

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

Consolidated Financial Statements
and
Independent Auditors' Report

December 31, 2010

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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, 2010 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, 2010, 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.
April 26, 2011

Tennessee Wildlife Federation, Inc.
and
Tennessee Wildlife Federation Foundation, Inc.
Consolidated Statement of Financial Position
December 31, 2010

Assets	
Assets	
Cash in Bank	\$ 503,196
Investments (Note 3)	104,426
Accounts Receivable	28,098
Prepaid Expenses	1,000
Property and Equipment at Cost, Less Accumulated Depreciation (Note 4)	<u>219,285</u>
Total Assets	<u><u>\$ 856,005</u></u>
 Liabilities and Net Assets	
Liabilities	
Accounts Payable	\$ 35,404
Accrued Payroll Liabilities	25,367
Other Accrued Liabilities	3,877
Related Party Payable (Note 5)	<u>16,605</u>
Total Liabilities	81,253
Net Assets	
Unrestricted	380,214
Temporarily Restricted (Note 6)	194,538
Permanently Restricted (Note 7)	<u>200,000</u>
Total Net Assets	<u><u>774,752</u></u>
Total Liabilities and Net Assets	<u><u>\$ 856,005</u></u>

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, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Membership Dues and Contributions	\$ 328,319	\$ 349,663	\$ -	\$ 677,982
Foundation & State Grant Revenue	-	389,300	-	389,300
Special Events and Activities	448,636	-	-	448,636
Investment Income	11,584	-	-	11,584
In Kind Contributions	16,283	-	-	16,283
Rental Income	28,733	-	-	28,733
Miscellaneous Income	3,065	-	-	3,065
Net Assets Released from Restrictions	728,692	(728,692)	-	-
Total Support and Revenue	<u>1,565,312</u>	<u>10,271</u>	<u>-</u>	<u>1,575,583</u>
Program Services				
Education and Outreach	1,153,102	-	-	1,153,102
Total Program Services	<u>1,153,102</u>	<u>-</u>	<u>-</u>	<u>1,153,102</u>
Supporting Services				
Management and General	146,527	-	-	146,527
Fundraising	212,936	-	-	212,936
Total Supporting Services	<u>359,463</u>	<u>-</u>	<u>-</u>	<u>359,463</u>
Total Expenses	<u>1,512,565</u>	<u>-</u>	<u>-</u>	<u>1,512,565</u>
Change in Net Assets	52,747	10,271	-	63,018
Net Assets, Beginning of Year	<u>327,467</u>	<u>184,267</u>	<u>200,000</u>	<u>711,734</u>
Net Assets, End of Year	<u>\$ 380,214</u>	<u>\$ 194,538</u>	<u>\$ 200,000</u>	<u>\$ 774,752</u>

**Tennessee Wildlife Federation, Inc.
and
Tennessee Wildlife Federation Foundation, Inc.
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2010**

Cash Flows from Operating Activities	
Change in Net Assets	\$ 63,018
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	56,310
Unrealized Gain on Investments	(10,931)
In Kind Contribution of Vehicle	(12,780)
Loss on Disposal of Equipment	-
Increase in Accounts Receivable	(2,754)
Increase in Prepaid Expenses	(1,000)
Increase Accounts Payable and Accrued Payroll Liabilities	25,238
Total Adjustments	<u>54,083</u>
Net Cash Provided by Operating Activities	117,101
Cash Flows from Investing Activities	
Purchase of Fixed Assets	<u>(18,537)</u>
Net Cash Used by Investing Activities	(18,537)
Cash Flows from Financing Activities	
Borrowings on Line of Credit	<u>16,605</u>
Net Cash Provided by Financing Activities	16,605
Net Increase in Cash	115,169
Cash in Bank Beginning of Year	<u>388,027</u>
Cash in Bank End of Year	<u>\$ 503,196</u>
Interest Paid during 2010	\$ 936

Tennessee Wildlife Federation, Inc.
and
Tennessee Wildlife Federation Foundation, Inc.
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2010

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	Education and Outreach	Management and General	Fund Raising	
Salaries	\$ 293,045	\$ 44,081	\$ 109,000	\$ 446,126
Payroll Taxes and Benefits	44,388	7,391	11,141	62,920
Total Salaries and Related Expenses	337,433	51,472	120,141	509,046
Telephone and Communications	22,307	7,250	2,490	32,047
Occupancy	-	9,127	-	9,127
Utilities	6,236	-	-	6,236
Storage	4,235	1,506	-	5,741
Advertising	3,380	-	-	3,380
Contract Labor	97,831	5,607	12,824	116,262
Dues and Subscriptions	8,795	1,511	-	10,306
Events	81,670	-	21,918	103,588
Bank Fees	1,074	4,446	-	5,520
Merchandise and Supplies	219,728	5,983	3,162	228,873
Insurance	40,914	9,737	-	50,651
Postage and Freight	2,171	3,441	734	6,346
Printing	1,684	1,990	2,968	6,642
Processing Fees	43,302	-	-	43,302
Repairs and Maintenance	2,073	2,316	-	4,389
Scholarships & Grants	54,343	-	-	54,343
Travel and Meetings	53,399	9,520	9,478	72,397
Contracted Services	95,245	7,133	30,203	132,581
Miscellaneous	4,278	20	1,209	5,507
In-Kind Donations	3,503	-	-	3,503
Interest Expense	-	936	-	936
Equipment Lease	-	3,963	-	3,963
Depreciation	47,674	4,347	4,289	56,310
Professional Fees	21,827	16,222	3,520	41,569
Total Expenses	1,153,102	146,527	212,936	1,512,565
	76.23%	9.69%	14.08%	100.00%

Tennessee Wildlife Federation, Inc. and the Tennessee Wildlife Federation Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2010

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 primarily represents amounts due from sales of trap machines within the Organization's Scholastic Clay Target Program. No allowance for doubtful accounts has been recorded as management believes all amounts are fully collectible.

Tennessee Wildlife Federation, Inc. and Tennessee Wildlife Federation Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2010

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.

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.
- 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, 2010, temporarily restricted net assets of \$194,538 represent funds subject to various donor-imposed restrictions. (See Note 5).

Tennessee Wildlife Federation, Inc. and Tennessee Wildlife Federation Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

Financial Statement Presentation (continued)

- **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.

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.

Tennessee Wildlife Federation, Inc. and Tennessee Wildlife Federation Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Income Taxes

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

Effective January 1, 2009, the Organization adopted the guidance in ASC 740 on accounting for uncertainty in income taxes (formerly FIN 48). 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 2007. The Organization incurred no interest or penalties during the year ended December 31, 2010.

Tennessee Wildlife Federation, Inc. and Tennessee Wildlife Federation Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2010

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, 2010, investments include the following:

Mutual Fund	\$ 88,683
Money Market	15,743
	<u>\$ 104,426</u>

The mutual fund is an income fund with a three star rating from Morningstar. This fund had an unrealized gain of \$10,931 for the year ended December 31, 2010.

Note 4 – Property and Equipment

Property and Equipment consisted of the following as of December 31, 2010:

Land	\$ 66,193
Building	257,309
Vehicles	20,780
Furniture and Equipment	97,170
Program Services Equipment	251,549
Building Improvements	10,739
	703,740
Less Accumulated Depreciation	(484,455)
	<u>\$ 219,285</u>

Tennessee Wildlife Federation, Inc. and Tennessee Wildlife Federation Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2010

Note 5 – Related Party Payable

A member of the Board of Directors of the Organization borrowed \$30,000 in the form of a promissory note from Tennessee Bank & Trust during 2010 and in turn allowed the Organization to draw down on the promissory note to help fund certain programs of the Organization. The promissory note carries an interest rate of 6.5% and expires July 11, 2011. The Organization has been making interest payments directly to Tennessee Bank & Trust. The outstanding balance of the note is \$16,605 at December 31, 2010. No formal note agreement exists between the Organization and the board member.

Note 6 – Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following as of December 31, 2010:

Hunters for the Hungry	\$ 27,050
Great Outdoors University	116,287
SCTP Scholarships	18,144
Elk Project	13,243
Other	19,814
Total Temporarily Restricted Net Assets	\$194,538

Note 7 – Permanently Restricted Net Assets

Permanently restricted net assets consist of the net assets held in the Foundation. As of December 31, 2010, 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, 2010, the net book value of the property was less than the \$200,000 permanently restricted endowment established. Management estimates that the fair value of this property exceeds \$200,000. In the event the property is ever sold for less than \$200,000, the TWF will be obligated to reimburse the Foundation for any deficit.

Note 8 – Operating Leases

During 2010 the Organization rented out the ground floor of its building (approximately 50% of its space) to a medical organization for \$2,257 per month. The Organization also rents out one office upstairs on a month-to-month basis to an individual. The rent was \$250 a month during 2010. Total rental income received from these arrangements in 2010 was \$28,733.

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.

Tennessee Wildlife Federation, Inc. and Tennessee Wildlife Federation Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2010

Note 9 – Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and investments, pledges receivable, and accounts receivable. Cash balances are maintained with financial institutions and are insured up to \$250,000 by the Federal Deposit Insurance Corporation. Pledges and accounts receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources.

Note 10 – 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 2010 was \$3,140.

Note 11 – Subsequent Events

Subsequent events have been evaluated through the financial statement date of April 26, 2011.