

THE RUFFED GROUSE SOCIETY

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

December 31, 2014 and 2013

THE RUFFED GROUSE SOCIETY

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
Statements of Financial Position	3
Statement of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 18
<u>Supplemental Information:</u>	
Schedules of Functional Expenses	19 - 20
Schedules of Unrestricted and Temporarily Restricted Net Assets	21 - 22

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Ruffed Grouse Society

Report on Financial Statements

We have audited the accompanying financial statements of The Ruffed Grouse Society (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, the related statement of activities for the year ended December 31, 2014, the related statements of cash flows for the years ended December 31, 2014 and 2013, 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 audits. 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 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

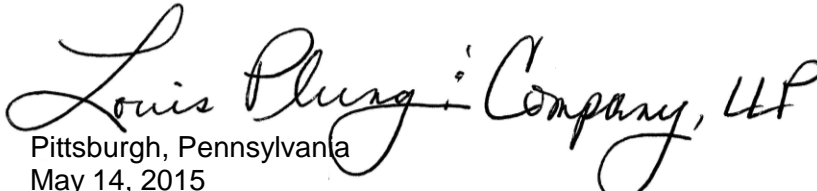
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ruffed Grouse Society as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Ruffed Grouse Society's 2013 financial statements, and our report dated May 23, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative statement of activities presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 19 and 20 and the schedules of unrestricted and temporarily restricted net assets on pages 21 and 22 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.


Louis Plurigi Company, LLP
Pittsburgh, Pennsylvania
May 14, 2015

THE RUFFED GROUSE SOCIETY

STATEMENTS OF FINANCIAL POSITION December 31, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents		
Undesignated	\$ (679,661)	\$ (784,047)
Designated	1,605,157	725,825
Temporarily restricted	<u>388,357</u>	<u>526,252</u>
	1,313,853	468,030
Short-term investments	4,581,535	5,930,847
Accounts receivable - trade	38,021	38,377
Pledges receivable - net	254,657	201,290
Inventory	259,887	216,007
Prepaid expenses	60,414	39,940
Property and equipment, net	<u>354,540</u>	<u>327,895</u>
TOTAL ASSETS	\$ <u>6,862,907</u>	\$ <u>7,222,386</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Lines of credit	\$ 501,246	\$ 661,920
Accounts payable	49,138	86,746
Accrued retirement	39,621	35,137
Accrued expenses	13,601	29,593
Deferred revenue	-	3,442
Notes payable	<u>17,271</u>	<u>43,864</u>
Total liabilities	<u>620,877</u>	<u>860,702</u>
NET ASSETS		
Unrestricted:		
Undesignated	(587,676)	(829,880)
Designated	<u>6,024,480</u>	<u>6,496,293</u>
	5,436,804	5,666,413
Temporarily restricted	695,906	586,176
Permanently restricted	<u>109,320</u>	<u>109,095</u>
Total net assets	<u>6,242,030</u>	<u>6,361,684</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>6,862,907</u>	\$ <u>7,222,386</u>

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

THE RUFFED GROUSE SOCIETY

STATEMENT OF ACTIVITIES Year Ended December 31, 2014 With Comparative Totals for the Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014</u>	<u>2013</u>
REVENUES, GAINS, AND OTHER SUPPORT:					
Contributions	\$ 285,611	\$ 306,847	\$ 225	\$ 592,683	\$ 603,135
Membership dues	641,181	-	-	641,181	456,830
Corporate sponsors	41,100	-	-	41,100	37,400
Proceeds from banquets/events	1,337,968	-	-	1,337,968	1,341,091
Sales of merchandise	77,035	-	-	77,035	54,386
Advertising income	92,621	-	-	92,621	62,203
Fundraising	21,005	-	-	21,005	65,938
Investment income (includes realized and unrealized gains)	69,925	4,608	-	74,533	799,500
Gain on disposal of property and equipment	45,861	-	-	45,861	1,000
Timber sales	34,313	-	-	34,313	267,503
Forestry clearing and consulting	71,925	-	-	71,925	114,508
Miscellaneous income	24,200	-	-	24,200	8,619
	<u>2,742,745</u>	<u>311,455</u>	<u>225</u>	<u>3,054,425</u>	<u>3,812,113</u>
Net assets released from restriction:					
Restriction satisfied	<u>201,725</u>	<u>(201,725)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>2,944,470</u>	<u>109,730</u>	<u>225</u>	<u>3,054,425</u>	<u>3,812,113</u>
FUNCTIONAL EXPENSES:					
Program services:					
Membership services	439,413	-	-	439,413	383,517
General education and chapter operations	1,496,776	-	-	1,496,776	1,587,613
Habitat projects	504,738	-	-	504,738	666,241
Coverts	11,721	-	-	11,721	6,343
Research	35,587	-	-	35,587	20,324
Advocacy	46,025	-	-	46,025	63,575
Supporting services:					
Administration	616,981	-	-	616,981	359,197
Fund-raising	23,705	-	-	23,705	92,495
Total functional expenses	<u>3,174,946</u>	<u>-</u>	<u>-</u>	<u>3,174,946</u>	<u>3,179,305</u>
Change in net assets before other income (expenses)	<u>(230,476)</u>	<u>109,730</u>	<u>225</u>	<u>(120,521)</u>	<u>632,808</u>
OTHER INCOME (EXPENSES)					
Bad debts	867	-	-	867	2,055
Uncollectible contribution receivable - charitable remainder trust	-	-	-	-	(81,030)
Total other income (expenses)	<u>867</u>	<u>-</u>	<u>-</u>	<u>867</u>	<u>(78,975)</u>
Change in net assets	(229,609)	109,730	225	(119,654)	553,833
Net assets at beginning of year	<u>5,666,413</u>	<u>586,176</u>	<u>109,095</u>	<u>6,361,684</u>	<u>5,807,851</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,436,804</u>	<u>\$ 695,906</u>	<u>\$ 109,320</u>	<u>\$ 6,242,030</u>	<u>\$ 6,361,684</u>

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

THE RUFFED GROUSE SOCIETY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (119,654)	\$ 553,833
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	127,339	128,287
Realized gain on sale of short-term investments	(596,812)	(65,607)
Unrealized (gain) loss on short-term investments	623,076	(507,757)
Gain on disposal of property and equipment	(45,861)	(1,000)
Allowance for uncollectible pledges receivable	(1,500)	(11,055)
Uncollectible contribution receivable - charitable remainder trust	-	81,030
Changes in assets and liabilities:		
Decrease in accounts receivable - trade	356	8,125
Increase in accounts receivable - chapters	-	(10,144)
Decrease in accounts receivable - employees	-	866
(Increase) decrease in pledges receivable	(51,867)	17,594
Increase in inventory	(43,880)	(23,998)
(Increase) decrease in prepaid expenses	(20,474)	15,633
Increase (decrease) in accounts payable	(37,608)	30,354
Increase in accrued retirement	4,484	3,886
Decrease in accrued severance	-	(138,451)
Increase (decrease) in accrued expenses	(15,992)	4,656
Decrease in deferred revenue	(3,442)	(3,658)
Net cash provided by (used in) operating activities	<u>(181,835)</u>	<u>82,594</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales (purchases) of short-term investments	1,323,048	(666,782)
Purchase of property and equipment	(154,323)	(280,443)
Proceeds on disposal of property and equipment	46,200	4,000
Net cash provided by (used in) investing activities	<u>1,214,925</u>	<u>(943,225)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings on lines of credit	(160,674)	111,838
Borrowings on notes payable	-	18,748
Payments on notes payable	(26,593)	(43,244)
Net cash provided by (used in) financing activities	<u>(187,267)</u>	<u>87,342</u>
Net increase (decrease) in cash and cash equivalents	845,823	(773,289)
Cash and cash equivalents at beginning of year	<u>468,030</u>	<u>1,241,319</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>1,313,853</u>	\$ <u>468,030</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 20,398</u>	<u>\$ 21,215</u>
Supplemental disclosure of noncash investing and financing activities:		
Equipment donated to charitable organization	<u>\$ 2,728</u>	<u>\$ -</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. 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 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, 2014 and 2013. For pledges receivable, an allowance for doubtful accounts has been provided for as of December 31, 2014 and 2013 in the amounts of \$6,000 and \$7,500, respectively.

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

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

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

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

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

Property and Equipment - Purchased property and equipment are stated at cost or, if donated, at 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. Repair and maintenance charges which do not increase the useful lives of the assets are charged to expense as incurred.

	<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 2014 and 2013.

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, 2014 and 2013 were \$32,288 and \$32,089, respectively.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial position and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes - The Society is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Society's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Society qualifies for the charitable contribution deduction under Section 170(b)(1)(A) as it has been classified as an organization that is not a private foundation under Section 509(a)(2).

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

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, 2014 and 2013. 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. The Society believes it is no longer subject to income tax examinations for years up to and including the year ended December 31, 2011.

Concentration of Credit Risk - The Society maintains its cash and cash equivalents with two and three financial institutions as of December 31, 2014 and 2013, respectively. 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, 2014 and 2013, the uninsured balances totaled \$961,116 and \$0, 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, 2013, from which the summarized information was derived.

Reclassifications - Certain 2013 amounts have been reclassified to conform with the 2014 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. For the year ended December 31, 2014, the Society changed the classification of certain expenses to more accurately reflect the costs of each activity. The functional expenses for the year ended December 31, 2013 have not been restated.

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

Recent Accounting Standards Updates - During 2014, and 2013, the Financial Accounting Standards Board (“FASB”) issued new Accounting Standards Updates (“ASUs”) addressing various accounting and reporting standards. Management has determined based on their review that the following ASU 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 April 2013, the FASB issued ASU 2013-06, “Not-for-Profit Entities” (Topic 958) which addresses services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. This ASU is effective for fiscal years beginning after June 15, 2014 and early adoption is permitted. 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, 2014 and 2013 are summarized as follows:

	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Bonds	\$ -	\$ -	\$ 45,295	\$ 46,154
Certificates of deposit	300,000	300,347	-	-
Common stock	4,479,234	4,281,188	-	-
Mutual funds	-	-	4,782,163	5,884,693
	<u>\$ 4,779,234</u>	<u>\$ 4,581,535</u>	<u>\$ 4,827,458</u>	<u>\$ 5,930,847</u>

Investment income is comprised of the following for the years ended December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 100,797	\$ 226,136
Realized gains on short-term investments	596,812	65,607
Unrealized gains (losses) on short-term investments	<u>(623,076)</u>	<u>507,757</u>
	<u>\$ 74,533</u>	<u>\$ 799,500</u>

THE RUFFED GROUSE SOCIETY
NOTES TO FINANCIAL STATEMENTS

3. PLEDGES RECEIVABLE

Pledges receivable as of December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Centurion Members	\$ 1,142	\$ -
Gullion Circle	50,000	50,000
Life Sponsors	51,400	24,150
Other Restricted Contributions	58,750	-
RUFF Campaign	<u>100,000</u>	<u>135,000</u>
	261,292	209,150
Less: unamortized discount	(635)	(360)
Less: allowance for uncollectible accounts	<u>(6,000)</u>	<u>(7,500)</u>
Net pledges receivable	<u>\$ 254,657</u>	<u>\$ 201,290</u>
Amounts due in:		
Less than one year	\$ 239,392	
One to five years	<u>21,900</u>	
	<u>\$ 261,292</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, 2014 and 2013.

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 was 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 remained active until the spouse's death, which occurred in 2013. The Society was informed that the estate did not have the funds available to satisfy the receivable. As a result, the contribution receivable, recorded at the fair market value of \$81,030, was charged against uncollectible contribution receivable in the accompanying statements of activities for the year ended December 31, 2013.

THE RUFFED GROUSE SOCIETY
NOTES TO FINANCIAL STATEMENTS

5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2014 and 2013 consists of the following:

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 11,809	\$ 11,809
Vehicles	431,247	417,649
Forestry equipment	232,048	292,465
Office furniture and equipment	<u>184,582</u>	<u>186,672</u>
	859,686	908,595
Less: accumulated depreciation	<u>(505,146)</u>	<u>(580,700)</u>
	<u>\$ 354,540</u>	<u>\$ 327,895</u>

Depreciation expense for the years ended December 31, 2014 and 2013 was \$127,339 and \$128,287, respectively.

6. LINES OF CREDIT

The Society has a line of credit with PNC Bank, which allows for maximum borrowings of \$1,250,000 at December 31, 2014, and \$750,000 at December 31, 2013. The outstanding balance was \$501,246 and \$634,451 as of December 31, 2014 and 2013, respectively. At December 31, 2014, the line of credit bears interest at the bank's prime rate plus .25% (3.50%) and is collateralized by certain cash and investments held by Morgan Stanley. At December 31, 2013, interest on the line of credit was at the prime rate less .25% (3.0%) and was collateralized by certain cash and investments held by Hefren-Tillotson, Inc. In 2013, this line of credit agreement contained a covenant which required the Society to maintain collateral with a minimum marginal value of \$750,000 or the amount of the outstanding obligation, whichever was higher. Effective July 2014, this requirement was removed from the agreement.

The Society entered into a line of credit agreement with Hefren-Tillotson, Inc. in August 2013. The line of credit allows for maximum borrowings of \$1,900,000. The outstanding balance was \$27,469 as of December 31, 2013. The line of credit bears interest at the prime rate (3.25% at December 31, 2013) and is collateralized by certain cash and investments held by Hefren-Tillotson, Inc. There are no financial covenants and no expiration dates on this line of credit as of December 31, 2013. This line of credit was paid in full during 2014 and the agreement was cancelled.

The outstanding borrowings on the Society's lines of credit are as follows as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
PNC Bank	\$ 501,246	\$ 634,451
Hefren-Tillotson, Inc.	-	27,469
	<u>\$ 501,246</u>	<u>\$ 661,920</u>

THE RUFFED GROUSE SOCIETY
NOTES TO FINANCIAL STATEMENTS

7. NOTES PAYABLE

Notes payable consists of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Ally Bank - various notes payable, due in 36 to 60 monthly installments ranging in amounts from \$532 to \$689. Interest rates range from 5.14% to 7.09%; secured by the related vehicles. Paid in full during 2014.	\$ -	\$ 15,686
Chrysler Credit Corporation - payable in 48 monthly installments of \$426 with an interest rate of 4.38%; secured by the related vehicle.	12,859	17,307
PNC Bank - payable in 59 monthly installments of \$573, with an interest rate of 5.24%; secured by the related vehicle.	<u>4,412</u>	<u>10,871</u>
	17,271	43,864
Less current portion	<u>9,059</u>	<u>26,593</u>
	\$ <u><u>8,212</u></u>	\$ <u><u>17,271</u></u>

Total maturities of notes payable are as follows:

2015	\$ 9,059
2016	4,855
2017	<u>3,357</u>
	\$ <u><u>17,271</u></u>

The Society has a revolving credit agreement with PNC Bank as of December 31, 2014. This agreement has a maximum borrowing capacity of \$200,000. 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%. As of December 31, 2014, there were no borrowings on this note.

8. 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 certain field biologists' salaries and benefits. The Society transferred \$299,886 and \$225,000 during the years ended December 31, 2014 and 2013, respectively, from the Endowment Fund to support these expenses.

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

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 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.

Designated net assets consist of the following as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Endowment fund	\$ 5,683,481	\$ 6,111,389
State drummer funds	<u>340,999</u>	<u>384,904</u>
	<u>\$ 6,024,480</u>	<u>\$ 6,496,293</u>

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose as of December 31, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Habitat and other projects	\$ 351,589	\$ 339,527
Pledges receivable	254,657	151,290
Scholarship	52,892	51,284
State drummer funds	<u>36,768</u>	<u>44,075</u>
	<u>\$ 695,906</u>	<u>\$ 586,176</u>

10. PERMANENTLY RESTRICTED NET ASSETS

In 2000, a donor established the Dew Scholarship Fund to reward scholarships to deserving individuals. Contributions to this fund are considered permanently restricted. The Fund's assets are included in the Society's investment account. Scholarships are paid from investment earnings. The related investment income is included in temporarily restricted net assets. Permanently restricted net assets are available for the following purpose as of December 31, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Dew Scholarship Fund	<u>\$ 109,320</u>	<u>\$ 109,095</u>

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

11. EMPLOYEE BENEFIT PLANS

The Society maintains a defined contribution pension plan in which all full-time employees are eligible to participate. Employer contributions to the plan are discretionary and are based upon a percentage of gross salary. This percentage varies from 1.5% to 4.5% and is determined by a participant's length of service. In addition, the Society allows qualified employees to make a voluntary contribution to the plan. The employer contributions to the plan for the years ended December 31, 2014 and 2013 were \$39,513 and \$35,137, respectively and are included in salaries and benefits in the schedule of functional expenses.

12. LEASE COMMITMENTS

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

The Society also leases office equipment under operating leases that range between 48 to 63 months. These leases require monthly payments ranging from \$413 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>
2015	\$ 106,800	\$ 27,604	\$ 134,404
2016	106,800	20,200	127,000
2017	106,800	18,776	125,576
2018	106,800	18,776	125,576
2019	<u>26,700</u>	<u>18,775</u>	<u>45,475</u>
	<u>\$ 453,900</u>	<u>\$ 104,131</u>	<u>\$ 558,031</u>

Total expense under operating leases was \$138,983 and \$140,598 for the years ended December 31, 2014 and 2013, respectively. These amounts are included in rent, utilities, and cleaning expense and supplies and equipment rental in the accompanying schedules of functional expenses.

13. RISKS AND UNCERTAINTIES

The Society invests in various 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.

14. COMMITMENTS AND CONTINGENCIES

The Society entered into an agreement with the Western Pennsylvania Conservancy (the "Conservancy") effective January 31, 2008. The Conservancy granted the Society timber rights on approximately 2,363 acres of real estate located in Somerset County. The conveyances of the rights are in effect from January 31, 2008 through January 31, 2023. During this 15 year period, the Society is to harvest the full 2,363 acres. The Society is

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

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 expires on October 1, 2015.

During the years ended December 31, 2014 and 2013, the Society received payments of \$34,313 and \$267,503, 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 \$2,815 and \$16,865, respectively, from CONSOL during the years ended December 31, 2014 and 2013 and these amounts are included in forestry clearing and consulting revenue in the statements of activities. The Agreement expires in October 2015 and the Society has the option to renew the Agreement for an additional five-year period.

15. CONTRIBUTED SERVICES

The Society recognized contribution revenue of \$16,000 and \$9,000 for legal services for the years ended December 31, 2014 and 2013, 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 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.

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

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, 2014 and 2013.

The Society’s investments at fair value, within the fair value hierarchy, are as follows as of December 31, 2014 and 2013.

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<u>December 31, 2014</u>			
Certificates of Deposit	\$ 300,347	\$ -	\$ 300,347
Common Stocks			
Basic Materials	55,546	-	55,546
Communication Services	222,492	-	222,492
Consumer Cyclical	895,853	-	895,853
Consumer Defensive	159,716	-	159,716
Energy	517,189	-	517,189
Financial Services	895,920	-	895,920
Healthcare	521,529	-	521,529
Industrials	492,220	-	492,220
Technology	481,057	-	481,057
Utilities	39,666	-	39,666
	4,281,188	-	4,281,188
Total Investments	\$ 4,581,535	\$ -	\$ 4,581,535
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<u>December 31, 2013</u>			
Bonds	\$ -	\$ 46,154	\$ 46,154
Mutual Funds			
Diversified Emerging Markets	216,090	-	216,090
Foreign Large Blend	237,954	-	237,954
Global Real Estate	4,740	-	4,740
High Yield Bonds	156,354	-	156,354
Large Blend	838,403	-	838,403
Large Growth	761,020	-	761,020
Large Value	888,593	-	888,593
Mid-Cap Blend	18,533	-	18,533
Moderate Allocation	1,208,975	-	1,208,975
Multisector Bond	789,427	-	789,427
Small Blend	12,061	-	12,061
World Allocation	583,457	-	583,457
World Bond	96,935	-	96,935
World Stock	72,151	-	72,151
	5,884,693	-	5,884,693
Total Investments	\$ 5,884,693	\$ 46,154	\$ 5,930,847

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.

17. **SUBSEQUENT EVENTS**

The Society has evaluated subsequent events in accordance with FASB ASC Topic 855, Subsequent Events, through May 14, 2015, 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, 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
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
Depreciation	-	-	-	-	-	-	127,339	-	127,339
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
Investment fees	-	-	-	-	-	-	27,412	-	27,412
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	<u>\$ 439,413</u>	<u>\$ 1,496,776</u>	<u>\$ 504,738</u>	<u>\$ 11,721</u>	<u>\$ 35,587</u>	<u>\$ 46,025</u>	<u>\$ 616,981</u>	<u>\$ 23,705</u>	<u>\$ 3,174,946</u>

See independent auditors' report.

THE RUFFED GROUSE SOCIETY

SCHEDULE OF FUNCTIONAL EXPENSES Year Ended December 31, 2013

	Membership Services	General Education and Chapter Operations	Habitat Projects	Coverts	Research	Advocacy	Administration	Fund-raising	Totals
Advertising	\$ 27,745	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,344	\$ 32,089
Bank charges	702	4,152	510	21	14	151	845	48	6,443
Chapter activities expenses	19,615	133,600	33,970	-	-	-	-	34,204	221,389
Chapter expenses	7,500	32,660	359,301	120	80	854	4,787	274	405,576
Cost of sales - merchandise	3,357	20,012	2,457	102	68	726	4,071	233	31,026
Cost of sales - timber and forestry	3,960	26,974	6,858	-	-	-	-	6,906	44,698
Data processing	1,407	8,394	1,031	43	29	305	1,707	98	13,014
Depreciation	13,882	82,745	10,160	423	282	3,002	16,831	962	128,287
Dues and subscriptions	1,181	7,049	866	36	24	256	1,434	82	10,928
Educational programs	-	6,433	-	-	-	-	-	-	6,433
General support	1,724	10,287	1,263	53	35	373	2,092	120	15,947
Habitat workshops	-	-	3,073	-	-	-	-	-	3,073
Insurance	1,848	11,013	1,352	56	38	400	2,240	128	17,075
Interest	3,269	13,128	1,455	61	40	430	2,694	138	21,215
Investment fees	-	-	-	-	7,777	-	-	-	7,777
Legal and accounting	-	-	-	-	-	9,000	3,121	-	12,121
Meetings and conferences	1,378	8,212	1,008	42	28	298	1,670	95	12,731
Miscellaneous	41,274	129	16	1	-	4	27	1	41,452
Miscellaneous contributions	-	-	-	-	-	-	-	4,051	4,051
Postage and delivery	3,691	3,692	-	-	-	-	-	-	7,383
Printing	-	3,940	-	-	-	-	-	-	3,940
Promotional merchandise	40,077	-	-	-	-	-	-	11,475	51,552
Rent, utilities and cleaning	13,621	81,196	9,970	415	277	2,946	16,517	944	125,886
Research projects	-	-	-	-	7,000	-	-	-	7,000
RGS publications	-	140,072	-	-	-	-	-	-	140,072
Salaries and benefits	153,535	835,449	135,732	4,844	4,548	43,935	266,406	28,105	1,472,554
Supplies and equipment rental	39,611	39,611	-	-	-	-	8,803	-	88,025
Telephone	4,140	24,676	3,030	126	84	895	5,021	287	38,259
Travel and auto	-	94,189	94,189	-	-	-	20,931	-	209,309
Total	\$ 383,517	\$ 1,587,613	\$ 666,241	\$ 6,343	\$ 20,324	\$ 63,575	\$ 359,197	\$ 92,495	\$ 3,179,305

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>Total</u>
	<u>Undesignated</u>	<u>Designated</u>	<u>Restricted</u>	<u>Restricted</u>	
Cash and cash equivalents	\$ (679,661)	\$ 1,605,157	\$ 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	-	-	254,657	-	254,657
Inventory	259,887	-	-	-	259,887
Prepaid expenses	60,414	-	-	-	60,414
Property and equipment, net	354,540	-	-	-	354,540
Total assets	33,201	6,024,480	695,906	109,320	6,862,907
Total liabilities	(620,877)	-	-	-	(620,877)
NET ASSETS	\$ (587,676)	\$ 6,024,480	\$ 695,906	\$ 109,320	\$ 6,242,030

See independent auditors' report.

THE RUFFED GROUSE SOCIETY

SCHEDULE OF UNRESTRICTED AND TEMPORARILY RESTRICTED NET ASSETS
December 31, 2013

	<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	\$ (784,047)	\$ 725,825	\$ 526,252	\$ -	\$ 468,030
Short-term investments	-	5,770,468	51,284	109,095	5,930,847
Accounts receivable - trade	38,377	-	-	-	38,377
Pledges receivable - net	201,290	-	-	-	201,290
Inventory	207,367	-	8,640	-	216,007
Prepaid expenses	39,940	-	-	-	39,940
Property and equipment, net	<u>327,895</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>327,895</u>
Total assets	30,822	6,496,293	586,176	109,095	7,222,386
Total liabilities	<u>(860,702)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(860,702)</u>
NET ASSETS	<u>\$ (829,880)</u>	<u>\$ 6,496,293</u>	<u>\$ 586,176</u>	<u>\$ 109,095</u>	<u>\$ 6,361,684</u>

See independent auditors' report.