

**THE RUFFED GROUSE SOCIETY**

**FINANCIAL STATEMENTS,  
SUPPLEMENTAL INFORMATION AND  
INDEPENDENT AUDITORS' REPORT  
December 31, 2009 and 2008**

**THE RUFFED GROUSE SOCIETY**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditors' Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 16
<b><u>Supplemental Information:</u></b>	
Schedules of Functional Expenses	17 - 18
Schedules of Unrestricted and Temporarily Restricted Net Assets	19 - 20



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The Ruffed Grouse Society

We have audited the accompanying statements of financial position of The Ruffed Grouse Society (a nonprofit organization) as of December 31, 2009 and 2008, and the related statements of cash flows for the years then ended and the statement of activities for the year ended December 31, 2009. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from The Ruffed Grouse Society's 2008 financial statements where, in our report dated May 14, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 and 2008, and its cash flows for the years then ended and the results of its operations and changes in net assets for the year ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses and unrestricted and temporarily restricted net assets on pages seventeen through twenty 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 audits 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 taken as a whole.

*Louis Plung & Company, LLP*

Pittsburgh, Pennsylvania  
May 5, 2010

**THE RUFFED GROUSE SOCIETY**

**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2009 and 2008

ASSETS

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents		
Undesignated	\$ 1,468	\$ 22,036
Designated	510,906	1,311,889
Temporarily restricted	<u>378,186</u>	<u>332,285</u>
	890,560	1,666,210
Short-term investments	3,451,671	1,966,563
Accounts receivable - trade	91,620	87,416
Accounts receivable - chapters	47,085	51,113
Accounts receivable - employees	427	825
Pledges receivable - net	1,075,945	1,419,373
Contribution receivable - charitable remainder trust	77,830	66,406
Inventory, net of allowance for obsolete inventory of \$30,115 and \$27,849, respectively	293,000	264,339
Land held for resale	193,652	193,652
Property and equipment, net	<u>454,241</u>	<u>245,691</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>6,576,031</u></b>	<b>\$ <u>5,961,588</u></b>

LIABILITIES AND NET ASSETS

<b>LIABILITIES</b>		
Line of credit	\$ 617,019	\$ 708,609
Accounts payable	46,465	99,872
Accrued retirement	23,662	25,963
Accrued expenses	15,583	18,750
Deferred revenue	33,933	44,921
Notes payable	<u>159,500</u>	<u>79,851</u>
Total liabilities	<u>896,162</u>	<u>977,966</u>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	820,838	480,505
Designated	<u>4,115,522</u>	<u>3,443,317</u>
	4,936,360	3,923,822
Temporarily restricted	<u>743,509</u>	<u>1,059,800</u>
Total net assets	<u>5,679,869</u>	<u>4,983,622</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>6,576,031</u></b>	<b>\$ <u>5,961,588</u></b>

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

**THE RUFFED GROUSE SOCIETY**

**STATEMENTS OF ACTIVITIES**

Year Ended December 31, 2009

With Summarized Comparative Financial Information for the Year Ended December 31, 2008

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>2009</u>	<u>2008</u>
<b>REVENUES, GAINS, AND OTHER SUPPORT:</b>				
Contributions	\$ 970,815	\$ 500,946	\$ 1,471,761	\$ 3,512,056
Membership dues	337,954	-	337,954	382,095
Proceeds from banquets/events	682,873	-	682,873	704,509
Sales of merchandise (net)	41,245	-	41,245	60,294
Advertising income	124,085	-	124,085	143,172
Fundraising	2,582	-	2,582	8,814
Investment income	115,490	-	115,490	90,175
Realized loss on sale of investments	(52,826)	-	(52,826)	(95,772)
Unrealized gain (loss) on investments	599,639	-	599,639	(878,856)
Gain (loss) on disposal of property and equipment	(1,337)	-	(1,337)	3,097
Miscellaneous income	137,218	-	137,218	36,267
	<u>2,957,738</u>	<u>500,946</u>	<u>3,458,684</u>	<u>3,965,851</u>
Net assets released from restrictions				
Restriction satisfied	<u>817,237</u>	<u>(817,237)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>3,774,975</u>	<u>(316,291)</u>	<u>3,458,684</u>	<u>3,965,851</u>
<b>FUNCTIONAL EXPENSES:</b>				
Program services:				
Membership services	325,969	-	325,969	382,797
General education and chapter operations	1,883,981	-	1,883,981	2,212,438
Habitat projects	314,917	-	314,917	369,820
Coverts	11,053	-	11,053	12,976
Research	2,760	-	2,760	3,244
Advocacy	5,524	-	5,524	6,488
Supporting services:				
Administration	204,421	-	204,421	240,059
Fund-raising	13,812	-	13,812	16,221
Total functional expenses	<u>2,762,437</u>	<u>-</u>	<u>2,762,437</u>	<u>3,244,043</u>
Change in net assets	1,012,538	(316,291)	696,247	721,808
Net assets at beginning of year	<u>3,923,822</u>	<u>1,059,800</u>	<u>4,983,622</u>	<u>4,261,814</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 4,936,360</u>	<u>\$ 743,509</u>	<u>\$ 5,679,869</u>	<u>\$ 4,983,622</u>

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

## THE RUFFED GROUSE SOCIETY

### STATEMENTS OF CASH FLOWS Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 696,247	\$ 721,808
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	119,711	114,139
Realized loss on sale of investments	52,826	95,772
Unrealized (gain) loss on investments	(599,639)	878,856
(Gain) loss on disposal of property and equipment	1,337	(3,097)
Allowance for obsolete inventory	2,266	1,035
Allowance for uncollectible pledges receivable	(4,388)	4,183
Change in value of contribution receivable - charitable remainder trust	(11,424)	4,112
Changes in assets and liabilities:		
Increase in accounts receivable - trade	(4,204)	(5,192)
Decrease in accounts receivable - chapters	4,028	51,391
Decrease in accounts receivable - employees	398	942
(Increase) decrease in pledges receivable	347,816	(1,122,091)
Increase in inventory	(30,927)	(73,004)
Decrease in accounts payable	(53,407)	(34,783)
Decrease in accrued retirement	(2,301)	(508)
Decrease in accrued expenses	(3,167)	(47)
Increase (decrease) in deferred revenue	(10,988)	5,040
Net cash provided by operating activities	<u>504,184</u>	<u>638,556</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net purchases of short-term investments	(938,295)	(133,981)
Purchase of property and equipment	(338,798)	(63,287)
Proceeds on disposal of property and equipment	9,200	3,096
Net cash used in investing activities	<u>(1,267,893)</u>	<u>(194,172)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net borrowings on line of credit	(91,590)	300,622
Borrowings on notes payable	123,640	59,292
Payments on notes payable	(43,991)	(35,883)
Net cash provided by (used in) financing activities	<u>(11,941)</u>	<u>324,031</u>
Net increase (decrease) in cash and cash equivalents	(775,650)	768,415
Cash and cash equivalents at beginning of year	<u>1,666,210</u>	<u>897,795</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ <u>890,560</u></b>	<b>\$ <u>1,666,210</u></b>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 30,387</u>	<u>\$ 25,187</u>

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

# THE RUFFED GROUSE SOCIETY

## NOTES TO FINANCIAL STATEMENTS

### 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 headquarter operations only and do not include the accounts and operations of the Society's various chapters.

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 become 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.

Short-term Investments - Short-term investments in marketable securities with readily determinable fair values are carried at their fair values 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 accounts receivable balances are fully collectible. If any amounts become uncollectible, they will be charged to the appropriate functional expense when that determination is made. No allowance has been provided for accounts receivable as of December 31, 2009 and 2008. For pledges receivable, an allowance for doubtful accounts has been provided for as of December 31, 2009 and 2008 in the amounts of \$16,098 and \$20,486, respectively.

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.

# THE RUFFED GROUSE SOCIETY

## NOTES TO FINANCIAL STATEMENTS

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 based upon the lower of cost or market using the average cost method. Inventory consists of various items that the members of the Society can purchase to promote the Society, including guns, artwork, outdoor apparel, binoculars and other items.

Property and Equipment - Purchased property and equipment are stated at cost or, if donated, at a fair market value as determined by the donor at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as indicated below. 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. Repairs and maintenance charges which do not increase the useful lives of the assets are charged to expenses as incurred.

	<u>Years</u>
Leasehold Improvements	8
Office Furniture and Equipment	5 - 10
Automobiles	4 - 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 2009 and 2008.

Advertising Costs - The Society expenses advertising costs as they are incurred. Advertising costs include indirect advertising and recruitment costs. Advertising costs incurred during the years ended December 31, 2009 and 2008 were \$47,234 and \$12,746, 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 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 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).

## THE RUFFED GROUSE SOCIETY

### NOTES TO FINANCIAL STATEMENTS

Concentration of Credit Risk - The Society maintains its cash accounts with various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$100,000. Effective October 3, 2008 through December 31, 2013, the Emergency Economic and Stabilization Act was enacted which increased amounts insured by the FDIC from \$100,000 to \$250,000. After December 31, 2013, the insured limit will revert back to \$100,000. The cash balances may periodically exceed the insured limit. The uninsured cash balances held by the Society at December 31, 2009 and 2008 are \$364,588 and \$878,481, respectively. The Society has not experienced any losses on these deposits and management believes the Society is not exposed to any significant credit risk related to cash and cash equivalents.

Compensated Absences - Employees of the Society are entitled to paid vacation and sick days depending on length of service and other factors in accordance with a written policy. Vacation may not be accrued and must be taken within six months of being earned. The Society's policy is to recognize the cost of compensated absences when actually paid, and accordingly, no amount of compensation for future absences has been reflected in the financial statements.

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, 2008, from which the summarized information was derived.

Reclassifications - Certain prior year amounts have been reclassified to conform to the current year presentation.

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, on a basis consistently applied in 2009 and 2008.

New Accounting Pronouncements - In June 2009, the Financial Accounting Standards Board ("FASB") issued guidance under the Accounting Standards Codification ("ASC") Topic 105, "Generally Accepted Accounting Principles" (SFAS No. 168, The FASB Accounting Standards Codification and Hierarchy of Generally Accepted Accounting Principles ("GAAP")). This guidance establishes the FASB ASC as the single source of authoritative U.S. GAAP recognized by the FASB to be applied by non-governmental entities. The ASC supersedes all existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the ASC has become non-authoritative. Following SFAS 168, the FASB will no longer issue any standards in the form of Statements, FSPs, or EITFs Abstracts. Instead, the FASB will issue Accounting Standards Updates, which will serve on to update the ASC, provide background information about the guidance, and provide the bases for conclusions on the change in the ASC. The Society adopted ASC 105 effective for financial statements issued as of December 31, 2009. The adoption of this guidance did not have an impact on the financial statements but will alter the references to accounting literature within the financial statements.

**THE RUFFED GROUSE SOCIETY**

**NOTES TO FINANCIAL STATEMENTS**

Since the adoption of ASC 105, FASB issued approximately 33 updates to the ASC up through May 5, 2010. Management has reviewed each of these updates and has determined that none of the updates will have an impact on the Society's financial statements. Management will continue to monitor the issuance of updates throughout the year to determine if the update will have an impact on the Society's financial statements and should it have an impact, the update will be disclosed in the notes to the financial statements.

**2. SHORT-TERM INVESTMENTS**

Short-term investments as of December 31, 2009 and 2008 are summarized as follows:

	<u>December 31, 2009</u>		<u>December 31, 2008</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Mutual Funds	\$ 2,651,908	\$ 2,732,206	\$ 1,545,485	\$ 1,481,299
Common Stock	435,410	440,647	470,670	308,020
Bonds	<u>268,804</u>	<u>278,818</u>	<u>172,134</u>	<u>177,244</u>
	\$ <u>3,356,122</u>	\$ <u>3,451,671</u>	\$ <u>2,188,289</u>	\$ <u>1,966,563</u>

**3. PLEDGES RECEIVABLE**

Pledges receivable as of December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Centurion Members	\$ 750	\$ -
Gullion Circle	126,905	126,905
Life Sponsors	84,630	94,730
Richard King Mellon Foundation	150,000	-
Partners in Conservation	20,038	40,076
RUFF Campaign	<u>720,700</u>	<u>1,205,050</u>
	1,103,023	1,466,761
Less: unamortized discount	(10,980)	(26,902)
Less: allowance for uncollectible accounts	<u>(16,098)</u>	<u>(20,486)</u>
Net pledges receivable	\$ <u>1,075,945</u>	\$ <u>1,419,373</u>
Amounts due in:		
Less than one year	\$ 904,793	
One to five years	<u>198,230</u>	
	\$ <u>1,103,023</u>	

Pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 3.25% for the years ending December 31, 2009 and 2008, respectively.

**THE RUFFED GROUSE SOCIETY**

**NOTES TO FINANCIAL STATEMENTS**

**4. CONTRIBUTION RECEIVABLE - CHARITABLE REMAINDER TRUST**

During 1997, a donor and his spouse established a joint trust naming the Society as the sole beneficiary of a charitable remainder unitrust. Under terms of the trust, the Society is to receive a distribution of \$100,000 for its unrestricted use at the time of death of the last surviving donor. The donor passed away during 2009 leaving his spouse as the sole surviving donor. The trust will remain active until her death. The receivable for the charitable remainder trust is carried at fair value, which the Society has estimated based on the present value of its expected future cash flows. Based on the donor's life expectancy and a 3.25% discount rate, the fair value of the Society's interest in the trust was estimated to be \$77,830 and \$66,406 as of December 31, 2009 and 2008, respectively. On an annual basis, the Society revalues the contribution receivable based on applicable mortality tables and current market conditions. The change in the value of the charitable remainder trust had an increase of \$11,424 as of December 31, 2009 and a decrease of \$4,112 as of December 31, 2008.

**5. LAND HELD FOR RESALE**

During the year ended December 31, 2006, the Board of Directors voted to actively pursue plans to sell property located in Gun Lake, Michigan and Trout Creek, Michigan. The land is recorded at its donated value, which is \$193,652. During 2008, the Society sold the property in Trout Creek, Michigan. As of December 31, 2009, the property located in Gun Lake, Michigan had not been sold.

**6. PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2009 and 2008 consists of the following:

	<u>2009</u>	<u>2008</u>
Leasehold improvements	\$ 11,809	\$ 11,809
Office furniture and equipment	163,343	551,098
Automobiles	<u>598,808</u>	<u>495,724</u>
	773,960	1,058,631
Less: accumulated depreciation	<u>(319,719)</u>	<u>(812,940)</u>
	<u>\$ 454,241</u>	<u>\$ 245,691</u>

During 2009, the Society took an inventory of all property and equipment recorded on its books and subsequently wrote-off all fully depreciated items that were no longer in the Society's possession. This accounts for the decreases in office furniture and equipment and accumulated depreciation.

Depreciation expense for the years ended December 31, 2009 and 2008 was \$119,711 and \$114,139, respectively.

**THE RUFFED GROUSE SOCIETY**

NOTES TO FINANCIAL STATEMENTS

**7. LINE OF CREDIT**

The Society has a line of credit with a financial institution which allows for maximum borrowings of \$750,000 at December 31, 2009 and December 31, 2008. The outstanding balance was \$617,019 and \$708,609 as of December 31, 2009 and 2008, respectively. The line of credit bears interest at the bank's prime rate minus .25% (3% at December 31, 2009 and 2008, respectively) and is collateralized by certain cash and investments held by another financial institution. The line was renewed in September 2008 and will expire in October 2010. The line of credit agreement contains a covenant which requires the Society to maintain collateral with a minimum margin value of \$750,000 or the amount of the outstanding obligation, whichever is higher. The Society is in compliance with this covenant as of December 31, 2009 and 2008.

**8. NOTES PAYABLE**

Notes payable consists of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
GMAC - various notes payable, due in 36 to 60 monthly installments ranging in amounts from \$444 to \$689. Interest rates range from 2.9% to 6.6%, secured by the related vehicles.	\$ 159,500	\$ 72,460
PNC Bank - payable in 48 payments of \$641, with an interest rate of 7.39%, secured by a vehicle.	-	<u>7,391</u>
	159,500	79,851
Less current portion	<u>35,564</u>	<u>35,540</u>
	\$ <u>123,936</u>	\$ <u>44,311</u>

Maturities of notes payable are as follows:

2010	\$ 35,564
2011	37,332
2012	39,195
2013	33,496
2014	<u>13,913</u>
	\$ <u>159,500</u>

**9. DESIGNATED NET ASSETS**

The Society established an endowment fund. The fund was set up so that all proceeds generated from the fund would be used to fund field biologists' salaries and benefits. The balance of the endowment fund was \$4,115,522 and \$3,443,317 as of December 31, 2009 and 2008, respectively. During the years ended December 31, 2009 and 2008, costs recorded

**THE RUFFED GROUSE SOCIETY**

**NOTES TO FINANCIAL STATEMENTS**

separately for the support of biologists totaled \$292,928 and \$420,509, respectively. These costs are included in salaries and benefits in the accompanying schedules of functional expenses.

**10. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purpose as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Charitable remainder trust	\$ 77,830	\$ 66,406
Scholarship	103,613	129,489
Habitat and other projects	390,914	325,775
Pledges receivable	<u>171,152</u>	<u>538,130</u>
	<u>\$ 743,509</u>	<u>\$ 1,059,800</u>

**11. EMPLOYEE BENEFIT PLANS**

The Society maintains a defined contribution pension plan that covers all full-time employees. Employer contributions to the plan are discretionary and are based upon a percentage of gross salary determined by length of service. Past percentages have varied from 1.5% to 4.5%. 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, 2009 and 2008 were \$23,662 and \$24,213, respectively.

**12. LEASE COMMITMENTS**

The Society leases its office space in Coraopolis, Pennsylvania. The Society signed a lease agreement commencing in February 2003 and ending in February 2009, with monthly payments of \$9,354. Effective May 2009, the lease was renewed for a five year term through April 2014. The new lease requires monthly rental payments of \$8,500.

The Society also leases other office equipment under operating leases that range between 48 to 60 months. These leases require monthly payments ranging from \$32 to \$1,026.

Future minimum lease payments for years ending December 31 are as follows:

2010	\$	120,672
2011		113,742
2012		110,954
2013		103,735
2014		<u>34,000</u>
	\$	<u>483,103</u>

## THE RUFFED GROUSE SOCIETY

### NOTES TO FINANCIAL STATEMENTS

Total rent expense under operating leases was \$112,921 and \$119,704 for the years ended December 31, 2009 and 2008, respectively.

#### 13. CONTRIBUTED SERVICES

The Society recognized contribution revenue of \$23,008 and \$19,103 for legal services contributed during the years ended December 31, 2009 and 2008, 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 has not been satisfied.

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

#### 14. FAIR VALUE MEASUREMENTS

ASC Topic 820, Fair Value Measurements and Disclosures, (formerly SFAS No. 157, Fair Value Measurements), 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 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 RUFFED GROUSE SOCIETY

### NOTES TO FINANCIAL STATEMENTS

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, 2009 and 2008.

The Society's investments at fair value, within the fair value hierarchy, are as follows as of December 31, 2009 and 2008.

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2009</u>			
Short-term investments	\$ 3,451,671	\$ -	\$ 3,451,671
Contribution receivable - Charitable Remainder Trust	-	77,830	77,830
Land held for resale	-	<u>193,652</u>	<u>193,652</u>
<b>Total</b>	<b><u>\$ 3,451,671</u></b>	<b><u>\$ 271,482</u></b>	<b><u>\$ 3,723,153</u></b>

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2008</u>			
Short-term investments	\$ 1,966,563	\$ -	\$ 1,966,563
Contribution receivable - Charitable Remainder Trust	-	66,406	66,406
Land held for resale	-	<u>193,652</u>	<u>193,652</u>
<b>Total</b>	<b><u>\$ 1,966,563</u></b>	<b><u>\$ 260,058</u></b>	<b><u>\$ 2,226,621</u></b>

Fair values for short-term investments are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of the charitable remainder trust is estimated as the present value of expected future cash inflows. The fair value of the land held for resale is recorded at the fair market value as of the date of donation.

## THE RUFFED GROUSE SOCIETY

### NOTES TO FINANCIAL STATEMENTS

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

Contribution receivable—charitable remainder trust

Balance at December 31, 2007	\$ 70,518
Change in value of charitable remainder trust	<u>(4,112)</u>
Balance at December 31, 2008	66,406
Change in value of charitable remainder trust	<u>11,424</u>
Balance at December 31, 2009	<u>\$ 77,830</u>

The changes in the value of the charitable remainder trust receivable are attributable to the revaluation based on applicable mortality tables and current market conditions and are included in the change in temporarily restricted net assets for the years ended December 31, 2009 and 2008.

Land held for resale

Balance at December 31, 2007	\$ 193,652
Change in value of land held for resale	<u>-</u>
Balance at December 31, 2008	193,652
Change in value of land held for resale	<u>-</u>
Balance at December 31, 2009	<u>\$ 193,652</u>

15. SUBSEQUENT EVENTS

The Society has evaluated subsequent events in accordance with ASC Topic 855, Subsequent Events, through May 5, 2010, which is the date the financial statements were available to be issued. During our evaluation, the following subsequent event items were identified.

The Society owns timber rights on a tract of land in Somerset County, Pennsylvania. In April 2010, the Society agreed to have certain timber sold and removed on 127 acres of this land to an unrelated entity for \$356,791. The Society will also receive \$3 per ton of pulpwood or firewood harvested and sold from this timber sale.

The Society has entered into a partnership agreement ("the Agreement"), effective May 2010, with CONSOL Energy ("CONSOL"), which is a corporate sponsor of the Society. The Agreement provides for a pilot project between the parties which involves 7,000 acres of CONSOL property in Greene and Washington Counties, Pennsylvania. The Society is to oversee all aspects of the harvesting of wood fiber, including the creation of ecologically

## **THE RUFFED GROUSE SOCIETY**

### **NOTES TO FINANCIAL STATEMENTS**

sound clear cuts on CONSOL's timber holdings in these counties. The Society will generate revenue from this process and enhance the habitat for wildlife dependent upon early successional or young forests for their survival. The Society will retain fifty percent of the revenue it earns from the sale of wood products including the cost of hiring a consulting forester to oversee all aspects of the harvests.

**SUPPLEMENTAL INFORMATION**

**THE RUFFED GROUSE SOCIETY**

**SCHEDULE OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2009**

	Membership Services	General Education and Chapter Operations	Habitat Projects	Coverts	Research	Advocacy	Administration	Fund-raising	Totals
Advertising	\$ 5,574	\$ 32,214	\$ 5,385	\$ 189	\$ 47	\$ 94	\$ 3,495	\$ 236	\$ 47,834
Bank charges	728	4,205	703	25	6	12	456	31	5,866
Chapter activities expenses	31,516	182,148	30,447	1,068	267	534	19,764	1,335	267,079
Chapter expenses	21,909	126,625	21,166	743	186	371	13,739	928	185,667
Cost of merchandise sold	4,518	26,110	4,364	153	38	77	2,833	191	38,284
Data processing	1,733	10,015	1,674	59	15	29	1,087	73	14,685
Depreciation	14,126	81,542	13,647	479	120	239	8,859	599	119,711
Dues and subscriptions	645	3,729	623	22	5	11	405	27	5,467
Educational programs	711	4,108	687	24	6	12	446	30	6,024
General support	2,238	12,934	2,162	76	19	38	1,403	95	18,965
Habitat workshops	580	3,355	561	20	5	10	364	25	4,920
Insurance	2,867	16,571	2,770	97	24	49	1,798	121	24,297
Interest	3,586	20,723	3,464	122	30	61	2,249	152	30,387
Investment fees	965	5,577	932	33	8	16	605	41	8,177
Legal and accounting	5,709	32,996	5,515	194	48	97	3,580	242	48,381
Meetings and conferences	(316)	(1,827)	(305)	(11)	(3)	(5)	(198)	(13)	(2,678)
Miscellaneous	2,823	16,317	2,728	96	24	48	1,771	120	23,927
Miscellaneous contributions	443	2,563	428	15	4	8	278	19	8
Postage and delivery	2,854	16,492	2,757	97	24	48	1,789	121	24,182
Printing	293	1,695	283	10	2	5	184	12	2,484
Promotional merchandise	2,497	14,435	2,413	85	21	42	1,566	106	21,165
Rent, utilities and cleaning	15,572	90,002	15,044	528	132	264	9,766	660	131,968
Research projects	118	682	114	4	1	2	74	5	1,000
RGS publications	18,162	104,971	17,546	616	154	308	11,390	770	153,917
Salaries and benefits	153,529	887,348	148,325	5,204	1,301	2,602	96,281	6,505	1,301,095
Supplies and equipment rental	6,981	40,348	6,744	237	59	118	4,378	296	59,161
Telephone	4,353	25,159	4,206	148	37	74	2,730	184	36,891
Travel and auto	21,255	122,844	20,534	720	180	360	13,329	901	180,123
<b>Total</b>	<b>\$ 325,969</b>	<b>\$ 1,883,981</b>	<b>\$ 314,917</b>	<b>\$ 11,053</b>	<b>\$ 2,760</b>	<b>\$ 5,524</b>	<b>\$ 204,421</b>	<b>\$ 13,812</b>	<b>\$ 2,762,437</b>

**THE RUFFED GROUSE SOCIETY**

**SCHEDULE OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2008**

	Membership Services	General Education and Chapter Operations	Habitat Projects	Coverts	Research	Advocacy	Administration	Fund-raising	Totals
Advertising	\$ 1,504	\$ 8,693	\$ 1,453	\$ 51	\$ 13	\$ 25	\$ 943	\$ 64	\$ 1,746
Bank charges	708	4,108	688	24	6	13	444	32	5,233
Chapter activities expense	45,585	263,464	44,039	1,545	386	773	28,587	1,932	386,311
Chapter expenses	24,733	142,950	23,895	838	210	419	15,511	1,048	209,604
Cost of merchandise sold	5,421	31,331	5,237	184	46	92	3,400	230	45,941
Data processing	2,600	15,030	2,512	88	22	44	1,631	110	22,037
Depreciation	13,468	77,843	13,012	457	114	228	8,446	571	114,139
Dues and subscriptions	656	3,789	633	22	6	11	411	28	5,556
Educational programs	1,293	7,472	1,249	44	11	22	811	55	10,957
General support	2,724	15,741	2,631	92	23	46	1,708	115	23,080
Habitat workshops	131	755	126	4	1	2	82	6	1,107
Insurance	3,172	18,332	3,064	108	27	54	1,989	134	26,880
Interest	2,972	17,178	2,871	101	25	50	1,864	126	25,187
Investment fees	1,140	6,588	1,101	39	10	19	715	48	9,660
Legal and accounting	4,843	27,991	4,679	164	41	82	3,037	205	41,042
Meetings and conferences	1,819	10,512	1,757	62	15	31	1,141	77	15,414
Miscellaneous	4,660	26,933	4,502	158	39	79	2,922	197	39,490
Miscellaneous contributions	1,261	7,290	1,219	43	11	21	791	53	11,919
Postage and delivery	3,218	18,597	3,109	109	27	55	2,018	136	27,269
Printing	1,536	8,877	1,484	52	13	26	963	65	13,016
Promotional merchandise	3,521	20,348	3,401	119	30	60	2,208	149	29,836
Rent, utilities and cleaning	16,740	96,751	16,172	567	142	284	10,498	709	141,863
Research projects	295	1,705	285	10	3	5	185	13	2,501
RGS publications	23,627	136,555	22,826	801	200	400	14,817	1,001	200,227
Salaries and benefits	169,402	979,084	163,659	5,742	1,436	2,871	106,235	7,178	1,435,607
Supplies and equipment rental	8,659	50,045	8,365	294	73	147	5,430	367	73,380
Telephone	5,193	30,013	5,017	176	44	88	3,257	220	44,008
Travel and auto	31,916	184,463	30,834	1,082	270	541	20,015	1,352	270,473
	<u>\$ 382,797</u>	<u>\$ 2,212,438</u>	<u>\$ 369,820</u>	<u>\$ 12,976</u>	<u>\$ 3,244</u>	<u>\$ 6,488</u>	<u>\$ 240,059</u>	<u>\$ 16,221</u>	<u>\$ 3,244,043</u>

**THE RUFFED GROUSE SOCIETY**

**SCHEDULE OF UNRESTRICTED AND TEMPORARILY RESTRICTED NET ASSETS**  
December 31, 2009

	<u>Unrestricted</u>		<u>Temporarily</u>	<u>Total</u>
	<u>Undesignated</u>	<u>Designated</u>	<u>Restricted</u>	
Cash and cash equivalents	\$ 1,468	\$ 510,906	\$ 378,186	\$ 890,560
Short-term investments	-	3,348,058	103,613	3,451,671
Accounts receivable - trade	91,620	-	-	91,620
Accounts receivable - chapters	47,085	-	-	47,085
Accounts receivable - employees	427	-	-	427
Due from undesignated net asset	-	256,558	-	256,558
Pledges receivable	904,793	-	171,152	1,075,945
Contribution receivable - charitable remainder trust	-	-	77,830	77,830
Inventory	293,000	-	-	293,000
Land held for resale	193,652	-	-	193,652
Property and equipment, net	454,241	-	-	454,241
Due to designated net assets	<u>(256,558)</u>	<u>-</u>	<u>-</u>	<u>(256,558)</u>
Total assets	<u>1,729,728</u>	<u>4,115,522</u>	<u>730,781</u>	<u>6,576,031</u>
Total liabilities	<u>(908,890)</u>	<u>-</u>	<u>12,728</u>	<u>(896,162)</u>
NET ASSETS	<u>\$ 820,838</u>	<u>\$ 4,115,522</u>	<u>\$ 743,509</u>	<u>\$ 5,679,869</u>

**THE RUFFED GROUSE SOCIETY**

**SCHEDULE OF UNRESTRICTED AND TEMPORARILY RESTRICTED NET ASSETS**  
December 31, 2008

	<u>Unrestricted</u>		<u>Temporarily</u>	
	<u>Undesignated</u>	<u>Designated</u>	<u>Restricted</u>	<u>Total</u>
Cash and cash equivalents	\$ 22,036	\$ 1,311,889	\$ 332,285	\$ 1,666,210
Short-term investments	-	1,837,074	129,489	1,966,563
Accounts receivable - trade	87,416	-	-	87,416
Accounts receivable - chapters	51,113	-	-	51,113
Accounts receivable - employees	825	-	-	825
Due from undesignated net assets	-	254,909	-	254,909
Pledges receivable	841,798	39,445	538,130	1,419,373
Contributions receivable - charitable remainder trust	-	-	66,406	66,406
Inventory	264,339	-	-	264,339
Land held for resale	193,652	-	-	193,652
Property and equipment, net	245,691	-	-	245,691
Due to designated net assets	<u>(254,909)</u>	<u>-</u>	<u>-</u>	<u>(254,909)</u>
Total assets	<u>1,451,961</u>	<u>3,443,317</u>	<u>1,066,310</u>	<u>5,961,588</u>
Total liabilities	<u>(971,456)</u>	<u>-</u>	<u>(6,510)</u>	<u>(977,966)</u>
NET ASSETS	<u>\$ 480,505</u>	<u>\$ 3,443,317</u>	<u>\$ 1,059,800</u>	<u>\$ 4,983,622</u>