McKerley & Noonan, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

May 9, 2012

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

In planning and performing our audit of the financial statements Tennessee Wildlife Federation, Inc. as of and for the year ended December 31, 2011, 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

Consolidated Financial Statements
December 31, 2011

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McKerley & Noonan, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

We have audited the accompanying consolidated statement of financial position of Tennessee Wildlife Federation, Inc. and the Tennessee Wildlife Federation Foundation, Inc. (nonprofit organizations, collectively the "Organization") as of December 31, 2011, 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 financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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, 2011, 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 9, 2012

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Tennessee Wildlife Federation, Inc.
and
Tennessee Wildlife Federation Foundation, Inc.
Consolidated Statement of Financial Position
December 31, 2011

Assets

Assets		
Cash in Bank	$	496,067
Investments (Note 3)		91,190
Accounts Receivable		72,026
Property & Equipment at Cost, Less Accumulated Depreciation (Note 4)		175,657
Total Assets	$	834,940

Liabilities and Net Assets

Liabilities		
Accounts Payable	$	32,478
Accrued Payroll Liabilities		26,001
Other Accrued Liabilities		8,538
Line of Credit		5,000
Related Party Payable (Note 5)		16,605
Total Liabilities		88,622
Net Assets:		
Unrestricted		262,399
Temporarily Restricted (Note 6)		201,861
Permanently Restricted (Note 7)		282,058
Total Net Assets		746,318
Total Liabilities and Net Assets	$	834,940

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, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support & Revenue				
Membership Dues & Contributions	$ 290,636	$ 231,817	$ -	$ 522,453
Foundation & State Grant Revenue	-	393,950	-	393,950
Special Events & Activities	621,929	-	-	621,929
Investment Income	3,874	-	-	3,874
Rental Income	30,165	-	-	30,165
Miscellaneous Income	4,159	-	-	4,159
Net Assets Released from Restrictions	618,444	(618,444)	-	-
Total Support & Revenue	1,569,207	7,323	-	1,576,530
Program Services				
Education & Outreach	1,250,567	-	-	1,250,567
Total Program Services	1,250,567	-	-	1,250,567
Supporting Services				
Management & General	137,184	-	-	137,184
Fundraising	225,781	-	-	225,781
Total Supporting Services	362,965	-	-	362,965
Total Expenses	1,613,532	-	-	1,613,532
Change in Net Assets	(44,325)	7,323	-	(37,002)
Net Assets, Beginning of Year before adjustment	380,214	194,538	200,000	774,752
Prior Period Adjustment	(73,490)	-	82,058	8,568
Net Assets, Beginning of Year after adjustment	306,724	194,538	282,058	783,320
Net Assets, End of Year	$ 262,399	$ 201,861	$ 282,058	$ 746,318

Tennessee Wildlife Federation, Inc.
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2011

Cash Flows from Operating Activities		
Change in Net Assets	$	(37,002)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation		59,349
Unrealized Gain on Investments		(2,451)
Increase in Accounts Receivable		(43,928)
Decrease in Prepaid Expenses		1,000
Decrease in Accounts Payable & Accrued Payroll Liabilities		(2,292)
Increase in Other Accrued Liabilities		4,661
Prior Period Adjustment		8,568
Total Adjustments		24,907
Net Cash Provided by Operating Activities		(12,095)
Cash Flows from Investing Activities		
Purchase of Fixed Assets		(15,777)
Sale of Investments		15,743
Net Cash Used by Investing Activities		(34)
Cash Flows from Financing Activities		
Borrowings on Line of Credit		5,000
Net Cash Provided by Financing Activities		5,000
Net Decrease in Cash		(7,129)
Cash in Bank Beginning of Year		503,196
Cash in Bank End of Year	$	496,067
Interest Paid during 2011	$	1,209

Tennessee Wildlife Federation, Inc.
and
Tennessee Wildlife Federation Foundation, Inc.
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2011

	Program Services	Supporting Services		
	Education & Outreach	Management & General	Fundraising	**Total**
Salaries	$ 335,675	$ 55,600	$ 130,689	$ 521,964
Payroll Taxes & Benefits	52,594	9,875	21,057	83,526
Total Salaries & Related Expenses	388,269	65,475	151,746	605,490
Property Management	85,343	-	-	85,343
Telephone	5,286	6,040	3,433	14,759
Occupancy	12,077	6,568	2,542	21,187
Storage	4,855	1,404	-	6,259
Advertising	3,003	-	-	3,003
Contract Labor	60,474	3,693	1,114	65,281
Dues and Subscriptions	12,965	1,634	-	14,599
Program Events & Supplies	134,071	-	2,890	136,961
Bank Fees	3,215	3,121	-	6,336
Merchandise and Supplies	150,194	10,058	2,690	162,942
Insurance	8,539	(5,743)	-	2,796
Postage and Freight	1,965	1,982	435	4,382
Printing & Communication	23,412	1,195	3,323	27,930
Processing Fees	61,478	-	-	61,478
Repairs and Maintenance	13	1,028	-	1,041
Scholarships & Grants	19,847	-	-	19,847
Travel and Meetings	55,172	7,044	13,988	76,204
Contracted Services	123,830	3,932	36,904	164,666
Miscellaneous	528	1,882	1,445	3,855
Interest Expense	-	1,209	-	1,209
Equipment Lease	3,578	1,946	753	6,278
Depreciation	50,197	4,635	4,517	59,349
Bad Debt Expense	-	2,000	-	2,000
Professional Fees	42,256	18,081	-	60,337
Total Functional Expenses	$ 1,250,567	$ 137,184	$ 225,781	$ 1,613,532

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

Notes to Consolidated Financial Statements
December 31, 2011

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. 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 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 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, 2011, there were $201,861 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, 2011, 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, 2011 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

Effective January 1, 2008, the Organization 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, 2011 the Organization has recorded a $50,000 unconditional promise to give from an individual as well as a $20,000 receivable from the National Wildlife Federation.

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 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 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.

Conservation Easements

As of December 31, 2011 the Organization held two conservation easements. The conservation easements are voluntary contracts between the landowner and the Organization in which the owner places restrictions on the future use of the property. The contracts limit the number and size of structures and the modification of the natural land. The Landowner retains ownership of the land and is responsible for maintenance. The Organization holds the conservation easement and is responsible for routine monitoring to ensure compliance with the terms of the easement. The Organization is also responsible for defending the easement should the terms be threatened or violated.

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. 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 2008. The Organization incurred no interest or penalties during the year ended December 31, 2011.

NOTE 3 – INVESTMENTS

As of December 31, 2011, investments consisted of a mutual fund. The mutual fund is an income fund with a three star rating from Morningstar. This fund had an unrealized Gain of $2,451 for the year ended December 31, 2011.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following as of December 31, 2011:

Land	$ 66,193
Building	257,309
Vehicles	20,780
Furniture & Equipment	98,447
Program Services Equipment	257,297
Building Improvements	19,491
	719,517
Less: Accumulated Depreciation	(543,860)
	$ 175,657

NOTE 5 – RELATED PARTY TRANSACTIONS

A member of the Board of Directors of the Organization borrowed $30,000 in the form of a promissory note from Tennessee Bank & Trust during 2010 and in turn allowed the Organization to draw down on the promissory note to help fund certain programs of the Organization. The promissory note carries an interest rate of 6.5% and does not have an expiration date. The Organization has been making interest payments directly to Tennessee Bank & Trust. The outstanding balance of the note is $16,605 at December 31, 2011. No formal note agreement exists between the Organization and the board member.

The Organization also has also recorded a receivable from the National Wildlife Federation, a related party, in the amount of $20,000.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of December 31, 2011:

Hunters for the Hungry	$ 44,945
Great Outdoors University	116,529
Davis P Rice Fund	11,158
Other	29,229
Total Temporarily Restricted Net Assets	$ 201,861

NOTE 7 – 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, 2011, 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, 2011, 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 8 – ENDOWMENTS

The Organization's endowment consists of a permanently restricted contribution for the monitoring of a conservation easement. As required by GAAP, 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.

<u>Funds with Deficiencies</u> - 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, 2011.

<u>Return Objectives and Risk Parameters</u> – 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.

<u>Strategies Employed for Achieving Objectives</u> - 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 12/31/11

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	-	82,058	82,058
Investment income (realized & unrealized)	2,507	-	2,507
Appropriation of endowment assets for expenditure	(2,507)	-	(2,507)
Endowment net assets, end of year	-	82,058	82,058

NOTE 9 – OPERATING LEASES

During 2011 the Organization rented out the ground floor of its building (approximately 50% of its space) to a medical organization; the base rent is $2,257 per month. Total rental income received in 2011 was $30,165.

The Organization has operating leases for a postage meter. The lease payments for the postage meter equal $124 per month through April, 2016. Future minimum lease payments for the postage meter are as follows:

2012	2013	2014	2015	2016
$1,488	$1,488	$1,488	$1,488	$620

NOTE 10 – 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.

NOTE 11 – 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 2011 was $4,198.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

During 2011, two chapters, Gibson & Madison county, were included in the financial statements for TWF. Since the chapter activity was not included in 2010 the financial statements reflect a prior period adjustment related to the inclusion of the chapters. Additionally, the organization had received $82,058 in permanently restricted funds prior to December 31, 2010 which were not reflected in the financial statements dated December 31, 2010.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 9, 2012, the date that the financial statements were available to be issued.