

THE RUFFED GROUSE SOCIETY
FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT
December 31, 2015

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 financial statements of The Ruffed Grouse Society (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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, 2015, 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, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 14, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which has been derived.

A handwritten signature in cursive script that reads "Louis Pluzginski Company, LLP".

Pittsburgh, Pennsylvania
May 9, 2016

THE RUFFED GROUSE SOCIETY

STATEMENT OF FINANCIAL POSITION

December 31, 2015

(With Comparative Totals as of December 31, 2014)

ASSETS

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 1,292,638	\$ 1,313,853
Short-term investments	4,102,175	4,581,535
Accounts receivable - trade	58,102	38,021
Pledges receivable - net	425,786	254,657
Inventory	327,029	259,887
Prepaid expenses	64,504	60,414
Property and equipment, net	<u>610,062</u>	<u>354,540</u>
TOTAL ASSETS	\$ <u>6,880,296</u>	\$ <u>6,862,907</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Lines of credit	\$ 305,782	\$ 501,246
Accounts payable	120,525	49,138
Accrued retirement	45,296	39,621
Accrued expenses	5,602	13,601
Deferred revenue	9,000	-
Notes payable	-	17,271
Total liabilities	<u>486,205</u>	<u>620,877</u>
NET ASSETS		
Unrestricted:		
Undesignated	(367,720)	(459,432)
Designated	<u>5,650,799</u>	<u>6,073,993</u>
	5,283,079	5,614,561
Temporarily restricted	1,001,492	518,149
Permanently restricted	<u>109,520</u>	<u>109,320</u>
Total net assets	<u>6,394,091</u>	<u>6,242,030</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>6,880,296</u>	\$ <u>6,862,907</u>

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

THE RUFFED GROUSE SOCIETY

STATEMENT OF ACTIVITIES Year Ended December 31, 2015 (With Comparative Totals for the Year Ended December 31, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015</u>	<u>2014</u>
OPERATING REVENUE					
Contributions	\$ 422,369	\$ 1,054,933	\$ 200	\$ 1,477,502	\$ 592,683
Membership dues	651,545	-	-	651,545	641,181
Corporate sponsors	27,094	-	-	27,094	41,100
Banquet and event revenue	2,375,581	-	-	2,375,581	2,479,036
Sales of merchandise	63,645	-	-	63,645	77,035
Advertising income	87,670	-	-	87,670	92,621
Fundraising	30,795	-	-	30,795	21,005
Timber sales	233,126	-	-	233,126	34,313
Forestry clearing and consulting	133,622	-	-	133,622	71,925
Miscellaneous income	59,571	-	-	59,571	24,200
	<u>4,085,018</u>	<u>1,054,933</u>	<u>200</u>	<u>5,140,151</u>	<u>4,075,099</u>
Net assets released from restriction:					
Restriction satisfied	<u>560,979</u>	<u>(560,979)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenue	<u>4,645,997</u>	<u>493,954</u>	<u>200</u>	<u>5,140,151</u>	<u>4,075,099</u>
OPERATING EXPENSES					
Program services:					
Membership services	677,069	-	-	677,069	667,627
General education and chapter operations	2,513,641	-	-	2,513,641	2,386,809
Habitat projects	700,925	-	-	700,925	504,738
Coverts	18,070	-	-	18,070	11,721
Research	76,567	-	-	76,567	35,587
Advocacy	47,363	-	-	47,363	46,025
Supporting services:					
Administration	537,732	-	-	537,732	462,230
Fund-raising	44,388	-	-	44,388	46,526
Total operating expenses	<u>4,615,755</u>	<u>-</u>	<u>-</u>	<u>4,615,755</u>	<u>4,161,263</u>
Change in net assets from operations	<u>30,242</u>	<u>493,954</u>	<u>200</u>	<u>524,396</u>	<u>(86,164)</u>
NON-OPERATING INCOME (EXPENSES)					
Investment income (loss), includes realized and unrealized gains (losses)	(185,185)	(10,611)	-	(195,796)	74,533
Gain on disposal of property and equipment	5,988	-	-	5,988	45,861
Bad debt recovery (expense)	(2,445)	-	-	(2,445)	867
Depreciation expense	(129,810)	-	-	(129,810)	(127,339)
Investment fees	(50,272)	-	-	(50,272)	(27,412)
Total non-operating income (expenses)	<u>(361,724)</u>	<u>(10,611)</u>	<u>-</u>	<u>(372,335)</u>	<u>(33,490)</u>
Change in net assets	<u>(331,482)</u>	<u>483,343</u>	<u>200</u>	<u>152,061</u>	<u>(119,654)</u>
Net assets at beginning of year	<u>5,614,561</u>	<u>518,149</u>	<u>109,320</u>	<u>6,242,030</u>	<u>6,361,684</u>
NET ASSETS AT END 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>

The accompanying notes are an integral part of these financial statements

THE RUFFED GROUSE SOCIETY

STATEMENT OF CASH FLOWS

Year Ended December 31, 2015

(With Comparative Totals for the Year Ended December 31, 2014)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 152,061	\$ (119,654)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	129,810	127,339
Realized (gain) loss on sale of short-term investments	101,367	(596,812)
Unrealized loss on short-term investments	184,512	623,076
Gain on disposal of property and equipment	(5,988)	(45,861)
Allowance for uncollectible pledges receivable	-	(1,500)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable - trade	(20,081)	356
Increase in pledges receivable	(171,129)	(51,867)
Increase in inventory	(67,142)	(43,880)
Increase in prepaid expenses	(4,090)	(20,474)
Increase (decrease) in accounts payable	71,387	(37,608)
Increase in accrued retirement	5,675	4,484
Decrease in accrued expenses	(7,999)	(15,992)
Increase (decrease) in deferred revenue	9,000	(3,442)
Net cash provided by (used in) operating activities	<u>377,383</u>	<u>(181,835)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales of short-term investments	193,481	1,323,048
Purchase of property and equipment	(390,536)	(154,323)
Proceeds on disposal of property and equipment	11,192	46,200
Net cash provided by (used in) investing activities	<u>(185,863)</u>	<u>1,214,925</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings on lines of credit	(195,464)	(160,674)
Payments on notes payable	(17,271)	(26,593)
Net cash used in financing activities	<u>(212,735)</u>	<u>(187,267)</u>
Net increase (decrease) in cash and cash equivalents	(21,215)	845,823
Cash and cash equivalents at beginning of year	<u>1,313,853</u>	<u>468,030</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>1,292,638</u>	\$ <u>1,313,853</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ <u>11,506</u>	\$ <u>20,398</u>
Supplemental disclosure of noncash investing and financing activities:		
Equipment donated to charitable organization	\$ <u>-</u>	\$ <u>2,728</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, 2014)

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.

Short-term Investments - Short-term investments in marketable securities with readily determinable fair values are carried at their short-term 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 bad debts in the statement of activities when that determination is made. No allowance has been provided for accounts receivable as of December 31, 2015 and 2014. For pledges receivable, an allowance for doubtful accounts has been provided for as of December 31, 2015 and 2014 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, 2014)

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 - In 2015, the Society adopted Accounting Standard Update (ASU) 2015-11, "Inventory – Simplifying the Measurement of Inventory," which changed how inventory is valued. As of December 31, 2015, inventory is stated at the lower of cost or net realizable value using the average cost method. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. As of December 31, 2014, inventory was valued at the lower of cost or market using the average cost method. Inventory consist 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 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 2015 and 2014.

Advertising - The Society expenses advertising costs as they are incurred. Advertising costs include indirect advertising. Advertising costs incurred during the years ended December 31, 2015 and 2014 were \$41,695 and \$32,288, 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.

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

(With Comparative Information for the Year Ended December 31, 2014)

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).

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, 2015 and 2014. 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.

Concentration of Credit Risk - The Society maintains its cash and cash equivalents with two financial institutions as of December 31, 2015 and 2014. 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, 2015 and 2014, there were no uninsured balances.

In 2015, the Society received approximately 42% of contribution revenue from one contributor. This contributor had a pledge receivable balance that constituted approximately 47% of total pledges receivable at December 31, 2015. No such concentration existed for the year ended December 31, 2014.

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, 2014, from which the summarized information was derived.

Reclassifications - Certain 2014 amounts have been reclassified to conform with the 2015 financial statement presentation.

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

(With Comparative Information for the Year Ended December 31, 2014)

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 2015 and 2014, 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 ASU issued during 2015 and 2014 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 July 2015, the FASB issued ASU 2015-11, "Inventory – Simplifying the Measurement of Inventory", which requires that an entity measure their inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. For public business entities, ASU 2015-11 is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. For all other entities, ASU 2015-11 is effective for the fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. It should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. Management has updated the financial statements and notes thereto to adopt this guidance as of December 31, 2015.

2. SHORT-TERM INVESTMENTS

Short-term investments as of December 31, 2015 and 2014 are summarized as follows:

	<u>December 31, 2015</u>		<u>December 31, 2014</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Certificate of Deposit	\$ 100,000	\$ 100,192	\$ 300,000	\$ 300,347
Common Stock	<u>4,371,648</u>	<u>4,001,983</u>	<u>4,479,234</u>	<u>4,281,188</u>
	<u>\$ 4,471,648</u>	<u>\$ 4,102,175</u>	<u>\$ 4,779,234</u>	<u>\$ 4,581,535</u>

Investment income (loss) is comprised of the following for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 90,083	\$ 100,797
Realized gains (losses) on short-term investments	(101,367)	596,812
Unrealized losses on short-term investments	<u>(184,512)</u>	<u>(623,076)</u>
	<u>\$ (195,796)</u>	<u>\$ 74,533</u>

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS (With Comparative Information for the Year Ended December 31, 2014)

3. PLEDGES RECEIVABLE

Pledges receivable as of December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Centurion Members	\$ 250	\$ 1,142
Gullion Circle	25,000	50,000
Life Sponsors	102,040	51,400
Other Restricted Contributions	213,712	58,750
RUFF Campaign	<u>92,500</u>	<u>100,000</u>
	433,502	261,292
Less: unamortized discount	(1,716)	(635)
Less: allowance for uncollectible accounts	<u>(6,000)</u>	<u>(6,000)</u>
Net pledges receivable	\$ <u><u>425,786</u></u>	\$ <u><u>254,657</u></u>
Amounts due in:		
Less than one year	\$ 382,942	
One to five years	<u>50,560</u>	
	\$ <u><u>433,502</u></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, 2015 and 2014.

4. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Leasehold improvements	\$ 11,809	\$ 11,809
Vehicles	577,568	431,247
Forestry equipment	381,605	232,048
Office furniture and equipment	<u>206,488</u>	<u>184,582</u>
	1,177,470	859,686
Less: accumulated depreciation	<u>(567,408)</u>	<u>(505,146)</u>
	\$ <u><u>610,062</u></u>	\$ <u><u>354,540</u></u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$129,810 and \$127,339, respectively.

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

(With Comparative Information for the Year Ended December 31, 2014)

5. LINES 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, 2016. The line of credit bears interest at the banks' prime rate (3.50% at December 31, 2015). At December 31, 2015, the outstanding balance was \$305,782.

At December 31, 2014 the Society had a line of credit with PNC Bank with a maximum borrowing of \$1,250,000 and total outstanding balance of \$501,246. The line of credit accrued interest at the bank's prime rate plus .25% (3.50% at December 31, 2014) and was collateralized by certain cash and investments held by Morgan Stanley. This line of credit was paid in full during 2015 and was not renewed.

6. NOTES PAYABLE

The Society had no notes payable outstanding as of December 31, 2015.

Notes payable as of December 31, 2014, paid off during 2015, consisted of the following:

Chrysler Credit Corporation - payable in 48 monthly installments of \$426 with an interest rate of 4.38%; secured by the related vehicle; paid in full during 2015.	\$ 12,859
PNC Bank - payable in 59 monthly installments of \$573, with an interest rate of 5.24%; secured by the related vehicle; paid in full during 2015.	<u>4,412</u>
Total	<u>\$ 17,271</u>

The Society has a revolving credit agreement with PNC Bank, which allows for a maximum borrowing capacity of \$200,000 and matures in July 2019. The note was obtained for the purpose of purchasing vehicles. According to the terms of the agreement, borrowings bear interest at the rate of 4.45%. There were no borrowings on this note as of December 31, 2015 and 2014.

7. ENDOWMENT AND BOARD-DESIGNATED FUNDS

The composition of designated net assets was the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
State drummer funds	\$ 350,759	\$ 430,881
Board-designated endowments	<u>5,300,040</u>	<u>5,643,112</u>
Total Board-designated funds	<u>\$ 5,650,799</u>	<u>\$ 6,073,993</u>

In 2010, the Society created the State Drummer Fund to be used for specific projects in the various states where the Society's chapters are located. Contributions made directly to the

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NOTES TO FINANCIAL STATEMENTS

(With Comparative Information for the Year Ended December 31, 2014)

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 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, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Endowment net assets, beginning of the year	\$ 5,643,112	\$ 6,043,915
Investment return		
Investment income	39,803	73,802
Net depreciation	<u>(274,218)</u>	<u>(20,090)</u>
Total investment return	(234,415)	53,712
Contributions	184,583	35,075
Board authorized transfers	(293,240)	(189,704)
Board authorized line of credit payment	<u>-</u>	<u>(299,886)</u>
Endowment net assets, end of the year	<u>\$ 5,300,040</u>	<u>\$ 5,643,112</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.

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

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

(With Comparative Information for the Year Ended December 31, 2014)

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.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Habitat and other projects	\$ 892,213	\$ 406,589
Long term pledges receivable	50,560	21,900
Dew Scholarship Fund	26,133	52,892
State drummer funds	32,586	36,768
	<u>\$ 1,001,492</u>	<u>\$ 518,149</u>

9. 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Dew Scholarship Fund	\$ 109,520	\$ 109,320

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

(With Comparative Information for the Year Ended December 31, 2014)

10. 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, 2015 and 2014 were \$45,296 and \$39,513, respectively and are included in salaries and benefits in the schedules of functional expenses.

11. 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. These leases require monthly payments ranging from \$413 to \$1,089.

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

	<u>Office Space</u>	<u>Office Equipment</u>	<u>Total</u>
2016	\$ 106,800	\$ 34,149	\$ 140,949
2017	106,800	32,724	139,524
2018	106,800	32,466	139,266
2019	26,700	29,627	56,327
2020	-	5,820	5,820
	<u>\$ 347,100</u>	<u>\$ 134,786</u>	<u>\$ 481,886</u>

Total expense under operating leases was \$148,848 and \$138,983 for the years ended December 31, 2015 and 2014, respectively. These amounts are included in rent, utilities, and cleaning expense and supplies and equipment rental in the accompanying schedules of functional expenses.

12. RISKS AND UNCERTAINTIES

The Society invests in various short-term investment 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, 2014)

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. 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, 2015 and 2014, the Society received payments of \$233,126 and \$34,313, 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 received net income of \$2,030 and \$2,815, respectively, from CONSOL during the years ended December 31, 2015 and 2014 and these amounts are included in forestry clearing and consulting revenue in the statements of activities. The initial term of the Agreement was through October 2015 with a renewal option for an additional five-year period, which extended the term during 2015 through October 2020.

14. CONTRIBUTED SERVICES

The Society recognized contribution revenue of \$25,200 and \$16,000 for legal services for the years ended December 31, 2015 and 2014, 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, 2014)

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.

15. RELATED PARTY TRANSACTIONS

The Society received contributions from its Board of Directors. Contributions totaled \$137,255 and \$228,180 for the years ended December 31, 2015 and 2014, respectively. Pledges receivable from the Board of Directors totaled \$116,213 and \$133,750 for the years ended December 31, 2015 and 2014, respectively.

16. 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, 2015 and 2014.

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

(With Comparative Information for the Year Ended December 31, 2014)

The Society's investments at fair value, within level 1 of the fair value hierarchy, are as follows as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Certificates of Deposit	\$ 100,192	\$ 300,347
Common Stocks		
Basic Materials	113,940	55,546
Communication Services	190,180	222,492
Consumer Cyclical	741,035	895,853
Consumer Defensive	67,356	159,716
Energy	366,141	517,189
Financial Services	844,874	895,920
Healthcare	596,710	521,529
Industrials	436,387	492,220
Technology	634,984	481,057
Utilities	10,376	39,666
Total Common Stocks	<u>4,001,983</u>	<u>4,281,188</u>
Total Investments	<u>\$ 4,102,175</u>	<u>\$ 4,581,535</u>

Fair values for short-term investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

17. SUBSEQUENT EVENTS

The Society has evaluated subsequent events in accordance with FASB ASC Topic 855, Subsequent Events, through May 9, 2016, 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, 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	1,145,136	140,612	5,859	3,906	41,544	232,933	13,316	1,775,405
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 FUNCTIONAL EXPENSES
Year Ended December 31, 2014

	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	\$ -	\$ 32,288	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,288
Bank charges	-	-	-	-	-	-	11,025	-	11,025
Banquet and event expenses	228,214	890,033	-	-	-	-	-	22,821	1,141,068
Chapter activities expenses	3,456	94,355	-	-	-	-	29,066	10,556	137,433
Cost of sales - merchandise	-	50,252	-	-	-	-	-	-	50,252
Cost of sales - timber and forestry	-	-	12,416	-	-	-	-	-	12,416
Data processing	406	2,422	297	13	8	88	493	28	3,755
Dues and subscriptions	-	4,128	-	-	-	5,000	2,448	-	11,576
Educational programs	-	22,905	-	5,936	-	-	-	-	28,841
General support	212	1,266	155	6	4	46	258	16	1,963
Habitat workshops	-	-	299,503	-	-	-	-	-	299,503
Insurance	2,120	12,639	1,552	65	43	459	7,692	147	24,717
Interest	-	-	-	-	-	-	20,398	-	20,398
Legal and accounting	-	-	-	-	-	-	35,489	-	35,489
Membership expenses	55,242	-	-	-	-	-	-	-	55,242
Meetings and conferences	-	-	-	-	-	-	16,621	-	16,621
Miscellaneous	3,626	-	-	-	-	-	48,389	-	52,015
Postage and delivery	17,231	18,833	-	-	-	-	6,589	-	42,653
Rent, utilities and cleaning	14,382	85,736	10,528	437	293	3,110	17,440	997	132,923
Research projects	-	-	-	-	31,730	-	-	-	31,730
RGS publications	133,450	-	-	-	-	-	-	-	133,450
Salaries and benefits	162,352	967,809	118,838	4,952	3,301	35,111	196,863	11,253	1,500,479
Supplies and equipment rental	41,955	51,201	3,837	160	107	1,134	30,098	363	128,855
Telephone	4,981	29,690	3,646	152	101	1,077	6,039	345	46,031
Travel and auto	-	123,252	53,966	-	-	-	33,322	-	210,540
Total	\$ 667,627	\$ 2,386,809	\$ 504,738	\$ 11,721	\$ 35,587	\$ 46,025	\$ 462,230	\$ 46,526	\$ 4,161,263

See independent auditors' report.

THE RUFFED GROUSE SOCIETY

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

	<u>Unrestricted</u>		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
	<u>Undesignated</u>	<u>Designated</u>			
Cash and cash equivalents	\$ (1,102,726)	\$ 1,684,277	\$ 711,087	\$ -	\$ 1,292,638
Short-term investments	-	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	63,988	-	-	-	63,988
Property and equipment, net	<u>610,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>610,062</u>
Total assets	117,969	5,650,799	1,001,492	109,520	6,879,780
Total liabilities	<u>(486,205)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(486,205)</u>
NET ASSETS	<u>\$ (368,236)</u>	<u>\$ 5,650,799</u>	<u>\$ 1,001,492</u>	<u>\$ 109,520</u>	<u>\$ 6,393,575</u>

See independent auditors' report.

THE RUFFED GROUSE SOCIETY

SCHEDULE OF UNRESTRICTED AND TEMPORARILY RESTRICTED NET ASSETS
December 31, 2014

	<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	\$ (729,174)	\$ 1,654,670	\$ 388,357	\$ -	\$ 1,313,853
Short-term investments		4,419,323	52,892	109,320	4,581,535
Accounts receivable - trade	38,021	-	-	-	38,021
Pledges receivable - net	177,757	-	76,900	-	254,657
Inventory	259,887	-	-	-	259,887
Prepaid expenses	60,414	-	-	-	60,414
Property and equipment, net	<u>354,540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>354,540</u>
Total assets	161,445	6,073,993	518,149	109,320	6,862,907
Total liabilities	<u>(620,877)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(620,877)</u>
NET ASSETS	<u>\$ (459,432)</u>	<u>\$ 6,073,993</u>	<u>\$ 518,149</u>	<u>\$ 109,320</u>	<u>\$ 6,242,030</u>

See independent auditors' report.