

**TENNESSEE WILDLIFE FEDERATION INCORPORATED
AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

TENNESSEE WILDLIFE FEDERATION INCORPORATED AND AFFILIATES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Tennessee Wildlife Federation Incorporated and affiliates
Nashville, Tennessee

We have audited the accompanying consolidated financial statements of Tennessee Wildlife Federation Incorporated and affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2016 and the related consolidated statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tennessee Wildlife Federation Incorporated and affiliates as of June 30, 2016, 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.

Correction of Error

As described in Note 16 to the financial statements, the Organization restated the classification of net assets at June 30, 2015 to properly reflect unrestricted and temporarily restricted net assets. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 20 and 21 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, activities and changes in net assets of the individual organizations, and is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Fraser, Dean + Howard, PLLC

Nashville, Tennessee
November 1, 2016

TENNESSEE WILDLIFE FEDERATION INCORPORATED AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2016

Assets	
Cash and cash equivalents (Note 3)	\$ 821,438
Restricted cash and cash equivalents (Note 3)	1,993,605
Investments	114,848
Accounts receivable	31,806
Pledges receivable	95,500
Inventory	6,152
Prepaid expenses	46,397
Property and equipment, net accumulated depreciation of \$651,504 (Note 6)	238,512
Agency endowment fund (Note 12)	<u>5,747</u>
Total assets	<u><u>\$ 3,354,005</u></u>
Liabilities and Net Assets	
Liabilities:	
Accounts payable	\$ 227,660
Accrued payroll	45,063
Accrued paid time off	<u>56,939</u>
Total liabilities	<u>329,662</u>
Net assets:	
Unrestricted:	
Designated - Wetland mitigation restrictions (Note 10)	1,957,811
Undesignated	<u>489,399</u>
Total unrestricted	2,447,210
Temporarily restricted (Note 8)	289,796
Permanently restricted (Note 9)	<u>287,337</u>
Total net assets	<u>3,024,343</u>
Total liabilities and net assets	<u><u>\$ 3,354,005</u></u>

See accompanying notes to financial statements.

TENNESSEE WILDLIFE FEDERATION INCORPORATED AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Contributions	\$ 278,859	\$ 391,168	\$ -	\$ 670,027
Foundation and state grant revenue	558,021	98,927	-	656,948
Wetland mitigation credits	455,475	-	-	455,475
Program events and activities	296,856	-	-	296,856
Specialty license plates	124,351	16,916	-	141,267
Gain on disposal of property and equipment	20,030	-	-	20,030
Gifts in kind - goods	6,100	-	-	6,100
Investment income	1,374	-	-	1,374
Miscellaneous income	2,331	-	-	2,331
Net assets released from restriction	445,629	(445,629)	-	-
Total support and revenue	<u>2,189,026</u>	<u>61,382</u>	<u>-</u>	<u>2,250,408</u>
Expenses:				
Program services:				
Education and outreach	1,231,625	-	-	1,231,625
Wetland mitigation	176,393	-	-	176,393
Total program services	<u>1,408,018</u>	<u>-</u>	<u>-</u>	<u>1,408,018</u>
Supporting services:				
Management and general	140,997	-	-	140,997
Fundraising	444,869	-	-	444,869
Total supporting services	<u>585,866</u>	<u>-</u>	<u>-</u>	<u>585,866</u>
Total expenses	<u>1,993,884</u>	<u>-</u>	<u>-</u>	<u>1,993,884</u>
Change in net assets	195,142	61,382	-	256,524
Net assets, beginning of year, as restated (Note 16)	<u>2,252,068</u>	<u>228,414</u>	<u>287,337</u>	<u>2,767,819</u>
Net assets, end of year	<u>\$ 2,447,210</u>	<u>\$ 289,796</u>	<u>\$ 287,337</u>	<u>\$ 3,024,343</u>

See accompanying notes to financial statements.

TENNESSEE WILDLIFE FEDERATION INCORPORATED AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

Cash flows from operating activities:	
Change in net assets	\$ 256,524
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	51,089
Donated investments	(3,542)
Increase in restricted cash and cash equivalents	(344,525)
Net realized and unrealized loss on investments	6,566
Gain on disposal of property and equipment	(20,030)
Loss on agency endowment fund	110
Changes in operating assets and liabilities:	
Accounts receivable	211,194
Pledges receivable	42,000
Prepaid expenses	(8,562)
Inventory	10,357
Accounts payable	36,094
Accrued payroll	2,538
Accrued paid time off	16,200
Net cash provided by operating activities	<u>256,013</u>
Cash flows from investing activities:	
Purchases of property and equipment	(34,355)
Proceeds from the sale of property and equipment	20,030
Purchases of investments	(5,645)
Proceeds from sale of investments	3,488
Net cash used in investing activities	<u>(16,482)</u>
Cash flows from financing activities:	
Payments on promisory note	(15,000)
Net cash used in financing activities	<u>(15,000)</u>
Increase in cash	224,531
Cash and cash equivalents, beginning of year	<u>596,907</u>
Cash and cash equivalents, end of year	<u><u>\$ 821,438</u></u>
Supplemental disclosure of cash flow information:	
Donated investments	<u><u>\$ 3,542</u></u>

See accompanying notes to financial statements.

TENNESSEE WILDLIFE FEDERATION INCORPORATED AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	Program Services			Supporting Services		Total Expenses
	Education and Outreach	Wetland Mitigation	Total Program Expenses	Management and General	Fundraising	
Salaries, taxes, and benefits	\$ 595,622	\$ 92,882	\$ 688,504	\$ 49,411	\$ 349,365	\$ 1,087,280
Youth engagement events	202,779	-	202,779	690	12,432	215,901
Contract labor and services	83,342	39,787	123,129	15,435	5,444	144,008
HFTH processing fees	70,880	-	70,880	-	-	70,880
Insurance	50,198	3,150	53,348	6,414	8,880	68,642
Travel and meetings	37,862	1,897	39,759	516	19,431	59,706
Depreciation	38,231	-	38,231	5,436	7,422	51,089
Supplies and technology	22,579	1,911	24,490	7,420	17,133	49,043
Professional fees	2,901	26,050	28,951	19,684	-	48,635
Advertising and communications	33,656	-	33,656	46	5,335	39,037
Occupancy	4,996	8,325	13,321	9,225	4,529	27,075
Telephone and internet	4,331	1,070	5,401	9,386	4,966	19,753
Marketing	15,689	-	15,689	-	3,666	19,355
Merchandise and materials	17,586	-	17,586	-	25	17,611
Scholarships and grants	15,820	-	15,820	-	138	15,958
Dues and fees	8,312	1,321	9,633	2,745	1,178	13,556
Repairs and maintenance	8,792	-	8,792	2,865	-	11,657
Postage and freight	3,034	-	3,034	3,806	4,032	10,872
Storage	5,575	-	5,575	2,722	-	8,297
Gifts in kind - goods	5,512	-	5,512	588	-	6,100
Fees and bank charges	1,300	-	1,300	3,938	-	5,238
Equipment lease	2,628	-	2,628	670	893	4,191
Total expenses	\$ 1,231,625	\$ 176,393	\$ 1,408,018	\$ 140,997	\$ 444,869	\$ 1,993,884

See accompanying notes to financial statements.

TENNESSEE WILDLIFE FEDERATION INCORPORATED AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – ORGANIZATION AND PURPOSE

Tennessee Wildlife Federation Incorporated and affiliates (the “Organization”) is a Tennessee not-for-profit corporation that exists to connect people with the great outdoors to ensure the conservation of Tennessee’s natural treasures, especially fish and wildlife habitat, for future generations to enjoy. Tennessee Wildlife Federation Incorporated (“TWF”) was founded as the Tennessee Conservation League in 1946 and is one of the oldest and the largest Tennessee statewide nonprofit organizations dedicated to the conservation of wildlife and natural resources through stewardship, advocacy and education. The Tennessee Wildlife Federation Foundation (“the Foundation”) was founded in 1977 solely for the use and benefit of the TWF. TWF also owns a membership interest in the Tennessee Mitigation Fund, LLC (“the Mitigation Fund”). The Mitigation Fund, which was formed in 2014, operates as a single member limited liability company for the preservation and restoration of Tennessee wetlands. The mission of TWF is “to lead the conservation, sound management and wise use of Tennessee’s wildlife and great outdoors” and is accomplished through education and outreach and wetland mitigation programs:

Youth Engagement

TWF introduces over 2,100 youth annually to the outdoors through the Tennessee Scholastic Clay Target (TNSCTP) and Youth Hunting and Fishing programs. A recent national study cited TWF’s work among the top of its kind nationwide for hunter recruitment, illustrating the link between the shooting sports and getting kids afield while increasing positive attitudes towards stewardship of the outdoors.

Land Management & Restoration

Since 1998, TWF’s Hunters for the Hungry (HFTH) Program has collected over 1.4 million pounds off venison, providing more than four million meals through partnerships with food banks and soup kitchens. Through the Ecological Services Program, including the Tennessee Mitigation Fund, TWF holds two conservation easements which protects nearly 11,000 acres of wildlife habitat statewide.

Conservation Public Policy

TWF’s advocacy work promotes sound public policy for all those who value the outdoors on a continuous basis, ensuring wildlife is not politicized and common sense regulations rule the day.

The Organization receives contributions from individuals, foundations and corporations and grants from state agencies 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, the Foundation, and the Mitigation Fund and have been prepared on the accrual basis of accounting, which means that

TENNESSEE WILDLIFE FEDERATION INCORPORATED AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

revenues are recognized when earned and expenses are recorded when incurred. The financial statements are consolidated since TWF has both an economic interest in the Foundation and control through the Foundation's Board and TWF is the sole member of the Mitigation Fund. All significant transactions and balances between the three 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 conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues 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 June 30, 2016, there were \$289,796 of funds subject to various donor-imposed restrictions. (See Note 8).

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 use. (See Note 9).

TENNESSEE WILDLIFE FEDERATION INCORPORATED AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated 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 are recorded when earned. The Organization expenses bad debts 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. No allowance for doubtful pledges has been recorded in the current year as management believes all amounts 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

TENNESSEE WILDLIFE FEDERATION INCORPORATED AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

operations over the estimated useful lives as follows:

Building	20 years
Building improvements	5 - 20 years
Furniture and equipment	3 - 7 years
Program services equipment	5 years
Website	5 years
Vehicle	3 years

Conservation Easement

Conservation easements held by the Organization are not recognized as capitalized assets in the accompanying consolidated financial statements. Assets are defined as items that will provide future economic benefits obtained or controlled by an entity. The Organization does not believe that the easements meet the definition of criteria. The cost of obtaining conservation easements is expensed when the easement is acquired.

Agency Endowment Fund

The Organization's beneficial interest in an agency endowment fund held by the Community Foundation of Middle Tennessee is recognized as an asset. Investment income and changes in the value of the fund are recognized in the consolidated statement of activities, and distributions received from the fund are recorded as decreases in the beneficial interest.

Advertising Costs

The cost of advertising, communications, and marketing expenditures is expensed when incurred. Advertising and communications expense and marketing expense amounted to \$39,037 and \$19,355, respectively, for the year ended June 30, 2016.

Donated Services and Facilities

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.

TENNESSEE WILDLIFE FEDERATION INCORPORATED AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services and Facilities (Continued)

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 consolidated 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 are included in the accompanying consolidated financial statements:

Program Services

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 Notes 3 and 10)

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.

TENNESSEE WILDLIFE FEDERATION INCORPORATED AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 follows Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) guidance 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. The Organization had no uncertain tax positions at June 30, 2016. Tax years prior to the year ended June 30, 2013 are closed to examination.

Subsequent Events

The Organization evaluated subsequent events through November 1, 2016, when these consolidated financial statements were available to be issued. Except for the item in Note 17, management is not aware of any significant events that occurred subsequent to the consolidated statement of financial position date but prior to the filing of this report that would have a material impact on the consolidated financial statements.

NOTE 3 – CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS

For purposes of the consolidated statement of cash flows, the Organization considers cash funds and cash bank accounts to be cash and cash equivalents other than funds held for the Mitigation Fund.

The Mitigation Fund is subject to oversight by the United States Army Corps of Engineers and is required to maintain cash funds for use on approved projects to restore, establish, enhance, and/or preserve aquatic resources and associated upland buffers. In accordance with the agreement with the United States Army Corps of Engineers, the Organization must separately track funds received in the program. These funds cannot be used for any other purposes. Restricted cash and cash equivalents for this purpose is \$1,993,605 at June 30, 2016.

NOTE 4 – INVESTMENTS

As of June 30, 2016, investments consisted of a mutual fund and money market account (all Level 1) which at June 30, 2016 amounted to \$101,691 and \$9,391 respectively. The mutual fund is an income fund with a three star rating from Morningstar. The Organization also has a stock account

TENNESSEE WILDLIFE FEDERATION INCORPORATED AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2016

NOTE 4 – INVESTMENTS (Continued)

valued at \$3,766 as of June 30, 2016. Realized and unrealized losses for the year ended June 30, 2016 were \$6,566.

NOTE 5 – INVENTORY

The Organization has recorded inventory consisting of ammunition. The inventory is recorded at cost which approximates fair market value and amounted to \$6,152 at June 30, 2016.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2016:

Land	\$ 66,193
Building	257,309
Vehicles	12,780
Furniture and equipment	155,420
Program services equipment	256,972
Website	41,383
Building improvements	<u>99,959</u>
	890,016
Less: accumulated depreciation	<u>(651,504)</u>
Property and equipment, net	<u>\$ 238,512</u>

NOTE 7 – NOTE PAYABLE AND LINE OF CREDIT

The Organization signed a promissory note payable to a board member with an interest rate of 0% which matured in December of 2015. The note was fully repaid at maturity.

The Organization has a \$17,000 line of credit with Pinnacle Bank that carries interest at 3.25% and matures July, 2016. The balance of that line was \$0 at June 30, 2016. The Organization decided not to renew the line at maturity.

TENNESSEE WILDLIFE FEDERATION INCORPORATED AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2016

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

The Organization has received contributions from donors with the stipulation that such contributions are to be used for specific purposes. Temporarily restricted net assets consist of the following at June 30, 2016:

Hunters for the Hungry	\$ 144,848
Time restricted	95,500
Other	<u>49,448</u>
Total temporarily restricted net assets	<u>\$ 289,796</u>

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of \$200,000 of the net assets held in the Foundation, \$82,058 related to a conservation easement, and \$5,279 related to the Agency Endowment fund discussed in Note 12.

As of June 30, 2016, the sole assets of the Foundation include the land, building, and improvements which were acquired for the benefit of the TWF. Permanently restricted funds of the Foundation were invested in this property. The acquisition cost was approximately \$323,000; however, at June 30, 2016, the net book value of the property was less than the \$200,000. Management estimates that the fair value of this property exceeds \$200,000. In the event the property is ever sold, \$200,000 of the proceeds are required to be retained by the Foundation for future investment.

Permanently restricted net assets consist of the following at June 30, 2016:

Foundation (land, building, and improvements)	\$ 200,000
Conservation easement	82,058
Agency fund	<u>5,279</u>
Total	<u>\$ 287,337</u>

NOTE 10 – WETLAND MITIGATION

The Organization collects fees to fund the restoration of wetland habitat. Revenue for the fund is recorded when the funds are received and the certificate is issued. The Organization will identify mitigation sites and work with landowners to restore those sites to permanent functioning wetlands. After construction, the site must be monitored annually for five years and again at seven and ten years to ensure the successful restoration. By rule, a percentage of project revenues will be held in a "Long Term Monitoring & Maintenance Fund". Funds collected through sales of credits are board designated for the wetland mitigation program in accordance with the requirements discussed in Note 3.

TENNESSEE WILDLIFE FEDERATION INCORPORATED AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2016

NOTE 11 – ENDOWMENT

The Organization's endowment consists of a permanently restricted contribution for the monitoring of a conservation easement and an Agency Endowment Fund which is discussed in Note 9. 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 Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 UPMIFA. In accordance with UPMIFA, 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 UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2016.

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.

TENNESSEE WILDLIFE FEDERATION INCORPORATED AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2016

NOTE 11 – ENDOWMENT (Continued)

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.

Spending Policy and How the Investment Objectives Relate to Spending Policy – 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 ended June 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2015	\$ -	\$ -	\$ 87,337	\$ 87,337
Investment income	<u>(110)</u>	<u>-</u>	<u>-</u>	<u>(110)</u>
Endowment net assets, June 30, 2016	<u>\$ (110)</u>	<u>\$ -</u>	<u>\$ 87,337</u>	<u>\$ 87,227</u>

NOTE 12 – AGENCY ENDOWMENT FUND

The Organization has a beneficial interest in the Tennessee Wildlife Federation Fund (the “Fund”), an agency endowment fund held by the Community Foundation of Middle Tennessee (the “Community Foundation”). Earnings on this fund are used to benefit various programs for TWF. The Fund is charged a 0.4% administrative fee annually. Upon request by the Organization, income from the Fund representing a 5% annual return may be distributed to the Organization or to another suggested beneficiary. Earnings in excess of 5% are added to principal.

NOTE 13 – 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. The Organization maintains accounts with balances in excess of insured limits; however, management believes risk relating to such deposits is minimal based on the credit rating of its depositories. 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.

TENNESSEE WILDLIFE FEDERATION INCORPORATED AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2016

NOTE 14 – PENSION PLAN

The Organization has a simple IRA for its employees. The plan calls for the Organization to match 100% of elective deferrals by employees up to 3% of the employee's salary. The total cost for matching deferrals for the year ended June 30, 2016 was \$14,302.

NOTE 15 – RECLASSIFIED BALANCES

TWF conducts its operations in a building owned by the Foundation. The building was previously reported as an asset of TWF with an offsetting liability to the Foundation. Management has determined that the building assets are owned by the Foundation and as such, amounts have been reclassified between the two organizations as follows at June 30, 2015:

	<u>TWF</u>	<u>Foundation</u>
Net assets – at June 30, 2015	\$ 891,205	\$ 200,000
Reclassification	133,807	(133,807)
Net assets – at June 30, 2015	\$ 1,025,012	\$ 66,193

The above reclassification has no effect on the consolidated financial statements.

NOTE 16 – RESTATEMENT

The Mitigation Fund holds funds received related to sales of mitigation credits. The proceeds are required to be held for use in projects approved in agreement with the United States Corps of Engineers. To reflect the nature of these funds, at June 30, 2015, the balance was previously reported as temporarily restricted net assets. Since the funds are not contributions, and are therefore, no donor restricted funds, management determined the funds to be board designated and restated net assets at June 30, 2015.

Beginning net assets have been adjusted as follows at June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Net assets – at June 30, 2015, as previously stated	\$ 575,454	\$ 1,905,028
Restatement to correct net asset classification	1,676,614	(1,676,614)
Net assets – at June 30, 2015, as restated	\$ 2,252,068	\$ 228,414

TENNESSEE WILDLIFE FEDERATION INCORPORATED AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2016

NOTE 17 – SUBSEQUENT EVENT

During fiscal 2016, the Organization entered into discussions to absorb the assets of another Tennessee nonprofit organization with similar program efforts. Subsequent to June 30, 2016, the Organization submitted the agreed upon plan of merger to the State of Tennessee Attorney General for approval. If approved, the Organization's net assets will increase approximately \$1,400,000.

SUPPLEMENTARY INFORMATION

TENNESSEE WILDLIFE FEDERATION INCORPORATED AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2016

	Tennessee Wildlife Federation Inc.	Tennessee Mitigation Fund, LLC	Tennessee Wildlife Federation Foundation, Inc.	Consolidating Entries	Consolidated Total
Assets					
Cash and cash equivalents	\$ 821,438	\$ -	\$ -	\$ -	\$ 821,438
Restricted cash and cash equivalents	-	1,993,605	-	-	1,993,605
Investments	114,848	-	-	-	114,848
Accounts receivable	31,806	-	-	-	31,806
Pledges receivable	95,500	-	-	-	95,500
Intercompany receivables	28,549	-	-	(28,549)	-
Inventory	6,152	-	-	-	6,152
Prepaid expenses	46,397	-	-	-	46,397
Property and equipment, net	157,971	-	80,541	-	238,512
Agency endowment fund	5,747	-	-	-	5,747
Total assets	\$ 1,308,408	\$ 1,993,605	\$ 80,541	\$ (28,549)	\$ 3,354,005
Liabilities and Net Assets					
Liabilities:					
Accounts payable	\$ 198,509	\$ 29,151	\$ -	\$ -	\$ 227,660
Intercompany payables	-	6,643	21,906	(28,549)	-
Accrued payroll	45,063	-	-	-	45,063
Accrued paid time off	56,939	-	-	-	56,939
Total liabilities	300,511	35,794	21,906	(28,549)	329,662
Net assets:					
Unrestricted					
Designated - Tennessee					
Mitigation Fund	-	1,957,811	-	-	1,957,811
Undesignated	630,764	-	(141,365)	-	489,399
Total unrestricted	630,764	1,957,811	(141,365)	-	2,447,210
Temporarily restricted	289,796	-	-	-	289,796
Permanently restricted	87,337	-	200,000	-	287,337
Total net assets	1,007,897	1,957,811	58,635	-	3,024,343
Total liabilities and net assets	\$ 1,308,408	\$ 1,993,605	\$ 80,541	\$ (28,549)	\$ 3,354,005

TENNESSEE WILDLIFE FEDERATION INCORPORATED AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2016

	Tennessee Wildlife Federation Inc.	Tennessee Mitigation Fund, LLC	Tennessee Wildlife Federation, Inc.	Consolidating Entries	Total
Support and revenue:					
Contributions	\$ 670,027	\$ -	\$ -	\$ -	\$ 670,027
Foundation and state grant revenue	656,948	-	-	-	656,948
Wetland mitigation credits	-	455,475	-	-	455,475
Special events and activities	404,270	-	-	(107,414)	296,856
Specialty license plates	141,267	-	-	-	141,267
Gain on disposal of property and equipment	20,030	-	-	-	20,030
Gifts in kind - goods	6,100	-	-	-	6,100
Investment income	2,331	-	-	-	2,331
Miscellaneous income	(741)	2,115	-	-	1,374
Total support and revenue	1,900,232	457,590	-	(107,414)	2,250,408
Expenses					
Salaries, taxes, and benefits	1,087,280	92,882	-	(92,882)	1,087,280
Youth engagement events	215,901	-	-	-	215,901
Contract labor and services	104,221	39,787	-	-	144,008
HFTH processing fees	70,880	-	-	-	70,880
Insurance	65,492	3,150	-	-	68,642
Travel and meetings	59,706	1,897	-	(1,897)	59,706
Depreciation	51,089	-	-	-	51,089
Supplies and technology	49,051	1,911	-	(1,919)	49,043
Professional fees	22,450	26,050	135	-	48,635
Advertising and communications	39,037	-	-	-	39,037
Occupancy	21,250	8,325	5,825	(8,325)	27,075
Telephone and internet	19,753	1,070	-	(1,070)	19,753
Marketing	19,355	-	-	-	19,355
Merchandise and materials	17,611	-	-	-	17,611
Scholarships and grants	15,958	-	-	-	15,958
Other	15,529	-	-	-	15,529
Dues and fees	13,556	1,321	-	(1,321)	13,556
Repairs and maintenance	10,059	-	1,598	-	11,657
Postage and freight	10,872	-	-	-	10,872
Storage	8,297	-	-	-	8,297
Total expenses	1,917,347	176,393	7,558	(107,414)	1,993,884
Change in net assets	(17,115)	281,197	(7,558)	-	256,524
Net assets, beginning of year	1,025,012	1,676,614	66,193	-	2,767,819
Net assets, end of year	<u>\$ 1,007,897</u>	<u>\$ 1,957,811</u>	<u>\$ 58,635</u>	<u>\$ -</u>	<u>\$ 3,024,343</u>