responsibility is to express an opinion on these consolidated financial statements based on our audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance 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 risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tennessee Wildlife Resources Foundation, Inc. and Subsidiaries as of December 31, 2016, and the changes in its consolidated net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



June 21, 2017  
Columbia, Tennessee

**TENNESSEE WILDLIFE RESOURCES FOUNDATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**

ASSETS

Current Assets:		
Cash and cash equivalents	\$ 337,089	
Accounts receivable, net	2,554	
Inventory	69,530	
Prepaid expense	<u>3,538</u>	
Total current assets		\$ 412,711
Property and equipment, net		839,037
Assets Whose Use Is Limited:		
Cash and cash equivalents	5,584,211	
Accounts receivable, net	251,460	
Investments	12,882,429	
Land	<u>1,928,160</u>	
Total assets whose use is limited		<u>20,646,260</u>
		<u><u>\$ 21,898,008</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Agency accounts	\$ 224,457	
Accounts payable	32,987	
Accrued expenses	86,331	
Current portion of note payable	<u>4,041</u>	
Total current liabilities		\$ 347,816
Note payable, less current portion	<u>5,254</u>	
Total long-term liabilities		5,254
Net Assets:		
Unrestricted	898,678	
Temporarily restricted	<u>20,646,260</u>	
Total net assets		<u>21,544,938</u>
		<u><u>\$ 21,898,008</u></u>

See accompanying notes to the consolidated financial statements.

**TENNESSEE WILDLIFE RESOURCES FOUNDATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenues:				
Contributions	\$ 635,047	\$ -	\$ -	\$ 635,047
Program service fees	435,404	3,712,650	-	4,148,054
In-kind revenue	70,317	-	-	70,317
Investment income, net	-	207,855	-	207,855
Net assets released from restrictions	893,086	(893,086)	-	-
	<u>2,033,854</u>	<u>3,027,419</u>	<u>-</u>	<u>5,061,273</u>
Total support and revenues				
Expenses:				
Program services:				
Wildlife conservation and stream mitigation	1,530,357	-	-	1,530,357
	<u>1,530,357</u>	<u>-</u>	<u>-</u>	<u>1,530,357</u>
Total program services				
Supporting services:				
Management and general	275,141	-	-	275,141
Fundraising	286,725	-	-	286,725
	<u>561,866</u>	<u>-</u>	<u>-</u>	<u>561,866</u>
Total supporting services				
Total expenses	<u>2,092,223</u>	<u>-</u>	<u>-</u>	<u>2,092,223</u>
Change in net assets	(58,369)	3,027,419	-	2,969,050
Net assets - beginning of year	<u>957,047</u>	<u>17,618,841</u>	<u>-</u>	<u>18,575,888</u>
Net assets - end of year	<u>\$ 898,678</u>	<u>\$ 20,646,260</u>	<u>\$ -</u>	<u>\$ 21,544,938</u>

See accompanying notes to the consolidated financial statements.

**TENNESSEE WILDLIFE RESOURCES FOUNDATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Program Services</u>	<u>Supporting Services</u>		
	Wildlife Conservation and Stream Mitigation	Management and General	Fundraising	
Salaries	\$ 644,341	\$ 100,442	\$ 110,274	\$ 855,057
Payroll taxes and benefits	72,091	8,883	7,074	88,048
Total personnel costs	716,432	109,325	117,348	943,105
Bad debt expense	7,000	-	10,500	17,500
Bank fees	8,969	6,752	185	15,906
Communications	3,729	2,614	-	6,343
Computer expense	10,159	-	-	10,159
Donations expense	-	5,840	9,021	14,861
Dues and subscriptions	296	45	-	341
In-kind expense	5,000	-	53,497	58,497
Insurance	65,064	10,468	265	75,797
Interest	32	-	-	32
Lease expense	-	39,331	-	39,331
Licenses and fees	5,303	460	1,011	6,774
Marketing	10,297	4,331	4,973	19,601
Miscellaneous	2,195	924	333	3,452
Postage and fees	586	271	232	1,089
Professional fees	51,180	68,259	5,000	124,439
Stream mitigation program costs	232,446	-	-	232,446
Conservation, stewardship and heritage	169,006	-	2,582	171,588
Repairs and maintenance	20,172	3,414	-	23,586
Special events	33,018	53	62,741	95,812
Supplies	71,064	6,664	10,154	87,882
Travel and meetings	50,809	2,917	7,068	60,794
Training	3,529	1,676	596	5,801
Utilities	11,754	6,433	-	18,187
Vehicle	24,895	-	1,219	26,114
Total expenses before depreciation	1,502,935	269,777	286,725	2,059,437
Depreciation	27,422	5,364	-	32,786
Total expenses	<u>\$ 1,530,357</u>	<u>\$ 275,141</u>	<u>\$ 286,725</u>	<u>\$ 2,092,223</u>

See accompanying notes to the consolidated financial statements.

**TENNESSEE WILDLIFE RESOURCES FOUNDATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Cash Flows From Operating Activities:		
Change in net assets		\$ 2,969,050
Adjustments to reconcile increase in net assets		
to net cash used by operating activities:		
Depreciation	\$ 32,786	
Changes in:		
Accounts receivable	122,984	
Inventory	(34,090)	
Prepaid expenses	2,539	
Assets whose use is limited	(3,027,419)	
Accounts payable	(115,689)	
Accrued expenses	(5,414)	
Agency accounts	5,825	
Total adjustments		<u>(3,018,478)</u>
Net cash used by operating activities		<u>(49,428)</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	<u>(24,803)</u>	
Net cash used by investing activities		<u>(24,803)</u>
Net change in cash and cash equivalents		(74,231)
Cash and cash equivalents - beginning of year		<u>411,320</u>
Cash and cash equivalents - end of year		<u><u>\$ 337,089</u></u>

See accompanying notes to the consolidated financial statements.

**TENNESSEE WILDLIFE RESOURCES FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - Summary of Significant Accounting Policies**

**Nature of Activities**

The terms "Organization", "we", "us" or "our" are used throughout these notes to the consolidated financial statements to identify both the Tennessee Wildlife Resources Foundation, Inc. (Foundation) and its Subsidiaries, Tennessee Stream Mitigation Program, LLC (TSMP) and Montgomery County Shooting Complex (MCSC).

Tennessee Wildlife Resources Foundation Inc. (Foundation) is a nonprofit corporation established to support the programs of the Tennessee Wildlife Resources Agency (TWRA), which is designated by the Tennessee General Assembly as the State agency responsible for the protection, conservation, enhancement, and management of Tennessee fish and wildlife resources. We are a non-profit organization dedicated to the conservation of the natural beauty of the State of Tennessee and the protection and restoration of Tennessee's wildlife, fish, and their habitats. Our support comes primarily through donor contributions and fees for service arrangements designed to protect wildlife habitat. Our work includes education programs for youth, fisheries, and wildlife research, internships and student grants, conservation and clean-up programs, and wildlife habitat restoration programs.

The Foundation owns and operates the Montgomery County Shooting Complex (MCSC), a shooting sports facility, as a wholly-owned subsidiary of the Foundation. In 2013, MCSC was formed into an LLC wholly-owned by the Foundation. MCSC is a Tennessee limited liability company.

We are the sole member of Tennessee Stream Mitigation Program, LLC (TSMP) a nonprofit Tennessee limited liability company created to administer the stream mitigation in lieu fee programs. Under the terms of a memorandum of agreement (MOA) signed by various governmental agencies, including the TWRA, TSMP is responsible for development, design, implementation, monitoring and maintenance of the mitigation projects which have been required under the Clean Water Act. The Interagency Review Team (IRT) must approve all mitigation projects and TSMP must submit annual monitoring reports on projects for up to five years. All of TSMP's net assets are restricted for stream mitigation.

Impacts authorized through permit sections 401 and 404 of the Clean Water Act often require compensatory mitigation. Permittees may mitigate for impacts themselves, purchase credits from a mitigation bank or pay a third-party mitigation provider to conduct the mitigation on their behalf. The TSMP is one such third-party mitigation provider.

**Basis of Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported as follows:

**Unrestricted net assets** - Net assets not subject to donor-imposed stipulations.

**Temporarily restricted net assets** - Net assets subject to donor-imposed stipulations, which may or will be met, either by our actions and/or by the passage of time. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Consolidated Statement of Activities as unrestricted.

**Permanently restricted net assets** - Net assets subject to donor-imposed stipulations, which are maintained permanently by us. Generally, the donors of these assets permit us to use all or part of the income earned on investments for general or specific purposes. We had no permanently restricted net assets as of December 31, 2016.



**TENNESSEE WILDLIFE RESOURCES FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - Summary of Significant Accounting Policies (continued)**

**Principles of Consolidation**

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. We consolidate all entities controlled by ownership of a majority voting interest. As of December 31, 2016, we own 100% of TSMP and MCSC, all activities of TSMP and MCSC have been consolidated, and all material inter-company transactions have been eliminated in accordance with generally accepted accounting principles.

**Cash and Cash Equivalents**

For purposes of the Consolidated Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with original maturities of three months or less to be cash equivalents. At December 31, 2016, we held a money market fund which is classified as a cash equivalent.

**Investments**

We use a framework for measuring fair value and disclosing fair values. We define fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. We use this framework for all assets and liabilities measured and reported on a fair value basis and enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Each asset and liability carried at fair value is classified into one of the following categories:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Observable market based inputs or unobservable inputs corroborated by market data
- Level 3 - Unobservable inputs not corroborated by market data.

At December 31, 2016, all of our investments were based on level 1 inputs at the active market prices.

**Property and Equipment**

Property and equipment are recorded at cost, and it is our policy to capitalize purchases of equipment over \$2,000. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

**Accounts Receivable and Promises to Give**

We believe credit risk is limited with current receivables. All receivables and promises to give approximate fair market value, due to the short maturities of the amounts. We expect to collect all open receivables within a year. If, at any time during the year, we determine an account to be uncollectible, an allowance is recorded. At December 31, 2016, we did not have an allowance for doubtful accounts.

**Inventory**

Inventories are stated at the lower of cost or market determined by the first-in, first-out method. Donated inventory items are stated at their fair market value.

**Deferred Revenue**

We may receive payments for participation in our special events before the events occur. The amount received before the special events occurred at December 31, 2016, was \$2,500. This amount was included in accrued expenses.

**TENNESSEE WILDLIFE RESOURCES FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - Summary of Significant Accounting Policies (continued)**

**Conservation Easements**

TSMP receives contributions of conservation easements from the public. No in-kind revenue is recorded because the value of these easements cannot be reasonably estimated.

**Revenue Recognition, Project Costs, and Customers**

The Foundation conducts wildlife habitat conservation projects. Revenue is recorded when contributions are received, and costs are subsequently recorded when incurred.

TSMP is a third-party mitigation provider for individuals subject to mitigation requirements under the Clean Water Act. TSMP recognizes revenue for credits sold when the mitigation requirement is triggered and invoices the customer at that point. TSMP charges individuals a specific contracted amount for every mitigation credit generated. All net assets of the TSMP are restricted for stream mitigation. Expenses for the mitigation projects are recognized as incurred. The Interagency Review Team (IRT) must approve all mitigation projects, and TSMP must submit annual monitoring reports on projects for up to five years. Below is a summary of credits issued, credits sold and credits produced by TSMP.

<b><u>Service Area</u></b>	<b><u>Beginning advance credits</u></b>	<b><u>Credits Created</u></b>	<b><u>Credits Sold</u></b>	<b><u>Available Advance Credits</u></b>
North Hatchie Obion	\$ 8,250	\$ 9,565	\$ 7,196	\$ 10,619
South Hatchie Obion	30,000	20,010	38,833	11,177
Lower Tennessee	30,750	38,179	31,337	37,592
Middle Tennessee Elk	13,500	3,363	16,136	727
West Lower Cumberland	42,750	35,068	47,023	30,795
East Lower Cumberland	30,000	-	29,035	965
Upper Cumberland	32,000	5,891	33,209	4,683
Middle Tennessee Hiwassee	24,000	5,243	25,924	3,319
Upper Tennessee	18,000	25,797	22,342	21,455
French Broad Holston	16,500	1,507	17,435	573
	<b>\$ 245,750</b>	<b>\$ 144,623</b>	<b>\$ 268,469</b>	<b>\$ 121,904</b>

TSMP receives a large amount of revenue from the State of Tennessee Department of Transportation (TDOT) for mitigation services. This concentration of revenue is considered a stable source of revenue based on the proposed TDOT projects and the compensatory mitigation required. TSMP also utilizes subcontract labor for various fee for service agreements and records those expenses as project costs when the costs are incurred.

**Income Tax Status**

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying consolidated financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes. We are not subject to examination by U.S. federal or state taxing authorities for years before 2013.

**TENNESSEE WILDLIFE RESOURCES FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - Summary of Significant Accounting Policies (continued)**

**Income Tax Status (continued)**

The Foundation is the sole member of both TSMP and MCSC, which are nonprofit Tennessee limited liability companies and are exempt from Tennessee Franchise and Excise tax. We file a consolidated information return with the Internal Revenue Service with our wholly-owned subsidiaries.

We recognize interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. We have no amounts accrued for interest or penalties as of December 31, 2016.

**Fair Values of Financial Instruments**

The fair values of current assets and current liabilities approximate the carrying amounts due to the short maturities of these instruments.

The carrying amount of the note payable approximate to the fair values of these instruments based on current rates offered to us.

**Functional Allocation of Expenses**

The costs of providing program services and supporting services have been summarized on a functional basis in the Consolidated Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Advertising**

Advertising costs are charged to expense when incurred.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

**Concentration of Credit Risk**

We maintain our cash in bank and brokerage firm accounts which, at times, may exceed federally insured limits. Amounts held in brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC) up to \$500,000 for securities and up to \$250,000 for cash accounts. We have not experienced any losses in such accounts and do not believe this exposes us to any significant credit risk on our cash, cash equivalents or investments.

**NOTE 2 - Investments**

Investments consisted of the following at December 31, 2016:

Taxable bonds	\$11,221,052
Taxable bond funds	<u>1,661,377</u>
	<u>\$12,882,429</u>

**TENNESSEE WILDLIFE RESOURCES FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

We have paid premiums on certain taxable bonds which are included in the taxable bonds amount shown above. In accordance with generally accepted accounting principles for non-profit entities our investments are reported at fair value.

**NOTE 2 – Investments (continued)**

Investment income, net consisted of the following for the year ended December 31, 2016:

Dividend income	\$ 39,242
Interest income	269,297
Investment management fees	(28,410)
Unrealized and realized loss, net	<u>(72,274)</u>
Investment income, net	<u><u>\$ 207,855</u></u>

**NOTE 3 - Inventory**

At December 31, 2016, inventory was \$69,530 and consisted of merchandise for the range and a book collection for TWRF.

**NOTE 4 - Property and Equipment**

At December 31, 2016, property and equipment consists of the following:

Land	\$ 2,330,072
Building	387,423
Furniture and fixtures	38,001
Leasehold improvements	10,174
Machinery and equipment	225,215
Vehicles	<u>60,161</u>
	3,051,046
Less: accumulated depreciation	<u>(283,849)</u>
	<u><u>\$ 2,767,197</u></u>

Property and equipment is presented on the Consolidated Statement of Financial Position as the following:

Property and equipment, net	\$ 839,037
Restricted land	<u>1,928,160</u>
	<u><u>\$ 2,767,197</u></u>

See NOTE 8 regarding the Hatchie River Wetland Mitigation Bank property.

**NOTE 5 – Long-term debt**

We purchased a piece of equipment from John Deere Finance during 2016. The balance of that debt as of December 31, 2016 was \$9,295. The agreement calls for monthly payments of \$344 through April, 2019. The interest rate is effectively 1% and future payments for the next three years are approximately \$4000 for 2017 and 2018 and \$1,200 for 2019.

**TENNESSEE WILDLIFE RESOURCES FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 6 - Accrued Expenses**

At December 31, 2016, accrued expenses consist of the following:

Accrued vacation	\$ 48,243
Accrued wages payable	21,716
Other accruals	<u>16,372</u>
	<u>\$ 86,331</u>

**NOTE 7 - Agency Accounts**

We administer special events, in line with our mission, on behalf of various groups. We receive revenue and administer the expense management related to these events. After each event, we calculate the amount of profit or loss on these events and hold the balance in escrow until the specific group's next event. If the event had a surplus, we consider these funds a liability. If the event had a loss, we consider the funds receivable from the event. As of December 31, 2016, we had approximately \$256,000 in liabilities and \$32,000 in accounts receivable related to the agency accounts.

**NOTE 8 - Temporarily Restricted Net Assets**

**Stream Mitigation Program**

While TSMP is required to produce mitigation credits, the revenue is not restricted for a specific stream or a specific period. However, all net assets of the TSMP are restricted for stream mitigation.

**Hatchie River Wetland Mitigation Bank**

At December 31, 2016, we owned 685.25 acres of land with a cost basis of \$1,928,160. The property was purchased to develop the "Hatchie River Wetland Mitigation Bank" and its use is restricted by a mitigation banking instrument. A wetland mitigation bank is a project where wetland is restored and credits are generated. Individuals, who are subject to mitigation requirements of the Clean Water Act, may purchase mitigation credits from the wetland mitigation bank. The remaining credits will be released and available to sell at various times through 2017 in accordance with a milestone based credit release schedule specified in the mitigation banking instrument. For the year ended December 31, 2016, there were no credits sold or released. As of December 31, 2016, there were 157.2 credits available to sell from the wetland mitigation bank. Each credit is assigned a monetary value when it is sold and the value is assigned on a case by case basis.

Under the terms of the wetland mitigation bank agreement, we must restore and/or enhance the physical and biological functions of the degraded site. The restrictions further require site monitoring. We have subcontracted the monitoring through Tennessee Technological University, in accordance with the wetland mitigation bank agreement.

Upon project completion, release and sale of all credits, we must transfer the property to a related party, the TWRA. If a breach of the agreement occurs and we are found to be negligent, ownership of the property will immediately default to the TWRA. This land has been classified as temporarily restricted for presentation on the consolidated financial statements.

**Restricted Wildlife Conservation Projects**

At December 31, 2016, we had assets whose use was restricted by donors for various special programs. These assets are restricted for various projects and total approximately \$48,000.

**TENNESSEE WILDLIFE RESOURCES FOUNDATION, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 9 – Operating Leases and Rentals**

We lease office space under a lease agreement classified as an operating lease. Total lease expense for the year ended December 31, 2016, was approximately \$40,000, which includes the base monthly lease and common area maintenance fees. We renewed our lease agreement as of December 1, 2015, and it expires November 30, 2017. Future minimum lease payments, including common area maintenance fees, will be approximately \$36,000 for 2017.

**NOTE 10 - Commitments and Contingencies**

From time to time, we may be named as a defendant in lawsuits filed by former employees, the government, various landowners adjacent to our properties or those properties where we have conducted mitigation services, or its clients. At December 31, 2016, we do not believe any claims have merit or will have a material negative outcome, and we intend to vigorously defend our position for all outstanding claims.

**NOTE 11 - Employee Benefit Plan**

We currently offer our employees who have completed a one-year probationary period a standard SIMPLE 403(b) plan. We match the employees' contributions up to 4% and handle the administration of the plan on behalf of the employees. We contributed approximately \$12,000 to the plan during the year ended December 31, 2016.

**NOTE 12 - Subsequent Events**

We have evaluated events subsequent to the year ended December 31, 2016. As of June 21, 2017, the date the consolidated financial statements were available to be issued, no events subsequent to December 31, 2016, are considered necessary to be included in the consolidated financial statements for the year ended December 31, 2016.

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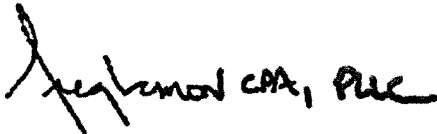
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## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors  
Tennessee Wildlife Resources Foundation, Inc. and Subsidiaries

I have audited the consolidated financial statements of Tennessee Wildlife Resources Foundation, Inc. and Subsidiaries (nonprofit organizations) as of and for the year ended December 31, 2016, and have issued my report thereon dated Jun 21, 2017, which contained an unmodified opinion on those consolidated financial statements, appears on page 2. My audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information listed in the table of contents 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, 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 my opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



June 21, 2017  
Columbia, Tennessee

**TENNESSEE WILDLIFE RESOURCES FOUNDATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**

ASSETS

	<u>TWRF, INC.</u>	<u>TSMP, LLC</u>	<u>MCSC, LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current Assets:					
Cash	\$ 279,507	\$ 23,838	\$ 33,744	\$ -	\$ 337,089
Accounts receivable, net	2,554	-	-	-	2,554
Due from related party	7,993	-	-	(7,993)	-
Inventory	14,238	-	55,292	-	69,530
Prepaid expenses	500	3,038	-	-	3,538
Total current assets	<u>304,792</u>	<u>26,876</u>	<u>89,036</u>	<u>(7,993)</u>	<u>412,711</u>
Property and equipment, net	<u>-</u>	<u>16,579</u>	<u>822,458</u>	<u>-</u>	<u>839,037</u>
Assets Whose Use Is Limited:					
Cash and cash equivalents	47,622	5,536,589	-	-	5,584,211
Accounts receivable, net	-	251,460	-	-	251,460
Investments	-	12,882,429	-	-	12,882,429
Land	<u>1,928,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,928,160</u>
Total assets whose use is limited	<u>1,975,782</u>	<u>18,670,478</u>	<u>-</u>	<u>-</u>	<u>20,646,260</u>
	<u>\$ 2,280,574</u>	<u>\$ 18,713,933</u>	<u>\$ 911,494</u>	<u>\$ (7,993)</u>	<u>\$ 21,898,008</u>

LIABILITIES AND NET ASSETS

Current Liabilities:					
Agency accounts	\$ 224,457	\$ -	\$ -	\$ -	\$ 224,457
Accounts payable	14,684	3,090	15,213	-	32,987
Due to related party	-	6,702	1,291	(7,993)	-
Accrued expenses	40,247	33,663	12,421	-	86,331
Current portion of note payable	<u>-</u>	<u>-</u>	<u>4,041</u>	<u>-</u>	<u>4,041</u>
Total current liabilities	<u>279,388</u>	<u>43,455</u>	<u>32,966</u>	<u>(7,993)</u>	<u>347,816</u>
Note payable, less current portion	<u>-</u>	<u>-</u>	<u>5,254</u>	<u>-</u>	<u>5,254</u>
Net Assets:					
Unrestricted	25,404	-	873,274	-	898,678
Temporarily restricted	<u>1,975,782</u>	<u>18,670,478</u>	<u>-</u>	<u>-</u>	<u>20,646,260</u>
Total net assets	<u>2,001,186</u>	<u>18,670,478</u>	<u>873,274</u>	<u>-</u>	<u>21,544,938</u>
	<u>\$ 2,280,574</u>	<u>\$ 18,713,933</u>	<u>\$ 911,494</u>	<u>\$ (7,993)</u>	<u>\$ 21,898,008</u>

See independent auditor's report on supplementary information.



**TENNESSEE WILDLIFE RESOURCES FOUNDATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>TWRF, INC.</u>	<u>TSMP, LLC</u>	<u>MCSC, LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Support and Revenues:					
Contributions	\$ 572,600	\$ -	\$ 62,447	\$ -	\$ 635,047
Program service fees	-	3,712,650	435,404	-	4,148,054
Gain on disposal of assets	-	-	-	-	-
In-kind revenue	70,317	-	-	-	70,317
Investment income, net	-	207,855	-	-	207,855
Total support and revenues	<u>642,917</u>	<u>3,920,505</u>	<u>497,851</u>	<u>-</u>	<u>5,061,273</u>
Expenses:					
Program services:					
Wildlife conservation and stream mitigation	<u>247,112</u>	<u>784,579</u>	<u>498,666</u>	<u>-</u>	<u>1,530,357</u>
Total program services	<u>247,112</u>	<u>784,579</u>	<u>498,666</u>	<u>-</u>	<u>1,530,357</u>
Management and general	166,294	97,201	11,646	-	275,141
Fundraising	<u>286,725</u>	-	-	-	<u>286,725</u>
Total supporting services	<u>453,019</u>	<u>97,201</u>	<u>11,646</u>	<u>-</u>	<u>561,866</u>
Total expenses	<u>700,131</u>	<u>881,780</u>	<u>510,312</u>	<u>-</u>	<u>2,092,223</u>
Change in net assets	(57,214)	3,038,725	(12,461)	-	2,969,050
Net assets - beginning of year	<u>2,058,400</u>	<u>15,631,753</u>	<u>885,735</u>	<u>-</u>	<u>18,575,888</u>
Net assets - end of year	<u>\$ 2,001,186</u>	<u>\$ 18,670,478</u>	<u>\$ 873,274</u>	<u>\$ -</u>	<u>\$ 21,544,938</u>

See independent auditor's report on supplementary information.

**TENNESSEE WILDLIFE RESOURCES FOUNDATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Services				
	<u>TWRF, INC.</u>	<u>TSMP, LLC</u>	<u>MCSC, LLC</u>	<u>Eliminations</u>	<u>Total</u>
Salaries	\$ 97,321	\$ 385,165	\$ 161,855	\$ -	\$ 644,341
Payroll taxes and benefits	7,748	46,348	17,995	-	72,091
Total personnel costs	105,069	431,513	179,850	-	716,432
Bad debt expense	7,000	-	-	-	7,000
Bank fees	182	-	8,787	-	8,969
Communications	-	3,729	-	-	3,729
Computer expense	-	5,070	5,089	-	10,159
Donations expense	-	-	-	-	-
Dues and subscriptions	-	-	296	-	296
In-kind expense	-	-	5,000	-	5,000
Insurance	(6,744)	49,572	22,236	-	65,064
Interest	-	-	32	-	32
Lease expense	-	-	-	-	-
Licenses and fees	4,087	-	1,216	-	5,303
Marketing	6,362	510	3,425	-	10,297
Miscellaneous	1,149	(298)	1,344	-	2,195
Postage and fees	399	12	175	-	586
Professional fees	16,637	34,193	350	-	51,180
Stream mitigation program costs	-	232,446	-	-	232,446
Conservation, stewardship and heritage	-	-	169,006	-	169,006
Repairs and maintenance	500	1,311	18,361	-	20,172
Special events	24,883	-	8,135	-	33,018
Supplies	40,709	7,230	23,125	-	71,064
Travel and meetings	44,230	3,034	3,545	-	50,809
Training	2,072	1,457	-	-	3,529
Utilities	-	1,224	10,530	-	11,754
Vehicle	577	13,576	10,742	-	24,895
Total expenses before depreciation	247,112	784,579	471,244	-	1,502,935
Depreciation	-	-	27,422	-	27,422
Total expenses	\$ 247,112	\$ 784,579	\$ 498,666	\$ -	\$ 1,530,357

See independent auditor's report on supplementary information.

**TENNESSEE WILDLIFE RESOURCES FOUNDATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Supporting Services				
	Management and General				
	<u>TWRF, INC.</u>	<u>TSMP, LLC</u>	<u>MCSC, LLC</u>	<u>Eliminations</u>	<u>Total</u>
Salaries	\$ 87,842	\$ 12,600	\$ -	\$ -	\$ 100,442
Payroll taxes and benefits	4,778	4,105	-	-	8,883
Total personnel costs	92,620	16,705	-	-	109,325
Bad debt expense	-	-	-	-	-
Bank fees	6,674	78	-	-	6,752
Communications	-	-	2,614	-	2,614
Computer expense	-	-	-	-	-
Donations expense	5,840	-	-	-	5,840
Dues and subscriptions	-	-	45	-	45
In-kind expense	-	-	-	-	-
Insurance	8,430	2,038	-	-	10,468
Interest	-	-	-	-	-
Lease expense	-	39,331	-	-	39,331
Licenses and fees	460	-	-	-	460
Marketing	4,206	-	125	-	4,331
Miscellaneous	924	-	-	-	924
Postage and fees	152	119	-	-	271
Professional fees	35,247	24,150	8,862	-	68,259
Stream mitigation program costs	-	-	-	-	-
Conservation, stewardship and heritage	-	-	-	-	-
Repairs and maintenance	-	3,414	-	-	3,414
Special events	53	-	-	-	53
Supplies	6,036	628	-	-	6,664
Travel and meetings	2,917	-	-	-	2,917
Training	1,676	-	-	-	1,676
Utilities	-	6,433	-	-	6,433
Vehicle	-	-	-	-	-
Total expenses before depreciation	165,235	92,896	11,646	-	269,777
Depreciation	1,059	4,305	-	-	5,364
Total expenses	\$ 166,294	\$ 97,201	\$ 11,646	\$ -	\$ 275,141

See independent auditor's report on supplementary information.

**TENNESSEE WILDLIFE RESOURCES FOUNDATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Supporting Services				
	Fundraising				
	<u>TWRF, INC.</u>	<u>MCSC, LLC</u>	<u>Eliminations</u>	<u>Total</u>	<u>Total Expenses</u>
Salaries	\$ 110,274	\$ -	\$ -	\$ 110,274	\$ 855,057
Payroll taxes and benefits	7,074	-	-	7,074	88,048
Total personnel costs	117,348	-	-	117,348	943,105
Bad debt expense	10,500	-	-	10,500	17,500
Bank fees	185	-	-	185	15,906
Communications	-	-	-	-	6,343
Computer expense	-	-	-	-	10,159
Donations expense	9,021	-	-	9,021	14,861
Dues and subscriptions	-	-	-	-	341
In-kind expense	53,497	-	-	53,497	58,497
Insurance	265	-	-	265	75,797
Interest	-	-	-	-	32
Lease expense	-	-	-	-	39,331
Licenses and fees	1,011	-	-	1,011	6,774
Marketing	4,973	-	-	4,973	19,601
Miscellaneous	333	-	-	333	3,452
Postage and fees	232	-	-	232	1,089
Professional fees	5,000	-	-	5,000	124,439
Stream mitigation program costs	-	-	-	-	232,446
Conservation, stewardship and heritage	2,582	-	-	2,582	171,588
Repairs and maintenance	-	-	-	-	23,586
Special events	62,741	-	-	62,741	95,812
Supplies	10,154	-	-	10,154	87,882
Travel and meetings	7,068	-	-	7,068	60,794
Training	596	-	-	596	5,801
Utilities	-	-	-	-	18,187
Vehicle	1,219	-	-	1,219	26,114.00
Total expenses before depreciation	286,725	-	-	286,725	2,059,437
Depreciation	-	-	-	-	32,786
Total expenses	\$ 286,725	\$ -	\$ -	\$ 286,725	\$ 2,092,223

See independent auditor's report on supplementary information.

**TENNESSEE WILDLIFE RESOURCES FOUNDATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>TWRF, INC.</u>	<u>TSMP, LLC</u>	<u>MCSC, LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Cash Flows from Operating Activities:					
Change in net assets	\$ (57,214)	\$ 3,038,725	\$ (12,461)	\$ -	\$ 2,969,050
Adjustments to reconcile increase in net assets to cash provided by (used in) operating activities:					
Depreciation	1,059	4,305	27,422	-	32,786
Changes in:					
Accounts receivable	122,984	-	-	-	122,984
Due from related party	30,725	-	(1,452)	(29,273)	-
Inventory	(14,238)	-	(19,852)	-	(34,090)
Prepaid expenses	(500)	3,039	-	-	2,539
Assets whose use is limited	11,306	(3,038,725)	-	-	(3,027,419)
Accounts payable	(32,483)	(94,956)	11,750	-	(115,689)
Due to related party	-	(29,273)	-	29,273	-
Accrued expenses	(1,215)	(2,293)	(1,906)	-	(5,414)
Agency accounts	5,825	-	-	-	5,825
Total adjustments	123,463	(3,157,903)	15,962	-	(3,018,478)
Net cash provided by (used in) operating activities	66,249	(119,178)	3,501	-	(49,428)
Cash Flows from Investing Activities:					
Purchases of property and equipment	-	-	(24,803)	-	(24,803)
Net cash used in investing activities	-	-	(24,803)	-	(24,803)
Net change in cash and cash equivalents	66,249	(119,178)	(21,302)	-	(74,231)
Cash and cash equivalents beginning of year	213,258	143,016	55,046	-	411,320
Cash and cash equivalents end of year	\$ 279,507	\$ 23,838	\$ 33,744	\$ -	\$ 337,089

See independent auditor's report on supplementary information.