

THE RUFFED GROUSE SOCIETY

**FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT**

December 31, 2016

THE RUFFED GROUSE SOCIETY

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420 Ft. Duquesne Blvd, Ste 1900, Pittsburgh, PA 15222
Tel: 412-281-8771 • Fax: 412-281-7001
email: info@louisplung.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Ruffed Grouse Society

We have audited the accompanying financial statements of The Ruffed Grouse Society (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, the related statements of activities and cash flows 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.

Auditors' 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 from 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ruffed Grouse Society as of December 31, 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.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses and the schedules of unrestricted and temporarily restricted net assets 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.

Report on Summarized Comparative Information

We have previously audited the Ruffed Grouse Society's December 31, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 9, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Louis Plurgis Company, LLP

Pittsburgh, Pennsylvania
May 11, 2017

THE RUFFED GROUSE SOCIETY

STATEMENT OF FINANCIAL POSITION

December 31, 2016

(With Comparative Totals as of December 31, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 1,225,369	\$ 1,292,638
Marketable securities	4,393,321	4,102,175
Accounts receivable - trade	98,364	58,102
Pledges receivable - net	254,010	425,786
Grants receivable	88,443	-
Inventory	269,020	327,029
Prepaid expenses	52,678	64,504
Land held for investment	492,000	-
Property and equipment, net	<u>593,863</u>	<u>610,062</u>
TOTAL ASSETS	\$ <u>7,467,068</u>	\$ <u>6,880,296</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Line of credit	\$ 884,071	\$ 305,782
Accounts payable	85,862	120,525
Accrued retirement	50,117	45,316
Accrued expenses	79,817	5,582
Deferred grant income	28,843	-
Other deferred revenue	<u>11,555</u>	<u>9,000</u>
Total liabilities	<u>1,140,265</u>	<u>486,205</u>
NET ASSETS		
Unrestricted:		
Undesignated	(242,947)	(367,720)
Board designated	<u>5,812,308</u>	<u>5,650,799</u>
	5,569,361	5,283,079
Temporarily restricted	647,397	1,001,492
Permanently restricted	<u>110,045</u>	<u>109,520</u>
Total net assets	<u>6,326,803</u>	<u>6,394,091</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>7,467,068</u>	\$ <u>6,880,296</u>

The accompanying notes are an integral part of these financial statements.

THE RUFFED GROUSE SOCIETY

STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016</u>	<u>2015</u>
OPERATING REVENUE					
Contributions	\$ 833,983	\$ 328,391	\$ 525	\$ 1,162,899	\$ 1,477,502
Membership dues	619,816	-	-	619,816	651,545
Corporate sponsors	51,050	-	-	51,050	27,094
Banquet and event revenue	2,284,335	-	-	2,284,335	2,375,581
Sales of merchandise	89,355	-	-	89,355	63,645
Advertising income	87,461	-	-	87,461	87,670
Fundraising	36,145	-	-	36,145	30,795
Timber sales	99,926	-	-	99,926	233,126
Forestry clearing and consulting	81,914	-	-	81,914	133,622
Miscellaneous income	19,135	-	-	19,135	59,571
	<u>4,203,120</u>	<u>328,391</u>	<u>525</u>	<u>4,532,036</u>	<u>5,140,151</u>
Net assets released from restriction:					
Restriction satisfied	<u>682,486</u>	<u>(682,486)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenue	<u>4,885,606</u>	<u>(354,095)</u>	<u>525</u>	<u>4,532,036</u>	<u>5,140,151</u>
OPERATING EXPENSES					
Program services:					
Membership services	717,460	-	-	717,460	677,069
General education and chapter operations	2,618,555	-	-	2,618,555	2,513,641
Habitat projects	754,236	-	-	754,236	700,925
Coverts	19,276	-	-	19,276	18,070
Research	18,031	-	-	18,031	76,567
Advocacy	55,554	-	-	55,554	47,363
Supporting services:					
Administration	547,703	-	-	547,703	537,732
Fund-raising	46,413	-	-	46,413	44,388
Total operating expenses	<u>4,777,228</u>	<u>-</u>	<u>-</u>	<u>4,777,228</u>	<u>4,615,755</u>
Change in net assets from operations	<u>108,378</u>	<u>(354,095)</u>	<u>525</u>	<u>(245,192)</u>	<u>524,396</u>
NON-OPERATING INCOME (EXPENSES)					
Investment income (loss), includes realized and unrealized gains (losses)	429,258	-	-	429,258	(195,796)
Gain on disposal of property and equipment	37,723	-	-	37,723	5,988
Bad debt expense	(1,100)	-	-	(1,100)	(2,445)
Depreciation expense	(203,604)	-	-	(203,604)	(129,810)
Vacation expense	(38,254)	-	-	(38,254)	-
Investment fees	(46,119)	-	-	(46,119)	(50,272)
Total non-operating income (expenses)	<u>177,904</u>	<u>-</u>	<u>-</u>	<u>177,904</u>	<u>(372,335)</u>
Change in net assets	286,282	(354,095)	525	(67,288)	152,061
Net assets at beginning of year	<u>5,283,079</u>	<u>1,001,492</u>	<u>109,520</u>	<u>6,394,091</u>	<u>6,242,030</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,569,361</u>	<u>\$ 647,397</u>	<u>\$ 110,045</u>	<u>\$ 6,326,803</u>	<u>\$ 6,394,091</u>

The accompanying notes are an integral part of these financial statements

THE RUFFED GROUSE SOCIETY

STATEMENT OF CASH FLOWS Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (67,288)	\$ 152,061
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	203,604	129,810
Realized loss on sale of marketable securities	98,952	101,367
Unrealized (gain) loss on marketable securities	(446,950)	184,512
Gain on disposal of property and equipment	(37,723)	(5,988)
Donation of land held for investment	(492,000)	-
Changes in assets and liabilities:		
Increase in accounts receivable - trade	(40,262)	(20,081)
(Increase) decrease in pledges receivable	171,776	(171,129)
Increase in grants receivable	(88,443)	-
(Increase) decrease in inventory	58,009	(67,142)
(Increase) decrease in prepaid expenses	11,826	(4,090)
Increase (decrease) in accounts payable	(34,663)	71,387
Increase in accrued retirement	4,801	5,675
Increase (decrease) in accrued expenses	74,235	(7,999)
Increase in deferred grant income	28,843	-
Increase in other deferred revenue	2,555	9,000
Net cash provided by (used in) operating activities	<u>(552,728)</u>	<u>377,383</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of marketable securities	2,040,689	3,093,681
Purchases of marketable securities	(1,983,837)	(2,900,200)
Purchases of property and equipment	(222,829)	(390,536)
Proceeds on disposal of property and equipment	73,147	11,192
Net cash used in investing activities	<u>(92,830)</u>	<u>(185,863)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings on line of credit	578,289	(195,464)
Payments on notes payable	-	(17,271)
Net cash provided by (used in) financing activities	<u>578,289</u>	<u>(212,735)</u>
Net decrease in cash and cash equivalents	(67,269)	(21,215)
Cash and cash equivalents at beginning of year	<u>1,292,638</u>	<u>1,313,853</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>1,225,369</u>	\$ <u>1,292,638</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 23,763</u>	<u>\$ 11,506</u>

The accompanying notes are an integral part of these financial statements

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

(With Comparative Information for the Year Ended December 31, 2015)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Ruffed Grouse Society (the "Society") is a not-for-profit entity dedicated to improving the environment for the ruffed grouse, the American woodcock, and many other species of forest wildlife. The accompanying financial statements include the accounts of the Society's headquarters operations only and do not include the accounts and operations of the Society's various chapters. Commencing in 2014, the Society created the American Woodcock Society which is operating as an assumed name business in accordance with Virginia law. All of the transactions of the American Woodcock Society are included in these financial statements.

Basis of Accounting - The Society's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which the related liability is incurred.

Financial Statement Presentation - The Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Cash and Cash Equivalents - The Society considers all short-term instruments purchased with maturities of three months or less to be cash equivalents.

Marketable securities - Marketable securities include investments with readily determinable fair values that are carried at their fair value in the statement of financial position. Investment returns including unrealized gains and losses are included in the statement of activities.

Allowance for Doubtful Accounts - The management of the Society considers whether receivable balances are fully collectible. If any amounts become uncollectible, they will be charged to bad debts in the statement of activities when that determination is made. No allowance has been provided for accounts receivable or grants receivable as of December 31, 2016 and 2015. For pledges receivable, an allowance for doubtful accounts has been provided for as of December 31, 2016 and 2015 in the amount of \$6,000.

Revenues and Pledges - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Pledges are recorded as receivables at the time the pledges are made and allowances are provided for pledges estimated to be uncollectible. Pledges due in the next year are recorded at their net realizable value. Pledges due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the pledges are received to discount the amounts.

All donor restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

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NOTES TO FINANCIAL STATEMENTS

(With Comparative Information for the Year Ended December 31, 2015)

The Society records donated land and equipment used in its operations as contribution income at estimated fair values as of the date of receipt. Donated goods and prizes for banquets, which are held at the chapter level, are not recorded and are not reflected in inventory or in cost of sales in the statement of activities.

Inventory - Inventory is valued using the average cost method. Inventory consists of various items that the members of the Society can purchase online and at banquets and other events that are held to promote the Society. The merchandise includes guns, artwork, outdoor apparel, binoculars and other items.

Property and Equipment - Purchased property and equipment are stated at cost or, if donated, at fair market value as determined by the donor at the date of donation. Additions of leasehold improvements, vehicles, forestry equipment and office furniture, in excess of \$1,000, are capitalized. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the statement of activities. Repair and maintenance charges which do not increase the useful lives of the assets are charged to expense as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

	<u>Years</u>
Leasehold Improvements	8
Vehicles	5
Forestry Equipment	5 - 10
Office Furniture and Equipment	3 - 5

Impairment of Long-lived Assets - Management of the Society considers the valuation and depreciation of property and equipment to be reasonable. Management considers both the current and future levels of undiscounted cash flow generated by the Society and the continuing value of property and equipment to determine when and if an impairment has occurred. Any write-downs due to impairment are charged to expense at the time the impairment is identified. No such write-downs due to impairment have been recorded in 2016 and 2015.

Advertising - The Society expenses advertising costs as they are incurred. Advertising costs include indirect advertising. Advertising costs incurred during the years ended December 31, 2016 and 2015 were \$35,508 and \$41,695, respectively.

Estimates - The preparation of 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 statement of financial position and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes - The Society is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Society's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the

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NOTES TO FINANCIAL STATEMENTS

(With Comparative Information for the Year Ended December 31, 2015)

Society qualifies for the charitable contribution deduction under Section 170(b)(1)(A) as it has been classified as an organization that is not a private foundation under Section 509(a)(2).

Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Society has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Society believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Society's financial condition, results of operations or cash flows. Accordingly, the Society has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2016 and 2015. The Society's policy is to classify any income tax related interest and penalties to interest expense and other expenses, respectively.

The Society is subject to routine audits by taxing jurisdictions: however, there are currently no audits for any tax periods in progress.

Compensated Absences - Employees of the Society are entitled to paid vacation depending on length of service and other factors in accordance with a written policy. Vacation may be accrued up to four weeks for each employee, and would be paid upon termination of employment. The liability for accrued compensated absences as of December 31, 2016 is \$38,254, and is included in accrued expenses in the accompanying statement of financial position. There was no liability for compensated absences recorded as of December 31, 2015, as the amount could not be reasonably estimated.

Concentration of Credit Risk - The Society maintains its cash and cash equivalents with two financial institutions as of December 31, 2016 and 2015. Its accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The FDIC provides each depositor up to \$250,000 in coverage at each separately chartered insured depository institution. The Society has not experienced any losses on the deposits and management believes the Society is not exposed to any significant credit risk related to cash. At December 31, 2016 and 2015, the uninsured balances totaled \$963,264 and \$1,033,228, respectively.

As discussed in Note 4, the Society received a donation of land, with a market value of \$492,000, from one contributor during the year ended December 31, 2016. This donation accounted for approximately 42% of contribution revenue. There were no amounts receivable from this contributor as of December 31, 2016. In 2015, the Society received approximately 42% of contribution revenue from a different contributor. This contributor had a pledge receivable balance that constituted approximately 47% of total pledges receivable at December 31, 2015.

Comparative Financial Information - The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

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NOTES TO FINANCIAL STATEMENTS

(With Comparative Information for the Year Ended December 31, 2015)

Functional Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Recent Accounting Standards Updates - During 2016 and 2015, the Financial Accounting Standards Board (FASB) issued new ASUs addressing various accounting and reporting standards. Management has determined based on their review that the following ASUs issued during 2016 and 2015 may be applicable to the Society. As new ASUs are released, management will assess if they are applicable and if they are applicable, their affect will be included in the notes to the financial statements.

In January 2016, the FASB issued ASU 2016-02, "Leases", which significantly changes the accounting for a lessee. Under previous guidance, lessees did not have to record a lease it designated as operating on its balance sheet. Under the new guidance, a lessee must record the following items for all leases, regardless of whether they are designated as finance or operating leases:

- A liability for lease payments (referred to as the lease liability); and
- An asset for the right to use the leased asset during the lease term (referred to as the right of use asset).

If a lessee has a lease with a term of 12 months or less, it may make an accounting policy election (by leased asset class) not to recognize lease assets or lease liabilities. This election generally requires the lessee to recognize lease expense on a straight-line basis over the lease term.

ASU 2016-02 is effective for interim and annual periods beginning after December 15, 2018 for any of the following:

- A public business entity;
- A not-for-profit entity that has issued (including conduit bond obligors) securities that are traded, listed, or quoted on an exchange or an over-the-counter market; and
- An employee benefit plan that files financial statements with the US Securities and Exchange Commission (SEC).

All other entities must apply the guidance in ASU 2016-02 for annual periods beginning after December 15, 2019, and interim periods beginning after December 15, 2020. Any entity may early adopt the amendments in ASU 2016-02. Management has determined that the adoption of this guidance will impact the Society, and be adopted upon the effective date, to the financial statements and notes thereto.

In August 2016, the FASB issued ASU No. 2016-14, "Not-for-Profit Entities" which contains the following:

- Current breakout of net assets into three classes will be reduced to two classes: with and without donor restrictions. The previous temporarily restricted and permanently restricted classes will be combined.

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NOTES TO FINANCIAL STATEMENTS

(With Comparative Information for the Year Ended December 31, 2015)

- Underwater portion of donor restricted endowments will be categorized as with donor restrictions.
- Qualitative description of how a not-for-profit organization manages “liquid available resources” in order to meet cash requirements for the next year.
- Quantitative information about the availability of financial assets within one year of the balance sheet date. Financial assets may have limited availability due to their nature, external limits (by donors, laws, contracts), or internal limits (generated by board decisions).
- All not-for-profit organizations must present expenses in a natural classification and by functional allocation. Previously this was only required by voluntary health and welfare organizations. The information may be presented within the statement of activities, a separate schedule, or in the notes to the financial statements.
- Enhanced disclosures are required to describe allocation methodology among program and support functions.
- Investment returns will be presented “net of all related external and direct internal expenses.” The previous requirement to disclose the amount of expenses netted against investment income has been removed.
- Either the direct or indirect method for cash flow statement is allowed. If presented on the direct method, the indirect method reconciliation is no longer required.

Management has determined that the adoption of this guidance will impact the Society and be adopted upon the effective date, to the financial statements and notes thereto. The ASU is effective for years beginning after December 15, 2017.

2. MARKETABLE SECURITIES

Marketable securities as of December 31, 2016 and 2015 are summarized as follows:

	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Certificate of Deposit	\$ 200,000	\$ 200,849	\$ 100,000	\$ 100,192
Common Stock	4,034,946	4,112,740	4,371,648	4,001,983
Exchange-Traded & Closed-End Funds	10,237	9,958	-	-
Mutual Funds	56,017	57,462	-	-
Preferred Stock	17,147	12,312	-	-
	<u>\$ 4,318,347</u>	<u>\$ 4,393,321</u>	<u>\$ 4,471,648</u>	<u>\$ 4,102,175</u>

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NOTES TO FINANCIAL STATEMENTS

(With Comparative Information for the Year Ended December 31, 2015)

Investment income (loss) is comprised of the following for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 81,260	\$ 90,083
Realized gains (losses) on marketable securities	(98,952)	(101,367)
Unrealized gains (losses) on marketable securities	<u>446,950</u>	<u>(184,512)</u>
	<u>\$ 429,258</u>	<u>\$ (195,796)</u>

3. PLEDGES RECEIVABLE

Pledges receivable as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Centurion Members	\$ -	\$ 250
Gullion Circle	-	25,000
Life Sponsors	121,578	102,040
Other Contributions	48,113	213,712
RUFF Campaign	<u>92,500</u>	<u>92,500</u>
	262,191	433,502
Less: unamortized discount	(2,181)	(1,716)
Less: allowance for uncollectible accounts	<u>(6,000)</u>	<u>(6,000)</u>
Net pledges receivable	<u>\$ 254,010</u>	<u>\$ 425,786</u>
Amounts due in:		
Less than one year	\$ 202,277	
One to five years	<u>59,914</u>	
	<u>\$ 262,191</u>	

Pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using discount rates of 3.75% and 3.25% for the years ending December 31, 2016 and 2015, respectively.

4. LAND HELD FOR INVESTMENT

In October 2016, the Society received a donation of 240 acres of wooded land, located in New Auburn, Wisconsin. The land is recorded at the fair market value, as of the date of the contribution, in the amount of \$492,000. The donors transferred title to the property pursuant to a Life Estate, whereby they retain the right to utilize and manage the property as they wish during their lifetimes. Following their deaths, the Life Estate interest will terminate and the property will be owned outright by the Society.

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NOTES TO FINANCIAL STATEMENTS

(With Comparative Information for the Year Ended December 31, 2015)

5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$ 11,809	\$ 11,809
Vehicles	589,558	577,568
Forestry equipment	403,057	381,605
Office furniture and equipment	204,421	206,488
	1,208,845	1,177,470
Less: accumulated depreciation	(614,982)	(567,408)
	\$ 593,863	\$ 610,062

Depreciation expense for the years ended December 31, 2016 and 2015 was \$203,604 and \$129,810, respectively.

6. LINE OF CREDIT

In September 2015, the Society entered into a line of credit agreement with Huntington National Bank. The agreement allows for maximum borrowings of \$1,250,000 with a maturity date of August 31, 2017. The line of credit bears interest at the banks' prime rate which was 3.75% and 3.50% at December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, the outstanding balance was \$884,071 and \$305,782, respectively.

7. DEFERRED GRANT REVENUE

The Society has the following deferred revenue relating to grants as of December 31, 2016:

Grants for Habitat Machine, DNR Trail and Habitat Outreach	<u>\$ 28,843</u>
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The Society also has accounts receivable related to its various grant agreements in the amount of \$88,443 as of December 31, 2016. In addition, the Society has signed grant agreements in place as of December 31, 2016 totaling \$153,681 for which funds have not been received or expended.

8. ENDOWMENT AND BOARD-DESIGNATED FUNDS

The composition of designated net assets as of December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
State drummer funds	\$ 351,402	\$ 350,759
Board designated endowments	5,460,906	5,300,040
	\$ 5,812,308	\$ 5,650,799

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NOTES TO FINANCIAL STATEMENTS

(With Comparative Information for the Year Ended December 31, 2015)

In 2010, the Society created the State Drummer Funds which are used for specific projects in the various states where the Society's chapters are located. Contributions made directly to the drummer funds are recognized in the financial statements as temporarily restricted assets. Additional monies to the drummer funds are allocated by the Society based on the individual chapters' banquet proceeds. Net banquet proceeds of \$1 to \$14,999 yield a 10% allocation; net proceeds of \$15,000 to \$49,999 yield a 15% allocation; and net proceeds of \$50,000 or more yield a 20% allocation. Additionally, for every life sponsor recruited by a chapter, \$2,500 is allocated to their respective state drummer fund.

Endowment - The Society established an Endowment Fund (the "Endowment"), which was set up so that all proceeds generated from the Endowment would be used to fund certain field biologists' salaries and benefits. Net assets associated with the Endowment are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in endowment net assets for the years ended December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Endowment net assets, beginning of the year	\$ 5,300,040	\$ 5,643,112
Investment return		
Investment income	35,140	39,803
Net appreciation (depreciation)	<u>334,496</u>	<u>(274,218)</u>
Total investment return	369,636	(234,415)
Contributions	84,950	184,583
Board authorized transfers	<u>(293,720)</u>	<u>(293,240)</u>
Endowment net assets, end of the year	<u>\$ 5,460,906</u>	<u>\$ 5,300,040</u>

Interpretation of the Endowment - Contributions to the Endowment are designated by donor agreements or by the Board of Directors. Distribution of any gift, bequest or fund is governed by the Society's governing documents and donor agreements. All Society endowment funds make available the use of principal which are able to be utilized for the intended purpose of the Endowment. Board-designated endowments do not possess external spending restrictions and therefore are classified as unrestricted net assets.

Return Objectives and Risk Parameters - The Society has adopted investment and spending policies for endowment assets that seek to provide a predictable stream of revenue while seeking to maintain and expand the principal. The Society's endowment assets are board-designated.

Under the Society's policy, endowment assets are invested in a diversified portfolio to manage risk and protect assets while providing a moderate rate of return. The funds are managed by an outside investment advisory firm. The investment results of the investment advisory firm are compared, at least annually, to mutually agreed upon and nationally recognized benchmarks of performance.

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

(With Comparative Information for the Year Ended December 31, 2015)

Strategies Employed for Achieving Objectives - To satisfy its long-term, rate of return objectives, the Society relied on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Society targets a diversified asset allocation that places a great emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The Investment Committee of the Society Board, meet at least semi-annually in person (and telephonically when necessary) to review performance with investments and recommend investment allocations subject to board approval.

Spending Policy and How the Investment Objectives Relate to Spending Policy - Endowment Fund Revenue will be calculated annually, in December, for budgetary and spending purposes for the coming year at a percentage of all endowment assets not otherwise restricted. The percentage available to be spent will be recommended to the Board of Directors by the President/Chief Executive Officer, or his designate. The value of the assets against which the percentage will be levied will be the average value of all assets over the preceding three year period, determined on a quarterly basis. The annual valuation will, therefore, be the average of twelve (12) quarterly valuations concluding with that of the September 30th quarter most recently preceding the date of the Board Meeting. It is anticipated that the spending percentage will be in the range of two (2%) percent to seven (7%) percent, as determined by the Board of Directors.

It is also anticipated that the annual fund revenue will be withdrawn on a semi-annual basis so as to correspond with the Society's seasonal low cash-flow points – normally December-January and June-July.

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Habitat and other projects	\$ 501,790	\$ 892,213
Long term pledges receivable	59,914	50,560
Dew Scholarship Fund	35,635	26,133
State drummer funds	50,058	32,586
	<u>647,397</u>	<u>1,001,492</u>

10. PERMANENTLY RESTRICTED NET ASSETS

In 2000, a donor established the Dew Scholarship Fund to reward scholarships to deserving individuals. Contributions to this fund are considered permanently restricted. The Fund's assets are included in the Society's investment account. Scholarships are paid from investment earnings. The related investment income is included in temporarily restricted net assets. Permanently restricted net assets are as follows as of December 31, 2016 and 2015:

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

(With Comparative Information for the Year Ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
Dew Scholarship Fund	\$ <u>110,045</u>	\$ <u>109,520</u>

11. EMPLOYEE BENEFIT PLANS

The Society maintains a defined contribution pension plan in which all full-time employees are eligible to participate. Employer contributions to the plan are discretionary and are based upon a percentage of gross salary. This percentage varies from 1.5% to 4.5% and is determined by a participant's length of service. In addition, the Society allows qualified employees to make a voluntary contribution to the plan. The employer contributions to the plan for the years ended December 31, 2016 and 2015 were \$50,117 and \$45,296, respectively, and are included in salaries and benefits in the schedules of functional expenses.

12. LEASE COMMITMENTS

The Society leases its office space in Coraopolis, Pennsylvania. The lease has a term of five years through April 2019 and requires monthly rental payments of \$8,900.

The Society also leases office equipment under operating leases that range between 48 to 63 months through March 2020. These leases require monthly payments ranging from \$258 to \$1,089.

Future minimum lease payments as of December 31, 2016 are as follows:

	<u>Office Space</u>	<u>Office Equipment</u>	<u>Total</u>
2017	106,800	32,724	139,524
2018	106,800	32,465	139,265
2019	26,700	29,627	56,327
2020	-	5,820	5,820
	<u>\$ 240,300</u>	<u>\$ 100,636</u>	<u>\$ 340,936</u>

Total expense under operating leases was \$138,435 and \$148,848 for the years ended December 31, 2016 and 2015, respectively. These amounts are included in rent, utilities, and cleaning expense and supplies and equipment rental in the accompanying schedules of functional expenses.

13. RISKS AND UNCERTAINTIES

The Society invests in various marketable securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position.

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

(With Comparative Information for the Year Ended December 31, 2015)

14. COMMITMENTS AND CONTINGENCIES

The Society entered into an agreement with the Western Pennsylvania Conservancy (the "Conservancy") effective January 31, 2008. The Conservancy granted the Society timber rights on approximately 2,363 acres of real estate located in Somerset County. The conveyances of the rights are in effect from January 31, 2008 through January 31, 2023. During this 15 year period, the Society is to harvest the full 2,363 acres. The Society is entitled to be paid \$3.00 per ton of pulpwood or firewood harvested and sold from the timber sale.

In February, 2013, the Society entered into an agreement with an independent third party to harvest and sell timber and related by-products on a 170 acre tract that is part of the 2,363 acres of real estate located in Somerset County. The independent third party agreed to pay \$2.00 per ton of pulpwood or firewood harvested and sold from the timber sale. This agreement expired on October 1, 2015 without renewal.

During the years ended December 31, 2016 and 2015, the Society received payments of \$99,926 and \$233,126, respectively, related to the timber sale agreements referred to above. These amounts are classified as timber sales in the statement of activities.

The Society entered into a Timber Lease and Related Services Agreement ("the Agreement"), effective June 2010 and amended at various times through 2014, with CONSOL Energy ("CONSOL"), which is a corporate sponsor of the Society. The Agreement provides for a pilot project between the parties which involves the leasing of CONSOL property located in Greene, Indiana and Washington Counties in Pennsylvania and Grant and Monongalia Counties in West Virginia. The Society oversees all aspects of the harvesting of wood fiber, including the creation of ecologically sound clear cuts on CONSOL's timber holdings in these counties. The Society generates revenue from this process and enhances the habitat for wildlife dependent upon early successional or young forests for their survival. The agreement also permits the parties, from time to time, to add additional timber and land to the lease.

The Society retains fifty percent of the revenue it earns from the sale of wood products including the cost of obtaining a consulting forester to oversee all aspects of the harvests.

The Society did not receive any net income from CONSOL during the years ended December 31, 2016 and 2015. The initial term of the Agreement expired in October 2015, at which time a renewal option for an additional five-year period went into effect, which extended the term through October 2020.

15. CONTRIBUTED SERVICES

The Society recognized contribution revenue of \$8,800 and \$25,200 for legal services for the years ended December 31, 2016 and 2015, respectively. The legal services were valued based on the fair value of the services provided to the Society by the attorney.

The Society receives minimal, if any, donated services from unpaid volunteers. No amounts have been recognized in the statement of activities because the criteria for recognition under accounting principles generally accepted in the United States of America have not been satisfied.

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

(With Comparative Information for the Year Ended December 31, 2015)

The contributed legal services revenue is included in contributions on the statement of activities. The offsetting expense is recorded in legal and accounting in the accompanying statements of functional expenses.

16. RELATED PARTY TRANSACTIONS

The Society received contributions from its Board of Directors. Contributions totaled \$149,620 and \$137,255 for the years ended December 31, 2016 and 2015, respectively. Pledges receivable from the Board of Directors totaled \$118,163 and \$116,213 for the years ended December 31, 2016 and 2015, respectively.

17. FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC Topic 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Society uses appropriate valuation techniques, based on the inputs available to measure the fair value of its investments. There have been no changes in the methodologies used at December 31, 2016 and 2015.

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

(With Comparative Information for the Year Ended December 31, 2015)

The Society's investments at fair value, within the fair value hierarchy, are as follows as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
<u>Level 1</u>		
Certificates of Deposit	\$ 200,849	\$ 100,192
Common Stock	4,112,740	4,001,983
Exchange-Traded & Closed-End Funds	9,958	-
Mutual Funds	57,462	-
Preferred Stock	<u>12,312</u>	<u>-</u>
Total Level 1	4,393,321	4,102,175
<u>Level 3</u>		
Land held for investment	<u>492,000</u>	<u>-</u>
Total Investments	\$ <u>4,885,321</u>	\$ <u>4,102,175</u>

Fair values for marketable securities are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of the land held for investment is recorded at the fair market value as of the date of donation.

Assets measured at fair value on a non-recurring basis using significant unobservable inputs (Level 3):

Land held for investment

	<u>2016</u>	<u>2015</u>
Balance at Beginning of Year	\$ -	\$ -
Donation of land held for investment	<u>492,000</u>	<u>-</u>
Balance at End of Year	\$ <u>492,000</u>	\$ <u>-</u>

18. SUBSEQUENT EVENTS

The Society has evaluated subsequent events in accordance with FASB ASC Topic 855, Subsequent Events, through May 11, 2017, which is the date the financial statements were available to be issued. During their evaluation, no subsequent event items were identified.

SUPPLEMENTAL INFORMATION

THE RUFFED GROUSE SOCIETY

SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended December 31, 2016

	Membership <u>Services</u>	General Education and Chapter <u>Operations</u>	Habitat <u>Projects</u>	<u>Coverts</u>	<u>Research</u>	<u>Advocacy</u>	<u>Administration</u>	<u>Fund-raising</u>	<u>Totals</u>
Advertising	\$ -	\$ 35,508	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,508
Bank charges	-	-	-	-	-	-	8,816	-	8,816
Banquet and event expenses	199,600	778,440	-	-	-	-	-	19,960	998,000
Chapter activities expenses	9,477	127,907	3,806	159	106	1,124	30,670	10,349	183,598
Cost of sales - merchandise	-	49,137	-	-	-	-	-	-	49,137
Cost of sales - timber and forestry	-	-	15,098	-	-	-	-	-	15,098
Data processing	479	2,855	351	15	10	104	579	33	4,426
Dues and subscriptions	-	3,089	-	-	-	5,000	3,753	-	11,842
Educational programs	-	74,316	-	12,146	-	-	-	-	86,462
General support	568	3,388	416	17	12	123	690	39	5,253
Habitat workshops	-	-	499,045	-	-	-	-	-	499,045
Insurance	191	1,136	140	6	4	41	5,635	13	7,166
Interest	-	-	-	-	-	-	23,763	-	23,763
Legal and accounting	-	-	-	-	-	-	36,107	-	36,107
Membership expenses	-	-	-	-	-	-	6,045	-	6,045
Meetings and conferences	67,258	-	-	-	-	-	-	-	67,258
Miscellaneous	74	-	-	-	-	-	86,329	-	86,403
Postage and delivery	16,437	17,966	-	-	-	-	6,792	-	41,195
Rent, utilities and cleaning	13,752	81,981	10,067	419	280	2,974	16,677	953	127,103
Research projects	-	-	-	-	13,277	-	-	-	13,277
RGS publications	137,548	-	-	-	-	-	-	-	137,548
Salaries and benefits	203,877	1,215,348	149,233	6,218	4,145	44,092	247,216	14,132	1,884,261
Supplies and equipment rental	63,903	48,727	3,949	165	110	1,167	39,051	636	157,708
Telephone	4,296	25,612	3,145	131	87	929	5,210	298	39,708
Travel and auto	-	153,145	68,986	-	-	-	30,370	-	252,501
Total	\$ 717,460	\$ 2,618,555	\$ 754,236	\$ 19,276	\$ 18,031	\$ 55,554	\$ 547,703	\$ 46,413	\$ 4,777,228

See independent auditors' report.

THE RUFFED GROUSE SOCIETY

SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended December 31, 2015

	Membership <u>Services</u>	General Education and Chapter <u>Operations</u>	Habitat <u>Projects</u>	<u>Coverts</u>	<u>Research</u>	<u>Advocacy</u>	<u>Administration</u>	<u>Fund-raising</u>	<u>Totals</u>
Advertising	\$ -	\$ 41,695	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,695
Bank charges	-	-	-	-	-	-	10,422	-	10,422
Banquet and event expenses	204,455	797,375	-	-	-	-	-	20,445	1,022,275
Chapter activities expenses	4,073	111,985	-	-	-	-	30,834	8,762	155,654
Cost of sales - merchandise	-	34,740	-	-	-	-	-	-	34,740
Cost of sales - timber and forestry	-	-	39,169	-	-	-	-	-	39,169
Data processing	455	2,714	333	14	9	98	552	32	4,207
Dues and subscriptions	-	3,525	-	-	-	-	3,383	-	6,908
Educational programs	-	38,590	-	11,390	-	-	-	-	49,980
General support	142	846	104	4	3	31	172	10	1,312
Habitat workshops	-	-	436,287	-	-	-	-	-	436,287
Insurance	400	2,387	293	12	8	87	5,889	28	9,104
Interest	-	-	-	-	-	-	11,506	-	11,506
Legal and accounting	-	-	-	-	-	-	48,710	-	48,710
Membership expenses	-	-	-	-	-	-	10,213	-	10,213
Meetings and conferences	48,432	-	-	-	-	-	-	-	48,432
Miscellaneous	4,716	-	-	-	-	-	73,153	-	77,869
Postage and delivery	19,582	21,404	-	-	-	-	8,385	-	49,371
Rent, utilities and cleaning	14,714	87,710	10,770	449	299	3,182	17,841	1,020	135,985
Research projects	-	-	-	-	72,114	-	-	-	72,114
RGS publications	137,295	-	-	-	-	-	-	-	137,295
Salaries and benefits	192,099	1,145,135	140,612	5,859	3,906	41,544	232,934	13,315	1,775,404
Supplies and equipment rental	46,090	45,194	4,816	201	134	1,423	26,803	456	125,117
Telephone	4,616	27,515	3,378	141	94	998	5,597	320	42,659
Travel and auto	-	152,826	65,163	-	-	-	51,338	-	269,327
Total	\$ 677,069	\$ 2,513,641	\$ 700,925	\$ 18,070	\$ 76,567	\$ 47,363	\$ 537,732	\$ 44,388	\$ 4,615,755

See independent auditors' report.

THE RUFFED GROUSE SOCIETY

SCHEDULE OF UNRESTRICTED AND TEMPORARILY RESTRICTED NET ASSETS
December 31, 2016

	<u>Unrestricted</u>		<u>Temporarily</u>	<u>Permanently</u>	
	<u>Undesignated</u>	<u>Designated</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and cash equivalents	\$ (891,146)	\$ 1,564,666	\$ 551,849	\$ -	\$ 1,225,369
Marketable securities	-	4,247,642	35,634	110,045	4,393,321
Accounts receivable - trade	98,364	-	-	-	98,364
Pledges receivable - net	194,096	-	59,914	-	254,010
Grants receivable	88,443	-	-	-	88,443
Inventory	269,020	-	-	-	269,020
Prepaid expenses	52,678	-	-	-	52,678
Land held for investment	492,000	-	-	-	492,000
Property and equipment, net	<u>593,863</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>593,863</u>
Total assets	897,318	5,812,308	647,397	110,045	7,467,068
Total liabilities	<u>(1,140,265)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,140,265)</u>
NET ASSETS	<u>\$ (242,947)</u>	<u>\$ 5,812,308</u>	<u>\$ 647,397</u>	<u>\$ 110,045</u>	<u>\$ 6,326,803</u>

See independent auditors' report.

THE RUFFED GROUSE SOCIETY

SCHEDULE OF UNRESTRICTED AND TEMPORARILY RESTRICTED NET ASSETS
December 31, 2015

	<u>Unrestricted</u>		<u>Temporarily</u>	<u>Permanently</u>	
	<u>Undesignated</u>	<u>Designated</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and cash equivalents	\$ (1,102,726)	\$ 1,684,277	\$ 711,087	\$ -	\$ 1,292,638
Marketable securities	-	3,966,522	26,133	109,520	4,102,175
Accounts receivable - trade	58,102	-	-	-	58,102
Pledges receivable - net	161,514	-	264,272	-	425,786
Inventory	327,029	-	-	-	327,029
Prepaid expenses	64,504	-	-	-	64,504
Property and equipment, net	<u>610,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>610,062</u>
Total assets	118,485	5,650,799	1,001,492	109,520	6,880,296
Total liabilities	<u>(486,205)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(486,205)</u>
NET ASSETS	<u>\$ (367,720)</u>	<u>\$ 5,650,799</u>	<u>\$ 1,001,492</u>	<u>\$ 109,520</u>	<u>\$ 6,394,091</u>

See independent auditors' report.