Tennessee Wildlife Federation, Inc. &
Tennessee Wildlife Federation Foundation, Inc.

Consolidated Financial Statements

December 31, 2012

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Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Tennessee Wildlife Federation, Inc. and Tennessee Wildlife Federation Foundation, Inc. (nonprofit organizations, collectively the "Organization") which comprise the consolidated statements of financial position as of December 31, 2012, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Auditor's report continued on next page)

Opinion

In our opinion, the 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, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of consolidated financial position on page 17, and the supplemental schedule of consolidated activities and changes in net assets are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McKerley & Noonan, P.C.
Nashville, TN
March 29, 2013

Tennessee Wildlife Federation, Inc.
and
Tennessee Wildlife Federation Foundation, Inc.
Consolidated Statement of Financial Position
December 31, 2012

Assets

Assets		
Cash in Bank	$	664,713
Investments (Note 3)		96,211
Accounts Receivable		65
Inventory (Note 4)		15,305
Property & Equipment at Cost, Less Accumulated Depreciation (Note 5)		148,432
Total Assets	$	924,726

Liabilities and Net Assets

Liabilities		
Accounts Payable	$	27,753
Accrued Payroll Liabilities		67,299
Other Accrued Liabilities		855
Line of Credit (Note 6)		5,000
Promissory Note (Note 6)		16,605
Total Liabilities		117,512
Net Assets:		
Unrestricted		349,744
Temporarily Restricted (Note 7)		175,412
Permanently Restricted (Note 8)		282,058
Total Net Assets		807,214
Total Liabilities and Net Assets	$	924,726

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, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support & Revenue				
Contributions	$ 409,345	$ 261,692	$ -	$ 671,037
Wetland Mitigation Fees (Note 9)	105,500	-	-	105,500
Foundation & State Grant Revenue	-	355,585	-	355,585
Special Events & Activities	541,811	-	-	541,811
Investment Income	13,368	-	-	13,368
Rental Income	28,733	-	-	28,733
Gifts in Kind - Goods	15,286	-	-	15,286
Miscellaneous Income	9,496	-	-	9,496
Net Assets Released from Restrictions	643,726	(643,726)	-	-
Total Support & Revenue	1,767,265	(26,449)	-	1,740,816
Program Services				
Education & Outreach	1,275,275	-	-	1,275,275
Total Program Services	1,275,275	-	-	1,275,275
Supporting Services				
Management & General	181,496	-	-	181,496
Fundraising	223,148	-	-	223,148
Total Supporting Services	404,645	-	-	404,645
Total Expenses	1,679,920	-	-	1,679,920
Change in Net Assets	87,345	(26,449)	-	60,896
Net Assets, Beginning of Year	262,399	201,861	282,058	746,318
Net Assets, End of Year	$ 349,744	$ 175,412	$ 282,058	$ 807,214

Tennessee Wildlife Federation, Inc.
and
Tennessee Wildlife Federation Foundation, Inc.
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2012

Cash Flows from Operating Activities		
Change in Net Assets	$	60,896
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation		56,737
Unrealized Gain on Investments		(5,704)
Gain on Disposal of Assets		(5,557)
Decrease in Accounts Receivable		71,961
Increase in Inventory		(15,305)
Increase in Accounts Payable & Accrued Payroll Liabilities		36,573
Decrease in Other Accrued Liabilities		(7,683)
Total Adjustments		131,022
Net Cash Provided by Operating Activities		191,918
Cash Flows from Investing Activities		
Purchase of Fixed Assets		(29,955)
Proceeds from Sale of Fixed Assets		6,000
Purchase of Investments		(5,332)
Sale of Investments		6,015
Net Cash Used by Investing Activities		(23,272)
Net Decrease in Cash		168,646
Cash in Bank Beginning of Year		496,067
Cash in Bank End of Year	$	664,713
Interest Paid during 2012	$	1,201

Tennessee Wildlife Federation, Inc.
and
Tennessee Wildlife Federation Foundation, Inc.
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2012

	Program Services	Supporting Services		
	Education & Outreach	Management & General	Fundraising	**Total**
Salaries	$ 383,928	$ 93,946	$ 147,047	$ 624,921
Payroll Taxes & Benefits	58,747	13,864	33,581	106,192
Total Salaries & Related Expenses	442,675	107,810	180,628	731,113
Advertising	660	-	-	660
Bank Fees	3,082	1,301	-	4,383
Contract Labor	56,291	406	-	56,697
Contracted Services	89,400	20,608	6,394	116,402
Depreciation	50,471	3,139	3,127	56,737
Dues and Subscriptions	6,464	1,348	917	8,729
Equipment Lease	2,228	1,212	469	3,909
In-Kind Donations	5,072	-	-	5,072
Insurance	19,623	16,752	579	36,954
Interest Expense	-	1,201	-	1,201
Merchandise and Supplies	194,136	2,933	6,052	203,121
Miscellaneous	11,621	(5,901)	3,006	8,726
Occupancy	5,469	2,974	1,151	9,595
Postage and Freight	3,022	3,239	233	6,494
Printing & Communication	31,787	664	1,222	33,673
Processing Fees	62,705	-	-	62,705
Professional Fees	21,226	7,434	-	28,660
Program Events & Supplies	135,853	-	2,367	138,220
Property Management	41,633	-	-	41,633
Scholarships & Grants	20,632	-	-	20,632
Storage	6,542	2,118	-	8,660
Telephone	6,447	5,166	3,580	15,193
Travel and Meetings	58,236	9,092	13,423	80,751
Total Functional Expenses	$ 1,275,275	$ 181,496	$ 223,148	$ 1,679,920

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

Notes to Consolidated Financial Statements
December 31, 2012

NOTE 1 - DESCRIPTION AND PURPOSE OF THE ORGANIZATION

Tennessee Wildlife Federation, Inc. ("TWF") and the Tennessee Wildlife Federation Foundation, Inc. (the "Foundation") are Tennessee non-profit corporations (collectively "the Organization"). The Foundation was founded in 1977 solely for the use and benefit of the TWF. The TWF was founded in 1946 and is the oldest and one of the largest Tennessee statewide non-profit organizations dedicated to the conservation of wildlife and natural resources through stewardship, advocacy, and education. The mission of TWF is "leading the conservation, sound management, and wise use of Tennessee's wildlife and great outdoors".

The Organization receives contributions from individuals, foundations and corporations related to its primary purpose. The organization also receives revenues by selling wetland mitigation credits.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the accounts of the TWF and the Foundation 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

For 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.

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, 2012, there were $175,412 of funds subject to various donor-imposed restrictions (See Note 6).

Permanently Restricted Net Assets

Permanently restricted net assets are donations subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of December 31, 2012, 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 7). Additionally, $82,058 of net assets are permanently restricted for the maintenance of an easement. Total permanently restricted net assets at December 31, 2012 were $282,058.

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.

Fair Value Measurements

The Organization has adopted ASC 820, 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).

Accounts Receivable

Accounts receivable primarily represents pledges and grants receivable to be received within the first six months of 2012. The Organization expenses bad debt in the period in which the receivable is deemed uncollectible. No allowance for doubtful accounts has been recorded in the current year as management believes all amounts are fully collectible.

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. At December 31, 2012 the Organization had no pledged receivables.

Property & 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 & Equipment	3 - 7 years
Program Services Equipment	5 years
Building Improvements	10 Years
Building	20 Years

Donated Goods & 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.

Program and Supporting Services

The following program and supporting services classifications are included in the accompanying consolidated 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.

Tennessee Mitigation Fund – The fund collects fees on behalf of the public to pool together and fund the repair and maintenance of restored wetland mitigation sites. See note 9.

Supporting Services:

Management and General – Relates to the overall direction of the Organization. These expenses are not identifiable with a particular program or with fundraising, 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.

Fundraising – 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 fundraising 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).

The Organization adopted the guidance in ASC 740 on accounting for uncertainty in income taxes. 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 2009. The Organization incurred no interest or penalties during the year ended December 31, 2012.

NOTE 3 – INVESTMENTS

As of December 31, 2012, investments consisted of a mutual fund and money market account (all Level 1) which at December 31, 2012 amounted to $86,824 and $9,387 respectively. The mutual fund is an income fund with a three star rating from Morningstar. This fund had a net gain from realized and unrealized gains and losses of $11,036 for the year ended December 31, 2012.

NOTE 4 – INVENTORY

The Organization has recorded inventory consisting of ammunition. The inventory is recorded at cost which approximates fair market value and amounted to $15,305 at December 31, 2012.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following as of December 31, 2012:

Land	$ 66,193
Building	257,309
Vehicles	12,780
Furniture & Equipment	88,593
Program Services Equipment	269,957
Building Improvements	30,686
	725,518
Less: Accumulated Depreciation	(577,086)
Property & Equipment, Net	$ 148,432

NOTE 6 – NOTES PAYABLE AND CREDIT LINES

The Organization has signed a promissory note payable to Tennessee Bank & Trust with an interest rate of 6.5% which matures in July of 2013. The outstanding balance of the note is $16,605 at December 31, 2012.

The Organization also has a $45,000 line of credit with First Tennessee Bank bearing interest at Prime + 1%. The credit line was renewed in January of 2013 and matures in January of 2014. The outstanding balance of the note is $5,000 at December 31, 2012.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of December 31, 2012:

Hunters for the Hungry	$ 66,012
Great Outdoors University	77,057
Davis P Rice Fund	11,301
Other	21,042
Total Temporarily Restricted Net Assets	$ 175,412

NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of $200,000 of the net assets held in the Foundation and $82,058 related to an easement as discussed in note 2. As of December 31, 2012, 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, 2012, 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 9 – WETLAND MITIGATION

The Organization collects fees on behalf of the public to pool together and fund the repair and maintenance of restored wetland mitigation sites. Revenue for the fund is recorded when the funds are received and the certificate is issued. When an applicant seeks permit approval from regulatory authorities overseeing water and wetlands, the Organization will identify mitigation sites and work with landowners to restore those sites to permanently functioning wetlands. After construction, the site must be monitored for proper hydrology and vegetation annually for five years, and again at seven and 10 years to ensure the successful restoration of lost wetland functions. By rule, net proceeds from projects will be held in escrow for both maintenance and future wetlands projects, along with any interest gained on the escrow account.

NOTE 10 – ENDOWMENTS

The Organization’s endowment consists of a permanently restricted contribution for the monitoring of a conservation easement. As required by generally accepted accounting principles in the United States, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law- The Organization has interpreted the Tennessee Prudent Management of Institutional Funds Act (TPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by TPMIFA. In accordance with TPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) The duration and preservation of the fund, (2) The purposes of the organization and the donor-restricted endowment fund: (3) General economic conditions, (4) The possible effect of inflation and deflation, (5) The expected total return from income and the appreciation of investments, (6) Other resources of the organization, and (7) The investment policies of the Organization.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or TPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2012.

Return Objectives and Risk Parameters – the Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 6 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

<u>Spending Policy and How the Investment Objectives Relate to Spending Policy</u> - The Organization has a policy of appropriating for distribution each year the earnings of the investment for the continued monitoring of the easement.

Endowment fund activity for the year is summarized in the following schedule:

Changes in Endowment Net Assets
For the year ended 12/31/2012

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	-	82,058	82,058
Investment income (realized & unrealized)	6,015	-	6,015
Appropriation of endowment assets for expenditure	(6,015)	-	(6,015)
Endowment net assets, end of year	-	82,058	82,058

NOTE 11 – OPERATING LEASES

During 2012 the Organization rented out the ground floor of its building (approximately 50% of its space) to a medical organization; the base rent is $2,394.40 per month. Total rental income received in 2012 was $28,733.

NOTE 12 – 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.

The Organization's operations are concentrated in Tennessee.

NOTE 13 – 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 2012 was $5,028.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 29, 2013, the date that the financial statements were available to be issued.

Tennessee Wildlife Federation, Inc. and Tennessee Wildlife Federation Foundation, Inc.
Consolidated Schedule of Financial Position
December 31, 2012

	General Fund	Wetland Mitigation Program	Foundation	Eliminations	Total
		Assets			
Assets					
Cash in Bank	$ 562,213	$ 102,500	$ -	$ -	$ 664,713
Investments	96,211	-	-	-	96,211
Accounts Receivable	47,910	-	-	(47,845)	65
Due from TWF	-	-	200,000	(200,000)	-
Inventory	15,305	-	-	-	15,305
Property & Equipment at Cost, Less Accumulated Depreciation	148,432	-	-	-	148,432
Total Assets	$ 870,071	$ 102,500	$ 200,000	$ (247,845)	$ 924,726
		Liabilities and Net Assets			
Liabilities					
Accounts Payable	$ 27,753	$ 47,845	$ -	$ (47,845)	$ 27,753
Accrued Payroll Liabilities	67,299	-	-	-	67,299
Other Accrued Liabilities	855	-	-	-	855
Due to Foundation	200,000	-	-	(200,000)	-
Line of Credit	5,000	-	-	-	5,000
Promissory Note	16,605	-	-	-	16,605
Total Liabilities	317,512	47,845	-	(247,845)	117,512
Net Assets:					
Unrestricted	295,089	54,655	-	-	349,744
Temporarily Restricted	175,412	-	-	-	175,412
Permanently Restricted	82,058	-	200,000	-	282,058
Total Net Assets	552,559	54,655	200,000	-	807,214
Total Liabilities and Net Assets	$ 870,071	$ 102,500	$ 200,000	$ (247,845)	$ 924,726

Tennessee Wildlife Federation, Inc. and Tennessee Wildlife Federation Foundation, Inc.
Consolidated Schedule of Activities and Changes in Net Assets
For the Year Ended December 31, 2012

	General Fund	Wetland Mitigation Program	Foundation	Eliminations	Total
Support & Revenue					
Contributions	$ 671,037	$ -	$ -	$ -	$ 671,037
Wetland Mitigation	-	105,500	-	-	105,500
Foundation & State Grant Revenue	355,585	-	-	-	355,585
Special Events & Activities	589,656	-	-	(47,845)	541,811
Investment Income	13,368	-	-	-	13,368
Rental Income	28,733	-	-	-	28,733
Gifts in Kind - Goods	15,286	-	-	-	15,286
Miscellaneous Income	9,496	-	-	-	9,496
Total Support & Revenue	1,683,161	105,500	-	(47,845)	1,740,816
Expenses					
Salaries	$ 624,921	$ 24,022	$ -	$ (24,022)	$ 624,921
Payroll Taxes & Benefits	106,192	-	-	-	106,192
Advertising	660	387	-	(387)	660
Bank Fees	4,383	-	-	-	4,383
Contract Labor	56,697	-	-	-	56,697
Contracted Services	116,402	-	-	-	116,402
Depreciation	56,737	-	-	-	56,737
Dues and Subscriptions	8,729	-	-	-	8,729
Equipment Lease	3,909	-	-	-	3,909
In-Kind Donations	5,072	-	-	-	5,072
Insurance	36,758	1,536	-	(1,340)	36,954
Interest Expense	1,201	-	-	-	1,201
Merchandise and Supplies	203,121	-	-	-	203,121
Miscellaneous	8,726	9	-	(9)	8,726
Occupancy	9,595	-	-	-	9,595
Postage and Freight	6,494	-	-	-	6,494
Printing & Communication	33,673	1,174	-	(1,174)	33,673
Processing Fees	62,705	-	-	-	62,705
Professional Fees	25,856	20,939	-	(18,135)	28,660
Program Events & Supplies	138,220	360	-	(360)	138,220
Property Management	41,633	-	-	-	41,633
Scholarships & Grants	20,632	-	-	-	20,632
Storage	8,660	-	-	-	8,660
Telephone	15,193	1,409	-	(1,409)	15,193
Travel and Meetings	80,751	1,009	-	(1,009)	80,751
Total Expenses	1,676,920	50,845	-	(47,845)	1,679,920
Change in Net Assets	6,241	54,655	-	-	60,896
Net Assets, Beginning of Year	546,318	-	200,000	-	746,318
Net Assets, End of Year	$ 552,559	$ 54,655	$ 200,000	$ -	$ 807,214

See Notes to the Financial Statements

McKerley & Noonan, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

March 29, 2013

To the Board of:
Tennessee Wildlife Federation, Inc., Nashville, TN

In planning and performing our audit of the financial statements of Tennessee Wildlife Federation, Inc. as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Tennessee Wildlife Federation, Inc.'s internal controls over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in Tennessee Wildlife Federation, Inc.'s internal control to be significant deficiencies:

Inadequate design of a control over sales of merchandise at events: The Organization sells merchandise at events and collects cash payments. In our opinion the controls to monitor the collection of cash and the control of merchandise are not consistently followed and need to be improved. We recommend a process in which the items to be sold are tallied prior to an event and at the conclusion of the event when employees return to the home office. The difference between the two tallies should equal the number of items sold and correspond to the payments received via cash or

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other means. Furthermore, we recommend utilizing a sequentially numbered receipt book for all sales. A receipt should be completed for each sale and the total receipts should be monitored for any missing receipts and compared to the payments collected on-site.

This communication is intended solely for the information and use of management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

McKerley & Noonan

McKerley & Noonan, P.C.
Nashville, TN