

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

**Consolidated Financial Statements**  
**and**  
**Independent Auditors' Report**

**December 31, 2008**

## Table of Contents

Independent Auditors' Report .....	1
<u>Consolidated Financial Statements</u>	
Consolidated Statement of Financial Position .....	2
Consolidated Statement of Activities and Changes in Net Assets .....	3
Consolidated Statement of Cash Flows.....	4
Consolidated Statement of Functional Expenses .....	5
Notes to Consolidated Financial Statements.....	6

*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, 2008 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, 2008, 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.  
October 6, 2009

**Tennessee Wildlife Federation, Inc.**  
**and**  
**Tennessee Wildlife Federation Foundation, Inc.**  
**Consolidated Statement of Financial Position**  
**December 31, 2008**

**Assets**

<b>Current Assets</b>	
Cash in Bank	\$ 293,355
Investments at Market (Note 3)	87,927
Pledges Receivable	16,100
Accounts Receivable	41,235
Net Property and Equipment (Note 4)	<u>243,447</u>
<b>Total Current Assets</b>	<u>682,064</u>
<b>Total Assets</b>	<u><u>\$ 682,064</u></u>

**Liabilities and Net Assets**

<b>Current Liabilities</b>	
Accounts Payable	\$ 902
Accrued Payroll Liabilities	225
Credit Card Payable	5,149
Deferred Revenue	<u>1,750</u>
<b>Total Current Liabilities</b>	8,026
<b>Net Assets</b>	
Unrestricted	305,457
Temporarily Restricted	168,581
Permanently Restricted	<u>200,000</u>
<b>Total Net Assets</b>	<u>674,038</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 682,064</u></u>

**Tennessee Wildlife Federation, Inc.**  
**and**  
**Tennessee Wildlife Federation Foundation, Inc.**  
**Consolidated Statement of Activities and Changes in Net Assets**  
**Year Ended December 31, 2008**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Gains and Other Support</b>				
Membership Dues and Contributions	\$ 47,911	\$ 185,626	\$ -	\$ 233,537
Foundation & State Grant Revenue	34,532	499,968	-	534,500
In-Kind Donation - Forgiveness of Debt	25,000	-	-	25,000
Special Events and Activities	425,072	104,823	-	529,895
Net Investment Income (Loss)	(29,361)	-	-	(29,361)
Rental Income	29,899	-	-	29,899
Miscellaneous Income	1,171	264	-	1,435
Net Assets Released from Restrictions	<u>1,134,840</u>	<u>(1,134,840)</u>	<u>-</u>	<u>-</u>
<b>Total Revenues, Gains and Other Support</b>	<u>1,669,064</u>	<u>(344,159)</u>	<u>-</u>	<u>1,324,905</u>
<b>Program Services</b>				
Education and Outreach	<u>1,045,804</u>	<u>-</u>	<u>-</u>	<u>1,045,804</u>
<b>Total Program Services</b>	<u>1,045,804</u>	<u>-</u>	<u>-</u>	<u>1,045,804</u>
<b>Supporting Services</b>				
Management and General	114,765	-	-	114,765
Fundraising	<u>197,411</u>	<u>-</u>	<u>-</u>	<u>197,411</u>
<b>Total Supporting Services</b>	<u>312,176</u>	<u>-</u>	<u>-</u>	<u>312,176</u>
<b>Change in Net Assets</b>	311,084	(344,159)	-	(33,075)
<b>Net Assets at Beginning of Year</b>				
As Previously Reported	(33,977)	512,740	200,000	678,763
Less: Prior Period Correction (Note 10)	<u>28,350</u>	<u>-</u>	<u>-</u>	<u>28,350</u>
As Restated	(5,627)	512,740	200,000	707,113
<b>Net Assets at End of Year</b>	<u>\$ 305,457</u>	<u>\$ 168,581</u>	<u>\$ 200,000</u>	<u>\$ 674,038</u>

See Notes to the Consolidated Financial Statements

**Tennessee Wildlife Federation, Inc.**  
**and**  
**Tennessee Wildlife Federation Foundation, Inc.**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2008**

<b>Cash Flows from Operating Activities</b>	
Change in Net Assets	\$ (33,075)
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities</b>	
Depreciation and Amortization	48,427
Non-Cash Forgiveness of Debt	(25,000)
Unrealized Loss on Investments	30,842
Decreases in Pledges Receivable	13,614
Increase in Accounts Receivable	(12,676)
Increase in Deferred Revenue	1,750
Decrease in Accounts Payable	(7,390)
Decrease in Accrued Payroll Liabilities	(10,689)
Increase in Credit Card Payable	761
<b>Total Adjustments</b>	<u>39,639</u>
<b>Net Cash Provided by Operating Activities</b>	6,564
<b>Cash Flows From Investing Activities</b>	
Cash Payments for the Purchase of Fixed Assets	<u>(94,915)</u>
<b>Net Cash Used in Investing Activities</b>	(94,915)
<b>Net Decrease in Cash</b>	(88,351)
<b>Cash in Bank, Beginning of Year</b>	<u>381,706</u>
<b>Cash in Bank, End of Year</b>	<u>\$ 293,355</u>

See Notes to the Consolidated Financial Statements

**Tennessee Wildlife Federation, Inc.**  
**and**  
**Tennessee Wildlife Federation Foundation, Inc.**  
**Consolidated Statement of Functional Expenses**  
**For the Year Ended December 31, 2008**

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
	Education and Outreach	Management and General	Fund Raising	
Salaries	\$ 196,092	\$ 49,810	\$ 50,251	\$ 296,153
Payroll Taxes and Benefits	13,130	3,335	3,365	19,830
<b>Total Salaries and Related Expenses</b>	<b>209,222</b>	<b>53,145</b>	<b>53,616</b>	<b>315,983</b>
Occupancy	10,001	2,541	2,563	15,105
Advertising	104,141	-	-	104,141
Contract Labor	56,892	-	-	56,892
Contract Services	251,809	-	3,178	254,987
Dues and Subscriptions	5,608	1,425	1,437	8,470
Event Expenses	50,209	-	99,143	149,352
Equipment Lease	2,766	702	709	4,177
Fees and Bank Charges	4,069	1,034	1,043	6,146
Merchandise and Supplies	147,735	-	3,189	150,924
Office Supplies and Expense	-	18,470	-	18,470
Postage and Freight	13,666	3,005	16,779	33,450
Printing	17,429	1,151	9,224	27,804
Processing Fees	51,043	-	-	51,043
Professional Fees	-	15,758	-	15,758
Program Coordination	655	-	-	655
Repairs and Maintenance	1,488	378	381	2,247
Scholarships & Grants	24,911	-	-	24,911
Travel and Meetings	51,649	14,210	3,178	69,037
Depreciation	42,511	2,946	2,971	48,428
<b>Total Expenses</b>	<b>\$ 1,045,804</b>	<b>\$ 114,765</b>	<b>\$ 197,411</b>	<b>\$ 1,357,980</b>

**Tennessee Wildlife Federation, Inc. and the Tennessee Wildlife Federation Foundation, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2008**

**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 includes \$20,493 due from the State of Tennessee for the specialty license tag program for sales made in 2008. This amount was collected in early 2009.



**Tennessee Wildlife Federation, Inc. and Tennessee Wildlife Federation Foundation, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2008**

**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.

An allowance for uncollectible pledges has not been provided based on management's determination that all recorded pledges are fully collectible.

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.

**Tennessee Wildlife Federation, Inc. and Tennessee Wildlife Federation Foundation, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2008**

**Note 2 - Summary of Significant Accounting Policies (continued)**

Financial Statement Presentation (continued)

- **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, 2008, temporarily restricted net assets of \$168,581 represent funds subject to various donor-imposed restrictions. (See Note 5).
  
- **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.

**Tennessee Wildlife Federation, Inc. and Tennessee Wildlife Federation Foundation, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2008**

**Note 2 - Summary of Significant Accounting Policies (continued)**

Donated Goods and Services (continued)

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.

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.

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.

Income Taxes

The TWF and the Foundation qualify as not-for-profit organizations exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and therefore, no provision for federal or state income taxes is applicable.

**Tennessee Wildlife Federation, Inc. and Tennessee Wildlife Federation Foundation, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2008**

**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, 2008, investments include the following:

Mutual Fund	\$ 69,263
Money Market	18,664
	<u>\$ 87,927</u>

The mutual fund is an income fund with a three star rating from Morningstar. This fund had an unrealized loss of \$30,842 for the year ended December 31, 2008.

**Note 4 – Property and Equipment**

Property and Equipment consisted of the following as of December 31, 2008:

Land	\$ 66,193
Building	257,309
Furniture and Equipment	84,780
Program Services Equipment	198,882
Building Improvements	10,739
	617,903
Less Accumulated Depreciation	(374,456)
	<u>\$ 243,447</u>

**Tennessee Wildlife Federation, Inc. and Tennessee Wildlife Federation Foundation, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2008**

**Note 5 – Temporarily Restricted Net Assets**

Temporarily restricted net assets consisted of the following as of December 31, 2008:

SCTP	\$ 60,289
Nature Link Program	11,955
West Tennessee Youth Jamboree	7,293
Cumberland Plateau Project	46,605
Champion the Cause	28,780
Other	13,659
Total Temporarily Restricted Net Assets	\$168,581

**Note 6 – Permanently Restricted Net Assets**

Permanently restricted net assets consist of the net assets held in the Foundation. As of December 31, 2008, 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, 2008, 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 2008 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 2008. Total rental income received from these arrangements in 2008 was \$29,899.

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 2008 were \$3,607.

**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, 2008**

**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 2008 was \$1,641.

**Note 10 - Prior Period Correction**

Unrestricted Net Assets of the Organization as of the beginning of the year have been adjusted to properly reflect the Organization's capitalization of clay target machines purchased in a previous year.

**Note 11 – Forgiveness of Debt**

In March 2001, the Organization obtained a \$25,000 non-interest bearing loan from the National Ecological Foundation, with no repayment terms. During 2008, the National Ecological Foundation forgave the note and as a result, the Organization recorded an in-kind donation of \$25,000.