

THE RUFFED GROUSE SOCIETY
**FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT**
December 31, 2010 and 2009

**Louis
Plungg
&
Company**

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Pittsburgh, Pennsylvania*

THE RUFFED GROUSE SOCIETY

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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, 2010 and 2009, and the related statements of cash flows for the years then ended and the statement of activities for the year ended December 31, 2010. 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 2009 financial statements where, in our report dated May 5, 2010, 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, 2010 and 2009, and the changes in its cash flows for the years then ended and the changes in its net assets for the year ended December 31, 2010 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 nineteen through twenty two 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 Plungis Company, LLP

Pittsburgh, Pennsylvania
May 10, 2011

THE RUFFED GROUSE SOCIETY

STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

ASSETS

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents		
Undesignated	\$ 30,164	\$ 27,151
Designated	197,893	510,906
Temporarily restricted	<u>615,790</u>	<u>352,503</u>
	843,847	890,560
Short-term investments	4,669,601	3,451,671
Accounts receivable - trade	64,962	91,620
Accounts receivable - chapters	55,472	47,085
Accounts receivable - employees	487	427
Pledges receivable - net	677,482	1,075,945
Contribution receivable - charitable remainder trust	78,927	77,830
Inventory, net of allowance for obsolete inventory of \$32,873 and \$30,115, respectively	234,115	293,000
Land held for resale	193,652	193,652
Prepaid expenses	13,548	-
Property and equipment, net	<u>402,921</u>	<u>454,241</u>
TOTAL ASSETS	\$ <u>7,235,014</u>	\$ <u>6,576,031</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Line of credit	\$ 683,390	\$ 617,019
Accounts payable	55,130	46,465
Accrued retirement	28,574	23,662
Accrued expenses	15,558	15,583
Deferred revenue	29,932	33,933
Notes payable	173,037	159,500
Total liabilities	<u>985,621</u>	<u>896,162</u>
NET ASSETS		
Unrestricted:		
Undesignated	335,703	820,838
Designated	<u>5,030,952</u>	<u>4,115,522</u>
	5,366,655	4,936,360
Temporarily restricted	<u>882,738</u>	<u>743,509</u>
Total net assets	<u>6,249,393</u>	<u>5,679,869</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>7,235,014</u>	\$ <u>6,576,031</u>

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

THE RUFFED GROUSE SOCIETY

STATEMENTS OF ACTIVITIES

Year Ended December 31, 2010

With Summarized Comparative Financial Information for the Year Ended December 31, 2009

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>2010</u>	<u>2009</u>
REVENUES, GAINS, AND OTHER SUPPORT:				
Contributions	\$ 776,513	\$ 604,532	\$ 1,381,045	\$ 1,471,761
Membership dues	323,493	-	323,493	274,704
Corporate sponsors	80,000	-	80,000	63,250
Proceeds from banquets/events	707,868	-	707,868	682,873
Sales of merchandise (net)	54,572	-	54,572	41,245
Advertising income	132,532	-	132,532	124,085
Fundraising	11,345	-	11,345	2,582
Investment income	129,209	-	129,209	115,490
Realized gain (loss) on sale of investments	54,094	-	54,094	(52,826)
Unrealized gain on investments	319,680	-	319,680	599,639
Gain (loss) on disposal of property and equipment	1,289	-	1,289	(1,337)
Forestry clearing and consulting	184,716	-	184,716	78,371
Miscellaneous income	91,334	-	91,334	58,847
	<u>2,866,645</u>	<u>604,532</u>	<u>3,471,177</u>	<u>3,458,684</u>
Net assets released from restriction:				
Restriction satisfied	<u>465,303</u>	<u>(465,303)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>3,331,948</u>	<u>139,229</u>	<u>3,471,177</u>	<u>3,458,684</u>
FUNCTIONAL EXPENSES:				
Program services:				
Membership services	342,395	-	342,395	325,969
General education and chapter operations	1,978,928	-	1,978,928	1,883,981
Habitat projects	330,789	-	330,789	314,917
Coverts	11,607	-	11,607	11,053
Research	2,902	-	2,902	2,760
Advocacy	5,802	-	5,802	5,524
Supporting services:				
Administration	214,722	-	214,722	204,421
Fund-raising	14,508	-	14,508	13,812
Total functional expenses	<u>2,901,653</u>	<u>-</u>	<u>2,901,653</u>	<u>2,762,437</u>
Change in net assets	430,295	139,229	569,524	696,247
Net assets at beginning of year	<u>4,936,360</u>	<u>743,509</u>	<u>5,679,869</u>	<u>4,983,622</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,366,655</u>	<u>\$ 882,738</u>	<u>\$ 6,249,393</u>	<u>\$ 5,679,869</u>

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

THE RUFFED GROUSE SOCIETY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 569,524	\$ 696,247
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	131,559	119,711
Realized (gain) loss on sale of investments	(54,094)	52,826
Unrealized gain on investments	(319,680)	(599,639)
(Gain) loss on disposal of property and equipment	(1,289)	1,337
Allowance for obsolete inventory	2,758	2,266
Allowance for uncollectible pledges receivable	4,557	(4,388)
Change in value of contribution receivable - charitable remainder trust	(1,097)	(11,424)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable - trade	26,658	(4,204)
(Increase) decrease in accounts receivable - chapters	(8,387)	4,028
(Increase) decrease in accounts receivable - employees	(60)	398
Decrease in pledges receivable	393,906	347,816
(Increase) decrease in inventory	56,127	(30,927)
Increase in prepaid expenses	(13,548)	-
Increase (decrease) in accounts payable	8,665	(53,407)
Increase (decrease) in accrued retirement	4,912	(2,301)
Decrease in accrued expenses	(25)	(3,167)
Decrease in deferred revenue	(4,001)	(10,988)
Net cash provided by operating activities	<u>796,485</u>	<u>504,184</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of short-term investments	(844,156)	(938,295)
Purchase of property and equipment	(80,239)	(338,798)
Proceeds on disposal of property and equipment	1,289	9,200
Net cash used in investing activities	<u>(923,106)</u>	<u>(1,267,893)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings on line of credit	66,371	(91,590)
Borrowings on notes payable	55,029	123,640
Payments on notes payable	(41,492)	(43,991)
Net cash provided by (used in) financing activities	<u>79,908</u>	<u>(11,941)</u>
Net decrease in cash and cash equivalents	(46,713)	(775,650)
Cash and cash equivalents at beginning of year	<u>890,560</u>	<u>1,666,210</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 843,847</u>	<u>\$ 890,560</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 26,567</u>	<u>\$ 30,386</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 headquarters 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, 2010 and 2009. For pledges receivable, an allowance for doubtful accounts has been provided for as of December 31, 2010 and 2009 in the amounts of \$20,655 and \$16,098, 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.

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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 2010 and 2009.

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, 2010 and 2009 were \$20,082 and \$47,234, 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).

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NOTES TO FINANCIAL STATEMENTS

Concentration of Credit Risk - The Society maintains its cash and cash equivalents with five financial institutions as of December 31, 2010 and December 31, 2009. Its accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. On November 9, 2010, the FDIC Board of Directors issued a final rule to implement Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions. The separate coverage for noninterest-bearing transaction accounts became effective on December 31, 2010 and terminates on December 31, 2012. 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, 2010 and December 31, 2009, the uninsured balances totaled approximately \$530,010 and \$364,588, respectively.

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, 2009, from which the summarized information was derived.

Reclassifications - Certain 2009 amounts have been reclassified to conform with the 2010 financial statement 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 2010 and 2009.

Recent Accounting Standards Updates - During 2010 and 2009, various new Accounting Standard Updates (ASUs) were issued by the Financial Accounting Standards Board (FASB). Management has determined based on their review that the following ASUs issued during 2010 and 2009 may be applicable to the Society. As new ASUs are released, Management will assess if they are applicable and if they are applicable, their effect will be included in the notes to the financial statements.

In January 2010, the FASB issued ASU 2010-06, "Improving Disclosures about Fair Value Measurements", which provides amendments to Subtopic 820-10 "Fair Value Measurements and Disclosures" that clarifies existing disclosures and requires new disclosures, specifically regarding the separate disclosure of transfers in and out of Levels 1 and 2, as well as, the requirement of a reconciliation for Level 3 fair value measurements purchases, sales, issuances, and settlements on a gross basis. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the rollforward of activity in Level 3 fair value measurements. Those disclosures are effective for the fiscal years beginning after December 15, 2010, and for interim periods within those fiscal

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NOTES TO FINANCIAL STATEMENTS

years. Management has determined that this ASU will not have a material effect on the Society's financial statements.

2. SHORT-TERM INVESTMENTS

Short-term investments as of December 31, 2010 and 2009 are summarized as follows:

	<u>December 31, 2010</u>		<u>December 31, 2009</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Bonds	\$ 141,550	\$ 154,268	\$ 167,468	\$ 174,475
Common Stock	235,211	277,704	234,379	255,446
Mutual Funds	<u>3,832,923</u>	<u>4,237,629</u>	<u>2,954,275</u>	<u>3,021,750</u>
	\$ <u>4,209,684</u>	\$ <u>4,669,601</u>	\$ <u>3,356,122</u>	\$ <u>3,451,671</u>

3. PLEDGES RECEIVABLE

Pledges receivable as of December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Centurion Members	\$ -	\$ 750
Gullion Circle	102,343	126,905
Life Sponsors	62,036	84,630
Miscellaneous	120,000	150,000
Partners in Conservation	-	20,038
RUFF Campaign	<u>417,500</u>	<u>720,700</u>
	701,879	1,103,023
Less: unamortized discount	(3,742)	(10,980)
Less: allowance for uncollectible accounts	<u>(20,655)</u>	<u>(16,098)</u>
Net pledges receivable	\$ <u>677,482</u>	\$ <u>1,075,945</u>
Amounts due in:		
Less than one year	\$ 582,561	
One to five years	<u>119,318</u>	
	\$ <u>701,879</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, 2010 and 2009, respectively.

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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 \$78,927 and \$77,830 as of December 31, 2010 and 2009, 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 \$1,097 and \$11,424 as of December 31, 2010 and 2009, respectively.

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. The land is recorded at its donated value, which is \$193,652. As of December 31, 2010, the property had not been sold, but an agreement of sale, to be effective January 1, 2011, had been signed (Note 16).

6. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2010 and 2009 consists of the following:

	<u>2010</u>	<u>2009</u>
Leasehold improvements	\$ 11,809	\$ 11,809
Office furniture and equipment	138,779	163,343
Automobiles	<u>590,376</u>	<u>598,808</u>
	740,964	773,960
Less: accumulated depreciation	<u>(338,043)</u>	<u>(319,719)</u>
	<u>\$ 402,921</u>	<u>\$ 454,241</u>

Depreciation expense for the years ended December 31, 2010 and 2009 was \$131,559 and \$119,711, respectively.

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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, 2010 and 2009. The outstanding balance was \$683,390 and \$617,019 as of December 31, 2010 and 2009, respectively. The line of credit bears interest at the bank's prime rate minus .25% (3% at December 31, 2010 and 2009, respectively) and is collateralized by certain cash and investments held by another financial institution. The line was renewed in 2010 and will expire in October 2011. 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, 2010 and 2009.

8. NOTES PAYABLE

Notes payable consists of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2010</u>
Ally Bank, (formerly GMAC) - various notes payable, due in 36 to 60 monthly installments ranging in amounts from \$444 to \$689. Interest rates range from 2.90% to 7.09%, secured by the related vehicles.	\$ 144,698	\$ 159,500
PNC Bank - payable in 59 monthly installments of \$573, with an interest rate of 5.24%, secured by a vehicle.	<u>28,339</u>	<u>-</u>
	173,037	159,500
Less current portion	<u>48,741</u>	<u>35,564</u>
	\$ <u>124,296</u>	\$ <u>123,936</u>

Maturities of notes payable are as follows:

2011	\$ 48,741
2012	51,332
2013	46,408
2014	22,144
2015	<u>4,412</u>
	\$ <u>173,037</u>

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NOTES TO FINANCIAL STATEMENTS

9. DESIGNATED NET ASSETS

The Society established an endowment fund, which was set up so that all proceeds generated from the fund would be used to fund field biologists' salaries and benefits. During the years ended December 31, 2010 and 2009, costs recorded separately for the support of biologists totaled \$338,109 and \$292,928, respectively. These costs are included in salaries and benefits in the accompanying schedules of functional expenses.

Beginning in 2010, the Society created State Drummer Funds to be used for specific projects in the various states in which the Society's chapters are located. Contributions can be received directly for the Drummer Funds, which are recognized in the financial statements as temporarily restricted net assets. Additional funds allocated to the State Drummer Funds are derived from a portion of banquet proceeds. These banquet proceeds are recognized as designated net assets in the financial statements and range from 10% to 20% of net banquet revenues. Banquet revenues of \$7,001 to \$19,999 yield a 10% allocation; revenues of \$20,000 to \$49,000 yield a 15% allocation; and revenues of \$50,000 or more yield a 20% allocation. If banquet revenues are \$7,000 or less, the chapter receives no money for the State's Drummer Fund.

Designated net assets consists of the following as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Endowment fund	\$ 4,932,058	\$ 4,115,522
State drummer funds	<u>98,894</u>	<u>-</u>
	<u>\$ 5,030,952</u>	<u>\$ 4,115,522</u>

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Charitable remainder trust	\$ 78,927	\$ 77,830
Scholarship	93,100	103,613
Habitat and other projects	401,372	390,914
Pledges receivable	94,921	171,152
State drummer funds	<u>214,418</u>	<u>-</u>
	<u>\$ 882,738</u>	<u>\$ 743,509</u>

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

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. 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, 2010 and 2009 were \$28,304 and \$23,662, 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 63 months. These leases require monthly payments ranging from \$32 to \$851.

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

	<u>Office Space</u>	<u>Office Equipment</u>	<u>Total</u>
2011	\$ 102,000	\$ 37,326	\$ 139,326
2012	102,000	31,682	133,682
2013	102,000	24,463	126,463
2014	34,000	22,728	56,728
2015	-	11,831	11,831
	\$ <u>340,000</u>	\$ <u>128,030</u>	\$ <u>468,030</u>

Total expense under operating leases was \$145,724 and \$150,041 for the years ended December 31, 2010 and 2009, respectively. These amounts are included in rent, utilities, and cleaning expense and supplies and equipment rental in the schedule of functional expenses.

13. 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. In April 2010, the Society entered into an agreement to sell the timber to an independent third party on a 127 acre tract that is part of the 2,363 acres of real estate. Under the terms of the agreement, the independent third party has agreed to pay the Society \$356,971 for this timber in accordance with the payment schedule defined in the agreement. In addition to fixed cash payment, the Society is also entitled to be paid an additional \$3.00 per ton of pulpwood or firewood harvested and sold from the timber sale. During 2010, the Society received payments of \$312,122 related to this timber sale.

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NOTES TO FINANCIAL STATEMENTS

The Society has entered into a Timber Lease and Related Services Agreement ("the Agreement"), effective June 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 the leasing of 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 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. The Society received \$53,997 from CONSOL during 2010 and this amount is included in forestry consulting revenue in the statement of activities. The Agreement expires in May 2015 and may be renewed for an additional five-year period. In January 2011, the Agreement was amended as discussed in Note 16.

14. CONTRIBUTED SERVICES

The Society recognized contribution revenue of \$3,000 and \$23,008 for legal services contributed during the years ended December 31, 2010 and 2009, 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.

15. 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;

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NOTES TO FINANCIAL STATEMENTS

- 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, 2010 and 2009.

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NOTES TO FINANCIAL STATEMENTS

The Society's investments at fair value, within the fair value hierarchy, are as follows as of December 31, 2010 and 2009.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2010</u>				
Bonds	\$ -	\$ 154,268	\$ -	\$ 154,268
Common Stocks				
Commodities Broad Basket	9,207	-	-	9,207
Consumer Discretionary	33,435	-	-	33,435
Consumer Staples	16,052	-	-	16,052
Energy	38,821	-	-	38,821
Financials	41,459	-	-	41,459
Healthcare	34,550	-	-	34,550
Industrial	30,404	-	-	30,404
Information Technology	52,632	-	-	52,632
Materials	8,662	-	-	8,662
Telecommunications Services	4,995	-	-	4,995
Utilities	7,487	-	-	7,487
	<u>277,704</u>	-	-	<u>277,704</u>
Mutual Funds				
Commodities Broad Basket	342,100	-	-	342,100
Diversified Emerging Markets	66,539	-	-	66,539
Foreign Large Blend	23,563	-	-	23,563
Foreign Large Value	23,479	-	-	23,479
High Yield Bonds	602,801	-	-	602,801
International Blend	355,395	-	-	355,395
International Growth	91,737	-	-	91,737
Large Blend	308,854	-	-	308,854
Large Growth	504,062	-	-	504,062
Large Value	322,562	-	-	322,562
Mid-Cap Blend	37,555	-	-	37,555
Moderate Allocation	684,000	-	-	684,000
Small Blend	30,583	-	-	30,583
Small Growth	500,623	-	-	500,623
World Allocation	316,644	-	-	316,644
World Stock	27,132	-	-	27,132
	<u>4,237,629</u>	-	-	<u>4,237,629</u>
Contribution Receivable - Charitable Remainder Trust	-	-	78,927	78,927
Land Held for Resale	-	-	193,652	193,652
Total	<u>\$ 4,515,333</u>	<u>\$ 154,268</u>	<u>\$ 272,579</u>	<u>\$ 4,942,180</u>

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NOTES TO FINANCIAL STATEMENTS

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2009</u>				
Bonds	\$ -	\$ 174,475	\$ -	\$ 174,475
Common Stocks				
Commodities Broad Basket	8,591	-	-	8,591
Consumer Discretionary	25,477	-	-	25,477
Consumer Staples	18,929	-	-	18,929
Energy	31,943	-	-	31,943
Financials	31,041	-	-	31,041
Healthcare	37,302	-	-	37,302
Industrial	30,466	-	-	30,466
Information Technology	50,617	-	-	50,617
Materials	7,576	-	-	7,576
Telecommunications Services	5,045	-	-	5,045
Utilities	8,459	-	-	8,459
	<u>255,446</u>	-	-	<u>255,446</u>
Mutual Funds				
Commodities Broad Basket	52,391	-	-	52,391
Diversified Emerging Markets	49,999	-	-	49,999
Foreign Large Blend	25,771	-	-	25,771
Foreign Large Value	27,794	-	-	27,794
High Yield Bonds	428,221	-	-	428,221
Intermediate Term Bonds	584,491	-	-	584,491
International Blend	247,016	-	-	247,016
International Growth	75,541	-	-	75,541
International Value	72,839	-	-	72,839
Large Blend	181,888	-	-	181,888
Large Growth	379,820	-	-	379,820
Large Value	146,200	-	-	146,200
Mid-Cap Growth	45,018	-	-	45,018
Moderate Allocation	184,036	-	-	184,036
Small Blend	12,451	-	-	12,451
Small Growth	342,860	-	-	342,860
World Allocation	152,378	-	-	152,378
World Stock	13,036	-	-	13,036
	<u>3,021,750</u>	-	-	<u>3,021,750</u>
Contribution Receivable - Charitable Remainder Trust	-	-	77,830	77,830
Land Held for Resale	-	-	193,652	193,652
Total	<u>\$ 3,277,196</u>	<u>\$ 174,475</u>	<u>\$ 271,482</u>	<u>\$ 3,723,153</u>

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

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.

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

Contribution receivable—charitable remainder trust

Balance at December 31, 2008	\$ 66,406
Change in value of charitable remainder trust	<u>11,424</u>
Balance at December 31, 2009	77,830
Change in value of charitable remainder trust	<u>1,097</u>
Balance at December 31, 2010	<u>\$ 78,927</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, 2010 and 2009.

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

Land held for resale

Balance at December 31, 2008	\$ 193,652
Change in value of land held for resale	<u>-</u>
Balance at December 31, 2009	193,652
Change in value of land held for resale	<u>-</u>
Balance at December 31, 2010	<u>\$ 193,652</u>

The Society had no changes in the value of the land held for resale for the years ended December 31, 2010 and 2009.

16. SUBSEQUENT EVENTS

The Society has evaluated subsequent events in accordance with FASB ASC Topic 855, Subsequent Events, through May 10, 2011, which is the date the financial statements were available to be issued. During our evaluation, the following subsequent event items were identified.

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NOTES TO FINANCIAL STATEMENTS

The Society entered into an agreement with Southwest Michigan Land Conservancy, Inc. effective January 1, 2011 for the sale of the land the Society owns located in Gun Lake, Michigan (Note 5). The sale price for the land is \$400,000 provided certain conditions, as defined in the sales agreement, are met by the Society and the closing is expected to occur before June 30, 2011.

In January 2011, the agreement with CONSOL, as discussed in Note 13, was amended to include additional timber and land to be leased. This property is located in Greene County, Pennsylvania, and comprises approximately 3,400 acres. The amendment also permits the parties, from time to time, to add additional timber and land to the lease.

SUPPLEMENTAL INFORMATION

THE RUFFED GROUSE SOCIETY

SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended December 31, 2010

	Membership Services	General Education and Chapter Operations	Habitat Projects	Coveys	Research	Advocacy	Administration	Fund-raising	Totals
Advertising	\$ 2,370	\$ 13,696	\$ 2,289	\$ 80	\$ 20	\$ 40	\$ 1,487	\$ 100	\$ 20,082
Bank charges	698	4,033	674	24	6	12	436	30	5,913
Chapter activities expenses	33,114	191,390	31,992	1,122	281	561	20,767	1,403	280,630
Chapter expenses	22,772	131,613	22,000	772	193	386	14,279	965	192,980
Cost of merchandise sold	5,482	31,685	5,296	186	46	93	3,439	232	46,459
Data processing	1,439	8,318	1,390	49	12	24	904	61	12,197
Depreciation	15,524	89,724	14,998	526	132	263	9,734	658	131,559
Dues and subscriptions	1,170	6,763	1,130	40	9	20	734	50	9,916
Educational programs	2,163	12,502	2,090	73	18	37	1,356	92	18,331
General support	1,960	11,327	1,893	66	17	33	1,229	83	16,608
Habitat workshops	573	3,309	553	19	5	10	359	24	4,852
Insurance	3,042	17,579	2,938	103	26	52	1,907	129	25,776
Interest	3,135	18,118	3,029	106	27	53	1,966	133	26,567
Investment fees	1,620	9,362	1,565	55	14	27	1,016	69	13,728
Legal and accounting	3,452	19,952	3,335	117	29	59	2,165	146	29,255
Meetings and conferences	519	2,998	501	18	4	9	324	22	4,395
Miscellaneous	2,448	14,145	2,365	83	21	41	1,535	104	20,742
Miscellaneous contributions	786	4,542	759	27	7	13	493	33	6,660
Postage and delivery	3,259	18,836	3,149	110	28	55	2,044	138	27,619
Printing	553	3,197	534	19	5	9	348	23	4,688
Promotional merchandise	4,484	25,918	4,334	152	38	76	2,812	190	38,004
Rent, utilities and cleaning	15,395	88,979	14,873	522	130	261	9,655	652	130,467
RGS publications	17,660	102,071	17,062	599	150	299	11,075	748	149,664
Salaries and benefits	165,376	955,827	159,772	5,606	1,402	2,803	103,711	7,008	1,401,505
Supplies and equipment rental	6,394	36,953	6,177	217	54	108	4,009	271	54,183
Telephone	4,541	26,247	4,387	154	38	77	2,850	192	38,486
Travel and auto	22,466	129,844	21,704	762	190	381	14,088	952	190,387
Total	\$ 342,395	\$ 1,978,928	\$ 330,789	\$ 11,607	\$ 2,902	\$ 5,802	\$ 214,722	\$ 14,508	\$ 2,901,653

See independent auditors' report.

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	\$ 47,234
Bank charges	728	4,205	703	25	6	12	456	31	6,166
Chapter activities expenses	31,516	182,148	30,447	1,068	267	534	19,764	1,335	267,078
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	81,642	13,647	479	120	239	8,859	599	119,711
Dues and subscriptions	645	3,729	623	22	5	11	405	27	5,468
Educational programs	711	4,108	687	24	6	12	446	30	6,023
General support	2,238	12,934	2,162	76	19	38	1,403	95	18,964
Habitat workshops	580	3,355	561	20	5	10	364	25	4,919
Insurance	2,867	16,571	2,770	97	24	49	1,798	121	24,298
Interest	3,586	20,723	3,464	122	30	61	2,249	152	30,386
Investment fees	965	5,577	932	33	8	16	605	41	8,178
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)	(2,680)
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	3,758
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	2,486
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	153,916
Salaries and benefits	153,529	887,348	148,325	5,204	1,301	2,602	96,281	6,505	1,301,097
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	180,124
	<u>\$ 325,969</u>	<u>\$ 1,883,981</u>	<u>\$ 314,917</u>	<u>\$ 11,053</u>	<u>\$ 2,760</u>	<u>\$ 5,524</u>	<u>\$ 204,421</u>	<u>\$ 13,812</u>	<u>\$ 2,762,437</u>

See independent auditors' report.

THE RUFFED GROUSE SOCIETY

SCHEDULE OF UNRESTRICTED AND TEMPORARILY RESTRICTED NET ASSETS
December 31, 2010

	<u>Unrestricted</u>		<u>Temporarily</u>	
	<u>Undesignated</u>	<u>Designated</u>	<u>Restricted</u>	<u>Total</u>
Cash and cash equivalents	\$ 30,164	\$ 197,893	\$ 615,790	\$ 843,847
Short-term investments	-	4,576,501	93,100	4,669,601
Accounts receivable - trade	64,962	-	-	64,962
Accounts receivable - chapters	55,472	-	-	55,472
Accounts receivable - employees	487	-	-	487
Due from undesignated net asset	-	256,558 (a)	-	256,558
Pledges receivable - net	582,561	-	94,921	677,482
Contribution receivable - charitable remainder trust	-	-	78,927	78,927
Inventory - net	234,115	-	-	234,115
Land held for resale	193,652	-	-	193,652
Prepaid expenses	13,548	-	-	13,548
Property and equipment, net	402,921	-	-	402,921
Due to designated net assets	<u>(256,558)</u>	<u>-</u>	<u>-</u>	<u>(256,558)</u>
Total assets	1,321,324	5,030,952	882,738	7,235,014
Total liabilities	<u>(985,621)</u>	<u>-</u>	<u>-</u>	<u>(985,621)</u>
NET ASSETS	<u>\$ 335,703</u>	<u>\$ 5,030,952</u>	<u>\$ 882,738</u>	<u>\$ 6,249,393</u>

(a) During 2009, the Society, with the approval of the board of directors, cashed in the Grand Rapids investment certificate of deposit, which was included in the endowment fund. The cash proceeds were used for operations. The amount is due to be repaid to the endowment fund based on cash availability.

See independent auditors' report.

THE RUFFED GROUSE SOCIETY

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

	<u>Unrestricted</u>		<u>Temporarily</u>	
	<u>Undesignated</u>	<u>Designated</u>	<u>Restricted</u>	<u>Total</u>
Cash and cash equivalents	\$ 27,151	\$ 510,906	\$ 352,503	\$ 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 assets	-	256,558 (a)	-	256,558
Pledges receivable - net	904,793	-	171,152	1,075,945
Contributions receivable - charitable remainder trust	-	-	77,830	77,830
Inventory - net	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	1,755,411	4,115,522	705,098	6,576,031
Total liabilities	<u>(934,573)</u>	<u>-</u>	<u>38,411</u>	<u>(896,162)</u>
NET ASSETS	<u><u>\$ 820,838</u></u>	<u><u>\$ 4,115,522</u></u>	<u><u>\$ 743,509</u></u>	<u><u>\$ 5,679,869</u></u>

(a) During 2009, the Society, with the approval of the board of directors, cashed in the Grand Rapids investment certificate of deposit, which was included in the endowment fund. The cash proceeds were used for operations. The amount is due to be repaid to the endowment fund based on cash availability.

See independent auditors' report.