

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

Consolidated Financial Statements
December 31, 2013

Table of Contents

| | |
|---|----|
| Independent Auditor’s Report..... | 1 |
| Consolidated Statement of Financial Position..... | 3 |
| Consolidated Statement of Activities and Changes in Net Assets..... | 4 |
| Consolidated Statement of Cash Flows | 5 |
| Consolidated Statement of Functional Expenses | 6 |
| Notes to Consolidated Financial Statements | 7 |
| Note 1 - Description and Purpose of the Organization | 8 |
| Note 2 - Summary of Significant Accounting Policies..... | 8 |
| Note 3 – Investments | 12 |
| Note 4 – Inventory..... | 12 |
| Note 5 – Property and Equipment..... | 12 |
| Note 6 – Notes Payable and Credit Lines | 13 |
| Note 7 – Temporarily Restricted Net Assets | 13 |
| Note 8 – Permanently Restricted Net Assets | 13 |
| Note 9 – Wetland Mitigation..... | 14 |
| Note 10 – Endowments | 14 |
| Note 11 – Agency Endowment Fund | 16 |
| Note 12 – Operating Leases | 16 |
| Note 13 – Credit Risk | 16 |
| Note 14 – Pension Plan..... | 16 |
| Note 15 – Subsequent Events..... | 17 |
| Supplemental Schedule of Consolidated Financial Position..... | 18 |
| Supplemental Schedule of Consolidated Activities and Changes in Net Assets..... | 19 |

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Tennessee Wildlife Federation, Inc. and Tennessee Wildlife Federation Foundation, Inc. (nonprofit organizations, collectively the "Organization") which comprise the consolidated statements of financial position as of December 31, 2013, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

(Auditor's report continued on next page)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tennessee Wildlife Federation, Inc. and Tennessee Wildlife Federation Foundation, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of consolidated financial position on page 18, and the supplemental schedule of consolidated activities and changes in net assets on page 19 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



McKerley & Noonan, P.C.
Nashville, TN
May 25, 2014

**Tennessee Wildlife Federation, Inc.
and
Tennessee Wildlife Federation Foundation, Inc.
Consolidated Statement of Financial Position
December 31, 2013**

Assets

Assets

| | |
|--|--------------|
| Cash in Bank | \$ 1,119,331 |
| Investments (Note 3) | 108,567 |
| Accounts Receivable | 92,704 |
| Inventory (Note 4) | 7,738 |
| Prepaid Expenses | 3,772 |
| Property & Equipment at Cost, Less Accumulated Depreciation (Note 5) | 181,229 |
| Agency Endowment Fund (Note 11) | 5,542 |

Total Assets

\$ 1,518,883

Liabilities and Net Assets

Liabilities

| | |
|-----------------------------|-----------|
| Accounts Payable | \$ 79,050 |
| Accrued Payroll Liabilities | 50,858 |
| Accrued Paid Time Off | 35,229 |
| Other Accrued Liabilities | 3,561 |
| Line of Credit (Note 6) | 21,605 |
| Promissory Note (Note 6) | 30,000 |

Total Liabilities

220,303

Net Assets:

| | |
|---------------------------------|---------|
| Unrestricted | 716,747 |
| Temporarily Restricted (Note 7) | 294,496 |
| Permanently Restricted (Note 8) | 287,337 |

Total Net Assets

1,298,580

Total Liabilities and Net Assets

\$ 1,518,883

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, 2013

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---------------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Support & Revenue | | | | |
| Contributions | \$ 522,593 | \$ 498,544 | \$ 5,000 | \$ 1,026,137 |
| Wetland Mitigation Fees (Note 9) | 340,750 | - | - | 340,750 |
| Foundation & State Grant Revenue | - | 373,708 | - | 373,708 |
| Special Events & Activities | 652,958 | - | - | 652,958 |
| Investment Income | 3,000 | 10,166 | 279 | 13,445 |
| Rental Income | 29,878 | - | - | 29,878 |
| Gifts in Kind - Goods | 3,668 | - | - | 3,668 |
| Miscellaneous Income | 6,518 | - | - | 6,518 |
| Net Assets Released from Restrictions | 763,334 | (763,334) | - | - |
| Total Support & Revenue | <u>2,322,699</u> | <u>119,084</u> | <u>5,279</u> | <u>2,447,062</u> |
| Program Services | | | | |
| Education & Outreach | 1,533,787 | - | - | 1,533,787 |
| Total Program Services | <u>1,533,787</u> | <u>-</u> | <u>-</u> | <u>1,533,787</u> |
| Supporting Services | | | | |
| Management & General | 149,057 | - | - | 149,057 |
| Fundraising | 272,852 | - | - | 272,852 |
| Total Supporting Services | <u>421,909</u> | <u>-</u> | <u>-</u> | <u>421,909</u> |
| Total Expenses | <u>1,955,696</u> | <u>-</u> | <u>-</u> | <u>1,955,696</u> |
| Change in Net Assets | 367,003 | 119,084 | 5,279 | 491,366 |
| Net Assets, Beginning of Year | <u>349,744</u> | <u>175,412</u> | <u>282,058</u> | <u>807,214</u> |
| Net Assets, End of Year | <u>\$ 716,747</u> | <u>\$ 294,496</u> | <u>\$ 287,337</u> | <u>\$ 1,298,580</u> |

**Tennessee Wildlife Federation, Inc.
and
Tennessee Wildlife Federation Foundation, Inc.
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2013**

| | |
|---|----------------------------|
| Cash Flows from Operating Activities | |
| Change in Net Assets | \$ 491,366 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities | |
| Depreciation | 36,698 |
| In Kind Contributions | (3,668) |
| Gain on Investments | (13,001) |
| Increase in Accounts Receivable | (92,639) |
| Decrease in Inventory | 7,567 |
| Increase in Accounts Payable & Accrued Payroll Liabilities | 70,085 |
| Increase in Other Accrued Liabilities | 2,706 |
| Total Adjustments | <u>7,748</u> |
| Net Cash Provided by Operating Activities | 499,114 |
| Cash Flows from Investing Activities | |
| Purchase of Fixed Assets | (69,496) |
| Purchase of Investments | (5,000) |
| Net Cash Used by Investing Activities | <u>(74,496)</u> |
| Cash Flows from Financing Activities | |
| Borrowings on Promissory Note | 45,000 |
| Principal Payments | (15,000) |
| Net Cash Provided by Financing Activities | <u>30,000</u> |
| Net Increase in Cash | 454,618 |
| Cash in Bank Beginning of Year | <u>664,713</u> |
| Cash in Bank End of Year | <u><u>\$ 1,119,331</u></u> |
| Supplemental Cash Flow Information | |
| Interest Paid During 2013 | \$ 1,373 |

Tennessee Wildlife Federation, Inc.
and
Tennessee Wildlife Federation Foundation, Inc.
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2013

| | Program Services | | Supporting Services | | Total |
|--|-------------------------|----------------------|----------------------------|--|---------------------|
| | Education & Outreach | Management & General | Fundraising | | |
| Salaries | \$ 535,145 | \$ 71,242 | \$ 183,941 | | \$ 790,328 |
| Payroll Taxes & Benefits | 80,252 | 16,360 | 30,150 | | 126,762 |
| Total Salaries & Related Expenses | 615,397 | 87,602 | 214,091 | | 917,090 |
| Advertising | 1,484 | - | - | | 1,484 |
| Bank Fees | 4,330 | 603 | - | | 4,933 |
| Contract Labor | 61,698 | - | - | | 61,698 |
| Contracted Services | 69,049 | 10,167 | 3,250 | | 82,466 |
| Depreciation | 27,717 | 4,011 | 4,970 | | 36,698 |
| Dues and Subscriptions | 5,631 | 658 | 777 | | 7,066 |
| Equipment Lease | 2,247 | 1,222 | 473 | | 3,942 |
| In-Kind Donations | 2,568 | - | - | | 2,568 |
| Insurance | 26,094 | 9,696 | 579 | | 36,369 |
| Interest Expense | 1,373 | - | - | | 1,373 |
| Merchandise and Supplies | 312,732 | 7,044 | 8,564 | | 328,340 |
| Miscellaneous | 1,541 | 407 | 2,045 | | 3,993 |
| Occupancy | 7,188 | 3,909 | 1,513 | | 12,611 |
| Postage and Freight | 3,758 | 1,440 | 485 | | 5,683 |
| Printing & Communication | 44,806 | 1,330 | 519 | | 46,655 |
| Processing Fees | 57,582 | - | - | | 57,582 |
| Professional Fees | 31,860 | 11,073 | - | | 42,933 |
| Program Events & Supplies | 133,910 | - | 7,604 | | 141,514 |
| Property Management | 31,778 | - | - | | 31,778 |
| Repairs and Maintenance | 390 | - | - | | 390 |
| Scholarships & Grants | 22,087 | - | - | | 22,087 |
| Storage | 8,404 | 1,496 | - | | 9,900 |
| Telephone | 9,004 | 3,675 | 5,055 | | 17,734 |
| Travel and Meetings | 50,501 | 4,723 | 22,927 | | 78,151 |
| Utilities | 658 | - | - | | 658 |
| Total Functional Expenses | \$ 1,533,787 | \$ 149,057 | \$ 272,852 | | \$ 1,955,696 |

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

Notes to Consolidated Financial Statements

December 31, 2013

NOTE 1 - DESCRIPTION AND PURPOSE OF THE ORGANIZATION

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Use of Estimates

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

Financial Statement Presentation

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

Unrestricted Net Assets

Unrestricted net assets are donations that are not subject to donor-imposed stipulations. Monies received without restriction or released from restriction are generally used to finance the normal day-to-day operations of the Organization.

Temporarily Restricted Net Assets

Temporarily restricted net assets are donations that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At December 31, 2013, there were \$294,496 of funds subject to various donor-imposed restrictions. (See Note 7)

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. (See Note 8)

Investments

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

Fair Value Measurements

The Organization has adopted ASC 820, Fair Value Measurements. This standard defines fair value, provides guidance for measuring fair value, and requires certain disclosures. The standard utilizes a fair value hierarchy which is categorized into three levels based on the inputs to the valuation techniques used to measure fair value. The standard does not require any new fair value measurements, but discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows), and the cost approach (cost to replace the service capacity of an asset or replacement cost). The Organization's investments are measured on a recurring basis at fair value at the reporting date using quoted prices in active markets for identical assets (Level 1).

Accounts Receivable

Accounts receivable primarily represents pledges and grants receivable to be received within the first six months of 2014. 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, 2013 the Organization had \$30,000 of pledged receivables included in accounts receivable which were collected in 2014.

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 |

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 statements of activities, and distributions received from the fund are recorded as decreases in the beneficial interest.

Donated Goods & Services

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

Donated facilities and materials are recorded as gifts in the period received at their estimated

fair value, if there is an objective and measurable basis for determining such value.

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

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

Allocation of Functional Expenses

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

Program and Supporting Services

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

Program Service

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

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

Supporting Services:

Management and General – Relates to the overall direction of the Organization. These expenses are not identifiable with a particular program or with fundraising, but are indispensable to the conduct of those activities and essential to the organization. Specific activities include organizational oversight, business management, record-keeping, budgeting, financing, and other administrative activities.

Fundraising – Includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitation and creation and distribution of fundraising materials.

Income Taxes

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

The Organization adopted the guidance in ASC 740 on accounting for uncertainty in income taxes. For all tax positions taken by the Organization, management believes it is clear that the likelihood is greater than 50 percent that the full amount of the tax positions taken will be ultimately realized. With few exceptions, the Organization is no longer subject to U.S. federal tax examinations by tax authorities for years before 2010. The Organization incurred no interest or penalties during the year ended December 31, 2013.

NOTE 3 – INVESTMENTS

As of December 31, 2013, investments consisted of a mutual fund and money market account (all Level 1) which at December 31, 2013 amounted to \$99,180 and \$9,387 respectively. The mutual fund is an income fund with a three star rating from Morningstar. This fund had a net gain from realized and unrealized gains and losses of \$12,356 for the year ended December 31, 2013.

NOTE 4 – INVENTORY

The Organization has recorded inventory consisting of ammunition. The inventory is recorded at cost which approximates fair market value and amounted to \$7,738 at December 31, 2013.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following as of December 31, 2013:

| | |
|--------------------------------|--------------------------|
| Land | \$ 66,193 |
| Building | 257,309 |
| Vehicles | 12,780 |
| Furniture & Equipment | 94,190 |
| Program Services Equipment | 292,473 |
| Website | 41,383 |
| Building Improvements | 30,686 |
| | <u>795,014</u> |
| Less: Accumulated Depreciation | <u>(613,785)</u> |
| Property & Equipment, Net | <u><u>\$ 181,229</u></u> |

NOTE 6 – NOTES PAYABLE AND CREDIT LINES

The Organization has signed a promissory note payable to Peter Schutt with an interest rate of 0% which matures in February of 2015. The outstanding balance of the note is \$30,000 at December 31, 2013.

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

The Organization has a \$45,000 line of credit with Tennessee Bank and Trust bearing interest at 6.5%. The credit line was renewed in February of 2013 and matures in January of 2015. The outstanding balance of the note is \$16,605 at December 31, 2013.

Future principal payments on the promissory notes and lines of credit are as follows:

| <u>2014</u> | <u>2015</u> |
|-------------|-------------|
| \$36,605 | \$15,000 |

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of December 31, 2013:

| | | |
|---|----|------------|
| Great Outdoors University | \$ | 165,732 |
| Hunters for the Hungry | | 49,066 |
| Strategic Plan | | 29,452 |
| Other | | 50,246 |
| Total Temporarily Restricted Net Assets | | \$ 294,496 |

NOTE 8 – 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 11.

As of December 31, 2013, 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, 2013, 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.

Changes in Permanently Restricted Net Assets

For the year ended 12/31/2013

| | <u>Balance at 12/31/12</u> | <u>Contributions</u> | <u>Investment Income</u> | <u>Expenditures</u> | <u>Balance at 12/31/13</u> |
|-----------------------|--------------------------------|----------------------|------------------------------|---------------------|--------------------------------|
| Foundation (Building) | 200,000 | - | - | - | 200,000 |
| Conservation Easement | 82,058 | - | - | - | 82,058 |
| Agency Fund | - | 5,000 | 279 | - | 5,279 |
| Total | <u>282,058</u> | <u>5,000</u> | <u>279</u> | <u>-</u> | <u>287,337</u> |

NOTE 9 – WETLAND MITIGATION

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

NOTE 10 – ENDOWMENTS

The Organization's endowment consists of a permanently restricted contribution for the monitoring of a conservation easement and an Agency Endowment Fund which is discussed in Note 11. As required by generally accepted accounting principles in the United States, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law- The Organization has interpreted the Tennessee Prudent Management of Institutional Funds Act (TPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The

remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by TPMIFA. In accordance with TPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) The duration and preservation of the fund, (2) The purposes of the organization and the donor-restricted endowment fund: (3) General economic conditions, (4) The possible effect of inflation and deflation, (5) The expected total return from income and the appreciation of investments, (6) Other resources of the organization, and (7) The investment policies of the Organization.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or TPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2013.

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

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

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 is summarized in the following schedule:

Changes in Endowment Net Assets

For the year ended 12/31/2013

| | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------------------|---------------------------|--------|
| Endowment net assets, beginning of year | - | 82,058 | 82,058 |
| Investment income (realized & unrealized) | 10,254 | 279 | 10,533 |
| Contributions | - | 5,000 | 5,000 |
| Appropriation of endowment assets for expenditure | - | - | - |
| Endowment net assets, end of year | - | 87,337 | 97,591 |

NOTE 11 – 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 12 – OPERATING LEASES

During 2013 the Organization rented out the ground floor of its building (approximately 50% of its space) to a medical organization; the base rent is \$2,394.40 per month. Total rental income received in 2013 was \$29,878.

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. Pledges and accounts receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources.

The Organization’s operations are concentrated in Tennessee.

NOTE 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 employee up to 1% of the employee's salary. The total cost for matching deferrals for 2013 was \$4,984.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 25, 2014, the date that the financial statements were available to be issued.

Tennessee Wildlife Federation, Inc.
and
Tennessee Wildlife Federation Foundation, Inc.
Consolidated Schedule of Financial Position
December 31, 2013

| | <u>General Fund</u> | <u>Wetland Mitigation Program</u> | <u>Foundation</u> | <u>Eliminations</u> | <u>Total</u> |
|--|----------------------------|---|--------------------------|----------------------------|----------------------------|
| <u>Assets</u> | | | | | |
| Assets | | | | | |
| Cash in Bank | \$ 749,124 | \$ 370,207 | \$ - | \$ - | \$ 1,119,331 |
| Investments | 108,567 | - | - | - | 108,567 |
| Accounts Receivable | 92,704 | - | - | - | 92,704 |
| Intercompany Receivable | 16,018 | - | - | (16,018) | - |
| Due from TWF | - | - | 200,000 | (200,000) | - |
| Inventory | 7,738 | - | - | - | 7,738 |
| Prepaid Expenses | 3,772 | - | - | - | 3,772 |
| Property & Equipment at Cost, Less Accumulated Depreciation | 181,229 | - | - | - | 181,229 |
| Agency Endowment Fund | 5,542 | - | - | - | 5,542 |
| Total Assets | <u>\$ 1,164,694</u> | <u>\$ 370,207</u> | <u>\$ 200,000</u> | <u>\$ (216,018)</u> | <u>\$ 1,518,883</u> |
| <u>Liabilities and Net Assets</u> | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$ 79,050 | \$ - | \$ - | \$ - | \$ 79,050 |
| Intercompany Payable | - | 16,018 | - | (16,018) | - |
| Accrued Payroll Liabilities | 50,858 | - | - | - | 50,858 |
| Accrued Paid Time Off | 35,229 | - | - | - | 35,229 |
| Other Accrued Liabilities | 3,561 | - | - | - | 3,561 |
| Due to Foundation | 200,000 | - | - | (200,000) | - |
| Line of Credit | 21,605 | - | - | - | 21,605 |
| Promissory Note | 30,000 | - | - | - | 30,000 |
| Total Liabilities | 420,303 | 16,018 | - | (216,018) | 220,303 |
| Net Assets: | | | | | |
| Unrestricted | 362,558 | 354,189 | - | - | 716,747 |
| Temporarily Restricted | 294,496 | - | - | - | 294,496 |
| Permanently Restricted | 87,337 | - | 200,000 | - | 287,337 |
| Total Net Assets | <u>744,391</u> | <u>354,189</u> | <u>200,000</u> | <u>-</u> | <u>1,298,580</u> |
| Total Liabilities and Net Assets | <u>\$ 1,164,694</u> | <u>\$ 370,207</u> | <u>\$ 200,000</u> | <u>\$ (216,018)</u> | <u>\$ 1,518,883</u> |

Tennessee Wildlife Federation, Inc.
and
Tennessee Wildlife Federation Foundation, Inc.
Consolidated Schedule of Activities and Changes in Net Assets
For the Year Ended December 31, 2013

| | <u>General Fund</u> | <u>Wetland Mitigation Program</u> | <u>Foundation</u> | <u>Eliminations</u> | <u>Total</u> |
|--------------------------------------|---------------------|---|-------------------|---------------------|---------------------|
| Support & Revenue | | | | | |
| Contributions | \$ 1,026,137 | \$ - | \$ - | \$ - | \$ 1,026,137 |
| Wetland Mitigation | - | 340,750 | - | - | 340,750 |
| Foundation & State Grant Revenue | 373,708 | - | - | - | 373,708 |
| Special Events & Activities | 682,174 | - | - | (29,216) | 652,958 |
| Investment Income | 13,445 | - | - | - | 13,445 |
| Rental Income | 29,878 | - | - | - | 29,878 |
| Gifts in Kind - Goods | 3,668 | - | - | - | 3,668 |
| Miscellaneous Income | 6,518 | - | - | - | 6,518 |
| Total Support & Revenue | <u>2,135,528</u> | <u>340,750</u> | <u>-</u> | <u>(29,216)</u> | <u>2,447,062</u> |
| Expenses | | | | | |
| Salaries | \$ 790,328 | \$ 27,001 | \$ - | \$ (27,001) | \$ 790,328 |
| Payroll Taxes & Benefits | 126,762 | - | - | - | 126,762 |
| Advertising | 1,484 | - | - | - | 1,484 |
| Bank Fees | 4,933 | - | - | - | 4,933 |
| Contract Labor | 61,698 | - | - | - | 61,698 |
| Contracted Services | 82,466 | - | - | - | 82,466 |
| Depreciation | 36,698 | - | - | - | 36,698 |
| Dues and Subscriptions | 7,066 | - | - | - | 7,066 |
| Equipment Lease | 3,942 | - | - | - | 3,942 |
| In-Kind Donations | 2,568 | - | - | - | 2,568 |
| Insurance | 36,369 | 1,313 | - | (1,313) | 36,369 |
| Interest Expense | 1,373 | - | - | - | 1,373 |
| Merchandise and Supplies | 328,340 | - | - | - | 328,340 |
| Miscellaneous | 3,993 | - | - | - | 3,993 |
| Occupancy | 12,611 | - | - | - | 12,611 |
| Postage and Freight | 5,683 | - | - | - | 5,683 |
| Printing & Communication | 46,655 | - | - | - | 46,655 |
| Processing Fees | 57,582 | - | - | - | 57,582 |
| Professional Fees | 30,933 | 12,000 | - | - | 42,933 |
| Program Events & Supplies | 141,514 | - | - | - | 141,514 |
| Property Management | 31,778 | - | - | - | 31,778 |
| Scholarships & Grants | 22,087 | - | - | - | 22,087 |
| Storage | 9,900 | - | - | - | 9,900 |
| Telephone | 17,734 | 531 | - | (531) | 17,734 |
| Travel and Meetings | 78,151 | 371 | - | (371) | 78,151 |
| Total Expenses | <u>1,943,696</u> | <u>41,216</u> | <u>-</u> | <u>(29,216)</u> | <u>1,955,696</u> |
| Change in Net Assets | 191,832 | 299,534 | - | - | 491,366 |
| Net Assets, Beginning of Year | <u>552,559</u> | <u>54,655</u> | <u>200,000</u> | <u>-</u> | <u>807,214</u> |
| Net Assets, End of Year | <u>\$ 744,391</u> | <u>\$ 354,189</u> | <u>\$ 200,000</u> | <u>\$ -</u> | <u>\$ 1,298,580</u> |