

Tennessee Wildlife Federation, Inc.
and
Tennessee Wildlife Federation Foundation, Inc.

Consolidated Financial Statements
and
Independent Auditors' Report

December 31, 2009

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McKerley & Noonan, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of
Tennessee Wildlife Federation, Inc. and Tennessee Wildlife Federation Foundation, Inc.
Nashville, Tennessee

We have audited the accompanying consolidated statement of financial position of the Tennessee Wildlife Federation, Inc. and the Tennessee Wildlife Federation Foundation, Inc. (nonprofit organizations, collectively the "Organization") as of December 31, 2009 and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tennessee Wildlife Federation, Inc. and Tennessee Wildlife Federation Foundation, Inc. as of December 31, 2009, and the changes 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.

McKerley & Noonan

McKerley & Noonan, P.C.
May 17, 2010

Tennessee Wildlife Federation, Inc.
and
Tennessee Wildlife Federation Foundation, Inc.
Consolidated Statement of Financial Position
December 31, 2009

Assets

Assets	
Cash in Bank	\$ 388,027
Investments (Note 3)	93,494
Accounts Receivable	25,344
Property and Equipment at Cost, Less Accumulated Depreciation (Note 4)	<u>244,278</u>
Total Assets	<u><u>\$ 751,143</u></u>

Liabilities and Net Assets

Liabilities	
Accounts Payable	\$ 35,829
Accrued Payroll Liabilities	1,233
Other Accrued Liabilities	<u>2,347</u>
Total Liabilities	39,409
Net Assets	
Unrestricted	327,467
Temporarily Restricted (Note 5)	184,267
Permanently Restricted (Note 6)	<u>200,000</u>
Total Net Assets	<u>711,734</u>
Total Liabilities and Net Assets	<u><u>\$ 751,143</u></u>

Tennessee Wildlife Federation, Inc.
and
Tennessee Wildlife Federation Foundation, Inc.
Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Membership Dues and Contributions	\$ 97,448	\$ 124,841	\$ -	\$ 222,289
Foundation & State Grant Revenue	-	563,647	-	563,647
Special Events and Activities	550,148	-	-	550,148
Investment Income	24,881	-	-	24,881
In Kind Contributions	11,593	-	-	11,593
Rental Income	30,981	-	-	30,981
Miscellaneous Income	2,836	-	-	2,836
Net Assets Released from Restrictions	672,802	(672,802)	-	-
Total Support and Revenue	<u>1,390,689</u>	<u>15,686</u>	<u>-</u>	<u>1,406,375</u>
Program Services				
Education and Outreach	1,021,434	-	-	1,021,434
Total Program Services	<u>1,021,434</u>	<u>-</u>	<u>-</u>	<u>1,021,434</u>
Supporting Services				
Management and General	175,681	-	-	175,681
Fundraising	171,564	-	-	171,564
Total Supporting Services	<u>347,245</u>	<u>-</u>	<u>-</u>	<u>347,245</u>
Total Expenses	<u>1,368,679</u>	<u>-</u>	<u>-</u>	<u>1,368,679</u>
Change in Net Assets	22,010	15,686	-	37,696
Net Assets, Beginning of Year	<u>305,457</u>	<u>168,581</u>	<u>200,000</u>	<u>674,038</u>
Net Assets, End of Year	<u>\$ 327,467</u>	<u>\$ 184,267</u>	<u>\$ 200,000</u>	<u>\$ 711,734</u>

Tennessee Wildlife Federation, Inc.
and
Tennessee Wildlife Federation Foundation, Inc.
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2009

Cash Flows from Operating Activities	
Change in Net Assets	\$ 37,696
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	54,206
Unrealized Gain on Investments	(17,750)
In Kind Contribution of Vehicle	(8,000)
Loss on Disposal of Equipment	4,643
Decrease in Pledges Receivable	16,100
Decrease in Accounts Receivable	15,891
Increase Accounts Payable and Accrued Payroll Liabilities	33,133
Decrease in Deferred Revenue	(1,750)
Total Adjustments	<u>96,473</u>
Net Cash Provided by Operating Activities	134,169
Cash Flows from Investing Activities	
Net Change in Investments	12,181
Purchase of Fixed Assets	(51,678)
Net Cash Used by Investing Activities	<u>(39,497)</u>
Net Increase in Cash	94,672
Cash in Bank Beginning of Year	<u>293,355</u>
Cash in Bank End of Year	<u><u>\$ 388,027</u></u>

Tennessee Wildlife Federation, Inc.
and
Tennessee Wildlife Federation Foundation, Inc.
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2009

	Program Services	Supporting Services		Total
	Education and Outreach	Management and General	Fund Raising	
Salaries	\$ 224,928	\$ 79,804	\$ 77,300	\$ 382,032
Payroll Taxes and Benefits	28,928	10,297	9,806	49,031
Total Salaries and Related Expenses	253,856	90,101	87,106	431,063
Occupancy	16,100	4,508	859	21,466
Advertising	80,582	-	-	80,582
Contract Labor	13,594	4,839	4,608	23,041
Contracted Services,	159,875	-	-	159,875
Dues and Subscriptions	9,157	3,259	3,104	15,520
Event Expense	100,939	-	36,640	137,579
Equipment Lease	2,129	758	722	3,609
Fees and Bank Charges	3,654	1,301	1,239	6,194
Insurance	53,126	11,287	-	64,413
Merchandise and Supplies	134,810	-	2,892	137,702
Office Supplies	12,844	4,572	4,354	21,770
Postage and Freight	14,338	5,103	4,860	24,302
Printing	3,435	1,223	1,164	5,822
Processing Fees	40,837	-	-	40,837
Professional Fees	-	23,625	-	23,625
Program Coordination	3,144	-	-	3,144
Repairs and Maintenance	2,504	891	849	4,244
Scholarships & Grants	10,380	-	-	10,380
Travel and Meetings	56,470	20,100	19,142	95,712
Depreciation	47,539	3,361	3,306	54,206
Miscellaneous	2,120	755	719	3,593
Total Expenses	1,021,434	175,681	171,564	1,368,679
	74.63%	12.84%	12.54%	100.00%

Tennessee Wildlife Federation, Inc. and the Tennessee Wildlife Federation Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2009

Note 1 - Description and Purpose of Organization

Tennessee Wildlife Federation, Inc. ("TWF") and the Tennessee Wildlife Federation Foundation, Inc. (the "Foundation") are Tennessee not-for-profit corporations. The Foundation was founded in 1977 solely for the use and benefit of the TWF. The TWF was founded in 1946 and is the largest Tennessee statewide non-profit organization dedicated to the conservation of wildlife and natural resources through stewardship, advocacy, and education. The mission of TWF is "to champion the conservation, sound management, and enjoyment of Tennessee's wildlife and natural resources for current and future generations through stewardship, advocacy, and education."

Note 2 - Summary of Significant Accounting Policies

The consolidated financial statements include the accounts of the TWF and the Foundation (collectively, the "Organization") and have been prepared on the accrual basis of accounting, which means that revenues are recognized when earned and expenses are recorded when incurred. The financial statements are consolidated since the TWF has both an economic interest in the Foundation and control through the Foundation's Board. All significant transactions and balances between the two organizations have been eliminated in consolidation. The significant accounting policies of the Organization are described below to enhance the usefulness of the consolidated financial statements to the reader.

Use of Estimates

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

Investments

Investments are carried at fair value based on the quoted market price on the last business day of the reporting period. Changes in unrealized gains and losses on investments are recognized in the statement of activities for the year.

Accounts Receivable

Accounts receivable primarily represents amounts due from sales of trap machines within the Organization's Scholastic Clay Target Program. No allowance for doubtful accounts has been recorded as management believes all amounts are fully collectible.

Tennessee Wildlife Federation, Inc. and Tennessee Wildlife Federation Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows (unless immaterial). Conditional promises to give are not included as support until such time as the conditions are substantially met.

Property and Equipment

Property and equipment are recorded at cost, when purchased, or at estimated fair value, when gifted to the Organization. Significant additions and betterments are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Depreciation is calculated by the straight-line method to allocate the cost of depreciable assets, as so determined, to operations over the estimated useful lives as follows:

Furniture and Equipment	3-7 Years
Program Services Equipment	5 Years
Building Improvements	10 Years
Building	20 Years

Financial Statement Presentation

For consolidated financial statement presentation, the Organization reports its financial information according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based on the existence or absence of donor-imposed restrictions.

- Unrestricted Net Assets – Unrestricted net assets are donations that are not subject to donor-imposed stipulations. Monies received without restriction or released from restriction are generally used to finance the normal day-to-day operations of the Organization.
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- Temporarily Restricted Net Assets – Temporarily restricted net assets are donations that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. 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 restrictions. At December 31, 2009, temporarily restricted net assets of \$184,267 represent funds subject to various donor-imposed restrictions. (See Note 5).
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Tennessee Wildlife Federation, Inc. and Tennessee Wildlife Federation Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

Financial Statement Presentation (continued)

- Permanently Restricted Net Assets – Permanently restricted net assets are donations subject to donor-imposed stipulations that they be maintained permanently by the Organization. Net assets of the Foundation in the amount of \$200,000 are permanently restricted as an endowment for the benefit of the TWF. All income of the Foundation is available for operations and programs of the TWF. (See Note 6).

Grant Revenue

Expenditure-driven grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant. Grant funds received prior to expenditure are recorded initially as deferred revenue.

Donated Goods and Services

The Organization reports any gifts of equipment or materials as unrestricted support, absent any explicit donor restrictions as to how the assets must be used. Gifts of long-lived assets and/or support that are restricted to the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Donated facilities and materials are recorded as gifts in the period received at their estimated fair value, if there is an objective and measurable basis for determining such value.

Donated services are recognized if they create or enhance non-financial assets or if the donated service requires specialized skills, was performed by a donor who possesses such skills, and would have been purchased by the Organization if not donated. Such services are recognized at estimated fair value as support and expense in the period the services are performed.

Members of the Board have provided substantial assistance to the Organization by the donation of time and services. The value of this contribution is not reflected in the financial statements since it is not susceptible to objective measurement and valuation.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and non-financial data or reasonable subjective methods determined by management.

Tennessee Wildlife Federation, Inc. and Tennessee Wildlife Federation Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

Program and Supporting Services

The following program and supporting services classifications are included in the accompanying financial statements:

Program Service

- Education and Outreach – Advocates sound natural resource policies, provides various educational programs that promote understanding of Tennessee’s environment, and encourages natural resource conservation and community planning that balances conservation needs with sound economic growth.

Supporting Services:

- Management and General – Relates to the overall direction of the Organization. These expenses are not identifiable with a particular program or with fund raising, but are indispensable to the conduct of those activities and essential to the organization. Specific activities include organizational oversight, business management, record-keeping, budgeting, financing, and other administrative activities.
- Fund Raising – Includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitation and creation and distribution of fund raising materials.

Income Taxes

The TWF and the Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Effective January 1, 2009, the Organization adopted the guidance in ASC 740 on accounting for uncertainty in income taxes (formerly FIN 48). There was no effect on beginning net assets as a result of this accounting change. For all tax positions taken by the Organization, management believes it is clear that the likelihood is greater than 50 percent that the full amount of the tax positions taken will be ultimately realized. With few exceptions, the Organization is no longer subject to U.S. federal tax examinations by tax authorities for years before 2006. The Organization incurred no interest or penalties during the year ended December 31, 2009.

Tennessee Wildlife Federation, Inc. and Tennessee Wildlife Federation Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

Fair Value Measurements

Effective January 1, 2008, the Organization adopted FASB SFAS No. 157, Fair Value Measurements. This standard defines fair value, provides guidance for measuring fair value, and requires certain disclosures. The standard utilizes a fair value hierarchy which is categorized into three levels based on the inputs to the valuation techniques used to measure fair value. The standard does not require any new fair value measurements, but discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows), and the cost approach (cost to replace the service capacity of an asset or replacement cost). The Organization's investments are measured on a recurring basis at fair value at the reporting date using quoted prices in active markets for identical assets (Level 1).

Note 3 - Investments

As of December 31, 2009, investments include the following:

Mutual Fund	\$ 93,452
Money Market	42
	<u>\$ 93,494</u>

The mutual fund is an income fund with a three star rating from Morningstar. This fund had an unrealized gain of \$17,750 for the year ended December 31, 2009.

Note 4 - Property and Equipment

Property and Equipment consisted of the following as of December 31, 2009:

Land	\$ 66,193
Building	257,309
Vehicles	8,000
Furniture and Equipment	87,858
Program Services Equipment	242,324
Building Improvements	10,739
	672,423
Less Accumulated Depreciation	(428,145)
	<u>\$ 244,278</u>

Tennessee Wildlife Federation, Inc. and Tennessee Wildlife Federation Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2009

Note 5 – Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following as of December 31, 2009:

Hunters for the Hungry	\$ 27,259
Great Outdoors University	90,342
SCTP Scholarships	17,888
Chapters	17,206
Other	<u>31,572</u>
Total Temporarily Restricted Net Assets	<u>\$184,267</u>

Note 6 – Permanently Restricted Net Assets

Permanently restricted net assets consist of the net assets held in the Foundation. As of December 31, 2009, the sole assets of the Foundation are the land and building, which was acquired for the benefit of the TWF. The acquisition cost of this property was approximately \$323,000. At December 31, 2009, the net book value of the property was less than the \$200,000 permanently restricted endowment established. Management estimates that the fair value of this property exceeds \$200,000. In the event the property is ever sold for less than \$200,000, the TWF will be obligated to reimburse the Foundation for any deficit.

Note 7 – Operating Leases

During 2009 the Organization rented out the ground floor of its building (approximately 50% of its space) to a medical organization for \$2,191 per month. The Organization also rents out one office upstairs on a month-to-month basis to an individual. The rent was \$250 during 2009. Total rental income received from these arrangements in 2009 was \$30,981.

The Organization has operating leases for a copy machine and a postage meter. The lease payments for the copier are \$168 per month through June 2011. The lease payments for the postage meter equal \$109 per month through April, 2011.

In April of 2006 the organization entered into a 36 month lease agreement for a truck to be used by the executive director. The lease payments for the truck are \$327.95 and the total payments for 2009 were \$3,936.

Note 8 – Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and investments, pledges receivable, and accounts receivable. Cash balances are maintained with financial institutions and are insured up to \$250,000 by the Federal Deposit Insurance Corporation. Pledges and accounts receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources.

Tennessee Wildlife Federation, Inc. and Tennessee Wildlife Federation Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2009

Note 9 – Pension Plan

The Organization has a simple IRA for its employees. The plan calls for the Organization to match 100% of elective deferrals by employee up to 1% of the employee's salary. The total cost for matching deferrals for 2009 was \$2,663.