

**THE RUFFED GROUSE SOCIETY**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**December 31, 2019 and 2018**

# 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 statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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 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, 2019 and 2018, 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.

*Louis Pluzg Company, LLP*

Pittsburgh, Pennsylvania  
May 20, 2020

## THE RUFFED GROUSE SOCIETY

### STATEMENTS OF FINANCIAL POSITION December 31, 2019 and 2018

#### ASSETS

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,442,251	\$ 746,673
Accounts receivable - trade	181,844	140,467
Promises to give - net	591,534	796,671
Grants receivable	263,189	172,974
Inventory	274,854	291,484
Prepaid expenses	99,475	71,781
Marketable securities	4,866,755	4,806,335
Land held for investment	492,000	492,000
Property and equipment - net	<u>202,737</u>	<u>412,334</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 8,414,639</u></b>	<b><u>\$ 7,930,719</u></b>

#### LIABILITIES AND NET ASSETS

<b>LIABILITIES</b>		
Line of credit	\$ 1,114,232	\$ 919,488
Note payable	18,673	23,256
Accounts payable	238,199	234,318
Accrued retirement	41,178	38,574
Accrued expenses	100,803	53,480
Deferred grant income	31,614	34,044
Other deferred revenue	<u>4,920</u>	<u>9,956</u>
<b>Total liabilities</b>	<b><u>1,549,619</u></b>	<b><u>1,313,116</u></b>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	(500,172)	(228,149)
Designated by the Board for quasi-endowment	<u>5,904,196</u>	<u>5,364,579</u>
	5,404,024	5,136,430
With donor restrictions		
Perpetual in nature	14,045	124,840
Purpose restrictions	900,860	1,321,776
Time-restricted for future periods	<u>546,091</u>	<u>34,557</u>
	<u>1,460,996</u>	<u>1,481,173</u>
<b>Total net assets</b>	<b><u>6,865,020</u></b>	<b><u>6,617,603</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 8,414,639</u></b>	<b><u>\$ 7,930,719</u></b>

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

## THE RUFFED GROUSE SOCIETY

### STATEMENT OF ACTIVITIES Year Ended December 31, 2019

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<b>OPERATING REVENUE</b>			
Contributions	\$ 362,023	\$ 848,602	\$ 1,210,625
Grant income	470,246	190,667	660,913
Membership dues	649,665	-	649,665
Corporate sponsors	32,700	-	32,700
Banquet and event revenue	2,270,328	-	2,270,328
Sales of merchandise	73,034	-	73,034
Advertising income	56,671	-	56,671
Timber sales	25,817	-	25,817
Forestry clearing and consulting	53,177	-	53,177
Miscellaneous income	8,309	-	8,309
	4,001,970	1,039,269	5,041,239
Net assets released from restrictions:			
Restrictions satisfied	1,076,021	(1,076,021)	-
Total operating revenue	5,077,991	(36,752)	5,041,239
<b>OPERATING EXPENSES</b>			
Program services:			
Membership services	668,492	-	668,492
Chapter operations	1,952,424	-	1,952,424
General education and outreach	626,227	-	626,227
Habitat projects	1,489,454	-	1,489,454
Research	51,224	-	51,224
Advocacy	51,203	-	51,203
Supporting services:			
Administration	440,367	-	440,367
Fundraising	171,369	-	171,369
Total operating expenses	5,450,760	-	5,450,760
Change in net assets from operations	(372,769)	(36,752)	(409,521)
<b>NON-OPERATING INCOME (EXPENSES)</b>			
Net investment return	965,172	16,575	981,747
Gain on disposal of property and equipment	22,220	-	22,220
Return of Dew Scholarship Fund	(166,966)	-	(166,966)
Uncollectible promise to give	(950)	-	(950)
Depreciation expense	(179,113)	-	(179,113)
Total non-operating income (expenses)	640,363	16,575	656,938
Change in net assets	267,594	(20,177)	247,417
Net assets at beginning of year	5,136,430	1,481,173	6,617,603
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 5,404,024</b>	<b>\$ 1,460,996</b>	<b>\$ 6,865,020</b>

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

## THE RUFFED GROUSE SOCIETY

### STATEMENT OF ACTIVITIES Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>OPERATING REVENUE</b>			
Contributions	\$ 343,630	\$ 670,408	\$ 1,014,038
Grant income	160,329	457,151	617,480
Membership dues	574,204	-	574,204
Corporate sponsors	17,700	-	17,700
Banquet and event revenue	2,233,332	-	2,233,332
Sales of merchandise	75,577	-	75,577
Advertising income	57,816	-	57,816
Fundraising	40,610	-	40,610
Timber sales	70,504	-	70,504
Forestry clearing and consulting	145,972	-	145,972
Miscellaneous income	20,220	-	20,220
	3,739,894	1,127,559	4,867,453
Net assets released from restriction:			
Restriction satisfied	695,804	(695,804)	-
Total operating revenue	4,435,698	431,755	4,867,453
<b>OPERATING EXPENSES</b>			
Program services:			
Membership services	707,670	-	707,670
Chapter operations	1,810,195	-	1,810,195
General education and outreach	479,605	-	479,605
Habitat projects	1,251,517	-	1,251,517
Research	184,986	-	184,986
Advocacy	49,043	-	49,043
Supporting services:			
Administration	407,237	-	407,237
Fundraising	180,354	-	180,354
Total operating expenses	5,070,607	-	5,070,607
Change in net assets from operations	(634,909)	431,755	(203,154)
<b>NON-OPERATING INCOME (EXPENSES)</b>			
Net investment return	(389,485)	(13,957)	(403,442)
Gain on disposal of property and equipment	10,634	-	10,634
Gain from uncollectible promise to give	100,000	-	100,000
Depreciation expense	(186,464)	-	(186,464)
Total non-operating income (expenses)	(465,315)	(13,957)	(479,272)
Change in net assets	(1,100,224)	417,798	(682,426)
Net assets at beginning of year	6,236,654	1,063,375	7,300,029
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 5,136,430</b>	<b>\$ 1,481,173</b>	<b>\$ 6,617,603</b>

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

## THE RUFFED GROUSE SOCIETY

### STATEMENT OF FUNCTIONAL EXPENSES Year Ended December 31, 2019

	<u>Membership Services</u>	<u>Chapter Operations</u>	General <u>Education &amp; Outreach</u>	<u>Habitat Projects</u>	<u>Research</u>	<u>Advocacy</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Totals</u>
Advertising	\$ -	\$ -	\$ 206,214	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 206,214
Bank charges	-	-	-	-	-	-	9,110	-	9,110
Banquet expenses	197,692	770,997	-	-	-	-	-	19,769	988,458
Chapter activities expenses	4,612	132,957	-	-	-	-	26,024	80	163,673
Cost of sales - merchandise	33,885	-	-	-	-	-	-	-	33,885
Cost of sales - timber and forestry	-	-	-	3,872	-	-	-	-	3,872
Data processing	592	1,947	808	777	119	119	374	352	5,088
Dues and subscriptions	-	15,132	-	-	-	350	2,358	-	17,840
Educational programs	-	-	27,956	1,244	-	-	-	-	29,200
General support	4,117	13,549	5,626	5,410	825	825	2,606	2,446	35,404
Habitat workshops	-	-	-	1,080,521	-	-	-	-	1,080,521
Insurance	770	2,535	1,052	1,012	154	154	488	458	6,623
Interest	-	-	-	-	-	-	43,866	-	43,866
Legal and accounting	-	-	-	-	-	-	20,750	-	20,750
Meetings and conferences	-	-	-	-	-	-	9,999	-	9,999
Membership expenses	17,818	-	-	-	-	-	-	-	17,818
Miscellaneous	59	-	-	-	-	-	91,452	453	91,964
Postage and delivery	20,038	21,902	-	-	-	-	7,268	-	49,208
Rent, utilities and cleaning	16,153	53,154	22,070	21,223	3,236	3,236	10,222	9,597	138,891
Research projects	-	-	45,253	-	371	-	-	-	45,624
RGS publications	100,151	-	-	-	-	-	-	-	100,151
Salaries and benefits	223,400	735,127	305,230	293,513	44,757	44,757	141,378	132,734	1,920,896
Supplies and equipment rental	45,981	33,180	7,613	7,320	1,116	1,116	27,013	3,565	126,904
Telephone	3,224	10,608	4,405	4,235	646	646	2,036	1,915	27,715
Travel and auto	-	161,336	-	70,327	-	-	45,423	-	277,086
<b>Total</b>	<b>\$ 668,492</b>	<b>\$ 1,952,424</b>	<b>\$ 626,227</b>	<b>\$ 1,489,454</b>	<b>\$ 51,224</b>	<b>\$ 51,203</b>	<b>\$ 440,367</b>	<b>\$ 171,369</b>	<b>\$ 5,450,760</b>

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



## THE RUFFED GROUSE SOCIETY

### STATEMENT OF FUNCTIONAL EXPENSES Year Ended December 31, 2018

	<u>Membership Services</u>	<u>Chapter Operations</u>	<u>General Education &amp; Outreach</u>	<u>Habitat Projects</u>	<u>Research</u>	<u>Advocacy</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Totals</u>
Advertising	\$ -	\$ -	\$ 41,574	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,574
Bank charges	-	-	-	-	-	-	8,437	-	8,437
Banquet and event expenses	179,613	700,489	-	-	-	-	-	17,962	898,064
Chapter activities expenses	4,830	103,401	-	-	-	-	25,792	16,744	150,767
Cost of sales - merchandise	33,521	-	-	-	-	-	-	-	33,521
Cost of sales - timber and forestry	-	-	-	10,575	-	-	-	-	10,575
Data processing	584	1,922	798	767	117	117	370	347	5,022
Dues and subscriptions	-	28,658	-	-	-	23	1,558	-	30,239
Educational programs	-	-	52,047	325	-	-	-	-	52,372
General support	8,067	26,544	11,021	10,598	1,616	1,616	5,105	4,793	69,360
Habitat workshops	-	-	-	859,453	-	-	-	-	859,453
Insurance	813	2,675	1,111	1,068	163	163	515	483	6,991
Interest	-	-	-	-	-	-	38,738	-	38,738
Legal and accounting	-	-	-	-	-	-	25,607	-	25,607
Meetings and conferences	-	-	-	-	-	-	2,810	-	2,810
Membership expenses	36,358	-	-	-	-	-	-	-	36,358
Miscellaneous	5,641	-	-	-	-	-	75,530	-	81,171
Postage and delivery	17,637	19,278	-	-	-	-	6,419	-	43,334
Rent, utilities and cleaning	14,699	48,369	20,083	19,312	2,945	2,945	9,303	8,733	126,389
Research projects	-	-	51,680	-	2,033	-	-	-	53,713
RGS publications	128,715	-	-	-	-	-	-	-	128,715
Salaries and benefits	211,033	694,431	288,333	277,265	176,212	42,279	134,408	125,386	1,949,347
Supplies and equipment rental	61,950	34,948	7,208	6,931	1,057	1,057	35,068	3,405	151,624
Telephone	4,209	13,849	5,750	5,529	843	843	2,664	2,501	36,188
Travel and auto	-	135,631	-	59,694	-	-	34,913	-	230,238
<b>Total</b>	<b>\$ 707,670</b>	<b>\$ 1,810,195</b>	<b>\$ 479,605</b>	<b>\$ 1,251,517</b>	<b>\$ 184,986</b>	<b>\$ 49,043</b>	<b>\$ 407,237</b>	<b>\$ 180,354</b>	<b>\$ 5,070,607</b>

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

## THE RUFFED GROUSE SOCIETY

### STATEMENTS OF CASH FLOWS Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributors and sponsors	\$ 1,459,502	\$ 1,310,253
Cash received from grants	568,268	784,523
Cash received from membership dues	633,589	608,248
Cash received from banquets	2,216,991	2,283,744
Miscellaneous receipts	330,195	525,496
Cash paid to employees	(1,900,876)	(1,961,943)
Cash paid to suppliers	(3,463,274)	(3,228,835)
Cash paid to return Dew Scholarship Fund	(166,966)	-
Interest paid	(43,866)	(38,738)
Net cash provided by (used in) operating activities	<u>(366,437)</u>	<u>282,748</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales of marketable securities	5,845,418	4,594,113
Purchases of marketable securities	(4,986,968)	(4,867,396)
Purchase of property and equipment	(26,082)	(156,186)
Investment fees paid	(50,310)	(53,376)
Proceeds on disposal of property and equipment	89,796	-
Net cash provided by (used in) investing activities	<u>871,854</u>	<u>(482,845)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net borrowings (payments) on line of credit	194,744	(214,199)
Payments on vehicle note payable	(4,583)	-
Net cash provided by (used in) financing activities	<u>190,161</u>	<u>(214,199)</u>
Net increase (decrease) in cash and cash equivalents	695,578	(414,296)
Cash and cash equivalents at beginning of year	<u>746,673</u>	<u>1,160,969</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 1,442,251</u></u>	<u><u>\$ 746,673</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. The Society also 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.

Cash and Cash Equivalents - The Society considers all short-term instruments purchased with maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to specific projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Marketable securities - The Society records investment purchases at cost, or if donated, fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

Allowance for Doubtful Accounts - The management of the Society considers whether receivable balances are fully collectible. If any amounts become uncollectible, they will be charged to bad debts in the statement of activities when that determination is made. No allowance has been provided for accounts receivable or grants receivable as of December 31, 2019 and 2018. For promises to give, an allowance for doubtful accounts has been provided for as of December 31, 2019 and 2018 in the amount of \$6,000.

Revenues and Promises to Give - All contributions are considered to be available without restriction unless specifically restricted by the donor. Promises to give are recorded as receivables at the time the promise is made and allowances are provided for promises estimated to be uncollectible. Promises due in the next year are recorded at their net realizable value. Promises 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 promises are to be received to discount the amounts.

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 2019, the Society changed their inventory valuation from average costing to first in first out. The result of the change was immaterial to the financial statements. Inventory consists of various items that the members of the Society can purchase online, at banquets and other events that are held to promote the Society. The merchandise includes guns, artwork, outdoor apparel, binoculars and other items.

## THE RUFFED GROUSE SOCIETY

### NOTES TO FINANCIAL STATEMENTS

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 and equipment, 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 considers both the current and future levels of undiscounted cash flows generated by the Society and the continuing value of property and equipment and land held for investment 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 2019 and 2018.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The board of directors has designated, from net assets without donor restrictions, net assets for a board designated quasi-endowment.

*Net Assets With Donor Restrictions* - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Society reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

## THE RUFFED GROUSE SOCIETY

### NOTES TO FINANCIAL STATEMENTS

Revenues and Revenue Recognition - The Society recognizes contributions and grant income when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Membership dues, which are nonrefundable, are comprised of an exchange element based on the value of benefits provided, and a contribution element for the total dues paid and the exchange element. The Society recognizes the exchange portion of membership dues and the contribution portion immediately due to the immateriality of calculating the exchange portion of the membership dues over the membership period. The Society records banquet and event revenue equal to the fair value of direct benefit to donors, and any contribution income for the excess received when the event takes place. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

The Society has adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers, as amended as management believes the standard improves the usefulness and understandability of the Society's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Society recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Advertising - The Society expenses advertising costs as they are incurred. Advertising costs include indirect advertising. Advertising costs incurred during the years ended December 31, 2019 and 2018 were \$15,451 and \$19,826, respectively.

Functional Expenses - The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Every five years the Society performs a time study to provide a reasonable allocation of expenses that are not directly related to programs. Salaries, wages, and related costs are allocated directly to programs, supporting services, and fundraising based on the results of the time study. Certain expenses including legal and accounting and interest are allocated entirely to administration services. Habitat workshops are allocated entirely to habitat projects. Occupancy expenses including rent and utilities are allocated based on time incurred on a particular function by the staff in that office. Other expenses such as professional fees are allocated based on the actual nature of the expense.

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

## THE RUFFED GROUSE SOCIETY

### NOTES TO FINANCIAL STATEMENTS

not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2019 and 2018. 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.

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.

Compensated Absences - Employees of the Society are entitled to paid vacation depending on length of service and other factors in accordance with a written policy. Vacation may be accrued up to four weeks for each employee and would be paid upon termination of employment. The liability for accrued compensated absences as of December 31, 2019 and 2018 was \$66,771 and \$49,355, respectively, and is included in accrued expenses in the accompanying statements of financial position.

Concentration of Credit Risk - The Society maintains its cash and cash equivalents with two financial institutions as of December 31, 2019 and 2018. 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, 2019 and 2018, the uninsured balances totaled \$969,627 and \$286,364, respectively.

In 2019, the Society received approximately 25% of contribution revenue from two contributors. One of these contributors had a promise to give balance at December 31, 2019 of \$100,000. In 2018, the Society had no contribution revenue concentrations.

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

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

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

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

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

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

All other entities must apply the guidance in ASU 2016-02 for annual periods beginning after December 15, 2020, and interim periods beginning after December 15, 2021. Any entity may early adopt the amendments in ASU 2016-02. Management has determined that the adoption of this guidance will impact the Society, and be adopted upon the effective date, to the financial statements and notes thereto.

Reclassifications - Certain 2018 amounts have been reclassified to conform with the 2019 financial statement presentation.

**2. LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end		
Cash and cash equivalents	1,442,251	746,673
Accounts receivable - trade	181,844	140,467
Promises to give - net	591,534	796,671
Grants receivable	263,189	172,974
Marketable securities	4,866,755	4,806,335
Total financial assets at year-end	<u>7,345,573</u>	<u>6,663,120</u>
Less amounts not available to be used within one year:		
Board designated for quasi-endowment	(5,904,196)	(5,364,579)
Amounts designated for disbursement from board designated quasi-endowment	645,000	276,000
Land held for investment included		
in board designated quasi-endowment	492,000	492,000
Total amount designated from quasi-endowment	<u>(4,767,196)</u>	<u>(4,596,579)</u>

## THE RUFFED GROUSE SOCIETY

### NOTES TO FINANCIAL STATEMENTS

Total amount designated from quasi-endowment (pg. 13)	<u>(4,767,196)</u>	<u>(4,596,579)</u>
With donor restrictions		
Perpetual in nature	(14,045)	(124,840)
Purpose restrictions	(900,860)	(1,321,776)
Time-restricted for future periods	(546,091)	(34,557)
Total financial assets not available to be used within one year	<u>(6,228,192)</u>	<u>(6,077,752)</u>
Financial Assets available to meet general expenditures within one year	<u>1,117,381</u>	<u>585,368</u>
Addback of board designated for quasi-endowment (excluding 2020 disbursements and land held for investment)	<u>4,767,196</u>	<u>4,596,579</u>
Adjusted total financial assets available to meet general expenditures within one year	<u>\$ 5,884,577</u>	<u>\$ 5,181,947</u>

The Society is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Society must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year.

As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Although the Society does not intend to spend from the board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation); the Board adopted a resolution that funds from the board designated quasi-endowment may be used to resolve any financial liquidity issues that may arise. In the event of an unanticipated liquidity need, the Society could also draw upon its available borrowings under \$1,250,000 line of credit, as further discussed in Note 8.

### 3. MARKETABLE SECURITIES

Marketable securities as of December 31, 2019 and 2018 are summarized as follows:

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Common Stock	\$ 2,624,780	\$ 3,972,424	\$ 3,685,062	\$ 3,681,350
Exchange-Traded & Closed-End Funds	-	-	10,468	10,398
Government Securities	854,521	858,233	1,004,858	1,011,162
Mutual Funds	33,061	36,098	82,774	80,944
Preferred Stock	-	-	27,814	22,481
	<u>\$ 3,512,362</u>	<u>\$ 4,866,755</u>	<u>\$ 4,810,976</u>	<u>\$ 4,806,335</u>



**THE RUFFED GROUSE SOCIETY**  
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Investment return is comprised of the following for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 119,907	\$ 112,579
Realized gain or (loss) on marketable securities	(16,635)	381,160
Unrealized gain or (loss) on marketable securities	928,785	(843,805)
Investment fees	<u>(50,310)</u>	<u>(53,376)</u>
	<u>\$ 981,747</u>	<u>\$ (403,442)</u>

4. 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, 2019 and 2018.

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NOTES TO FINANCIAL STATEMENTS

The Society's investments at fair value, within the fair value hierarchy, are as follows as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<u>Level 1</u>		
Common Stock	\$ 3,972,424	\$ 3,681,350
Exchange-Traded & Closed-End Funds	-	10,398
Government Securities	858,233	1,011,162
Mutual Funds	36,098	80,944
Preferred Stock	-	22,481
	<hr/>	<hr/>
Total Level 1	4,866,755	4,806,335
<u>Level 3</u>		
Land held for investment	<hr/> 492,000	<hr/> 492,000
	<hr/>	<hr/>
Total investments	<u>\$ 5,358,755</u>	<u>\$ 5,298,335</u>

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

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

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	\$ 492,000	\$ 492,000
Unrealized gain (loss) on land held for investment	-	-
	<hr/>	<hr/>
Balance at end of year	<u>\$ 492,000</u>	<u>\$ 492,000</u>

5. PROMISES TO GIVE

Promises to give as of December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Advancement Campaign	\$ 125,000	\$ 150,000
Life Sponsors	61,157	45,081
Restricted Contributions	395,956	-
Estate Contribution	-	580,200
Other Contributions	36,000	30,000
	<hr/>	<hr/>
	618,113	805,281
Less: unamortized discount	(20,579)	(2,610)
Less: allowance for uncollectible accounts	(6,000)	(6,000)
	<hr/>	<hr/>
Net promises to give	<u>\$ 591,534</u>	<u>\$ 796,671</u>

**THE RUFFED GROUSE SOCIETY**  
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Amounts due in:

Less than one year	\$	173,495
One to five years		444,618
		\$ 618,113

Promises to give due in more than one year are reflected at the present value of estimated future cash flows using discount rates of 4.75% and 5.50% for the years ending December 31, 2019 and 2018, respectively.

6. LAND HELD FOR INVESTMENT

In October 2016, the Society received a donation of 240 acres of wooded land, located in New Auburn, Wisconsin. The land is recorded at the fair market value, as of the date of the contribution, in the amount of \$492,000. The fair market value has not changed significantly on the land from the date of donation. The donors transferred title to the property pursuant to a Life Estate, whereby they retain the right to utilize and manage the property as they wish during their lifetimes. Following their deaths, the Life Estate interest will terminate, and the property will be owned outright by the Society.

7. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 11,809	\$ 11,809
Vehicles	466,915	629,195
Forestry equipment	403,057	487,905
Office furniture and equipment	227,423	201,341
	1,109,204	1,330,250
Less: accumulated depreciation	(906,467)	(917,916)
	\$ 202,737	\$ 412,334

Depreciation expense for the years ended December 31, 2019 and 2018 was \$179,113 and \$186,464, respectively.

8. LINE OF CREDIT

In September 2015, the Society entered into a line of credit agreement with Huntington National Bank. The agreement allows for maximum borrowings of \$1,250,000 with a maturity date through August 30, 2020. The line of credit bears interest at the banks' prime rate which was 4.75% and 5.50% at December 31, 2019 and 2018, respectively. The line of credit is secured by the Society's investment account. At December 31, 2019 and 2018, the outstanding balance was \$1,114,232 and \$919,488, respectively.

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NOTES TO FINANCIAL STATEMENTS

9. NOTE PAYABLE

	<u>2019</u>	<u>2018</u>
In December 2018 the Society entered into a note payable with a financial institution in the amount of \$23,256; collateralized by the vehicle being financed; bearing interest at 4.66%; payable in monthly installments of principal and interest of \$436 through maturity in December 2023, at which the unpaid principal becomes due.	\$ 18,673	\$ 23,256
Total	18,673	23,256
Less current portion	4,065	4,222
Long-term portion	<u>\$ 14,608</u>	<u>\$ 19,034</u>

Total maturities for the note payable as of December 31, 2019 are as follows:

Year Ending December 31	Amount Due
2020	\$ 4,065
2021	4,641
2022	4,866
2023	5,101
	<u>\$ 18,673</u>

10. BOARD-DESIGNATED QUASI-ENDOWMENT FUNDS

The composition of board designated net assets as of December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 562,850	\$ 234,000
Marketable securities	4,849,346	4,638,579
Land held for investment	492,000	492,000
Total board designated endowment funds	<u>\$ 5,904,196</u>	<u>\$ 5,364,579</u>

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

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Changes in endowment net assets for the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Endowment net assets, beginning of the year	\$ 5,364,579	\$ 5,974,135
Investment income net of direct external and internal expenses	64,246	59,203
Net appreciation (depreciation)	895,363	(448,688)
Total investment return	<u>959,609</u>	<u>(389,485)</u>
Contributions	61,994	59,929
Land held for investment designated for endowment	-	492,000
Board authorized transfers from investments	<u>(481,986)</u>	<u>(772,000)</u>
Endowment net assets, end of the year	<u>\$ 5,904,196</u>	<u>\$ 5,364,579</u>

Interpretation of the Endowment - Contributions to the Quasi-Endowment are designated 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 net assets without restriction.

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 quasi-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 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 Finance Committee of the Society Board meet at least quarterly 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

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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 30<sup>th</sup> quarter most recently preceding the date of the Board Meeting. It is anticipated that the amount expended from the investment balance for operating needs will be in the range of two (2%) percent to seven (7%) percent, as determined by the Board of Directors. The Board has adopted a resolution that they would provide for additional releases from the endowment when needed by the Society to help fund liquidity.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Habitat and other projects	\$ 847,308	\$ 1,189,533
Long-term promises to give	546,091	34,557
State drummer funds	50,188	89,327
Dessecker Scholarship Fund	17,409	14,417
Dew Scholarship Fund	-	153,339
	<u>\$ 1,460,996</u>	<u>\$ 1,481,173</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Expiration of time restrictions	\$ 25,000	\$ 9,224
Satisfaction of purpose restrictions:		
Habitat and other projects	793,490	577,730
State drummer funds	90,609	104,850
Dew Scholarship fund	166,922	4,000
	<u>\$ 1,076,021</u>	<u>\$ 695,804</u>

12. 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 0% 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, 2019 and 2018 were \$34,058 and \$38,364, respectively, and are included in salaries and benefits in the statements of functional expenses.

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13. LEASE COMMITMENTS

The Society leases its office space in Coraopolis, Pennsylvania. The lease has a term of three years through April 2022 and requires monthly rental payments of \$10,542.

The Society also leases office equipment and a vehicle under operating leases that range between 48 to 63 months through October 2024. These leases require monthly payments ranging from \$23 to \$1,089.

Future minimum lease payments as of December 31, 2019 are as follows:

	<u>Office Space</u>	<u>Office Equipment</u>	<u>Vehicle</u>	<u>Total</u>
2020	\$ 126,500	\$ 21,129	\$ 5,979	\$ 153,608
2021	126,500	14,831	3,986	145,317
2022	42,167	9,610	-	51,777
2023	-	9,449		9,449
2024	-	7,874		7,874
	<u>\$ 295,167</u>	<u>\$ 62,893</u>	<u>\$ 9,965</u>	<u>\$ 368,025</u>

Total lease expense under operating leases was \$159,688 and \$143,232 for the years ended December 31, 2019 and 2018, respectively. These amounts are included in rent, utilities, and cleaning expense and supplies and equipment rental in the statements of functional expenses.

14. RISKS AND UNCERTAINTIES

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

15. 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. This agreement was renewed again in September of 2017.

## THE RUFFED GROUSE SOCIETY

### NOTES TO FINANCIAL STATEMENTS

During the years ended December 31, 2019 and 2018, the Society received payments of \$25,817 and \$70,504, respectively, related to the timber sale agreements referred to above. These amounts are classified as timber sales in the statements of activities.

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

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

The Society did not receive any net income from CONSOL during the years ended December 31, 2019 and 2018. The initial term of the Agreement expired in October 2015, at which time a renewal option for an additional five-year period went into effect, which extended the term through October 2020.

#### 16. CONTRIBUTED SERVICES

The Society recognized no contribution revenue related to contributed services for the years ended December 31, 2019 and 2018.

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

#### 17. RELATED PARTY TRANSACTIONS

The Society received contributions from its Board of Directors. Contributions totaled \$295,624 and \$167,055 for the years ended December 31, 2019 and 2018, respectively. Promises to give from the Board of Directors totaled \$125,000 and \$150,000 for the years ended December 31, 2019 and 2018, respectively.

#### 18. SUBSEQUENT EVENTS

The Society has evaluated subsequent events in accordance with FASB ASC Topic 855, Subsequent Events, through May 20, 2020, which is the date the financial statements were available to be issued. During their evaluation, the following subsequent event items were identified:

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. The Society is closely monitoring our investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The financial statements do not include



**THE RUFFED GROUSE SOCIETY**  
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adjustments to fair value that have resulted from these declines.

In April 2020, the Society received loan proceeds in the amount of \$344,000 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loan and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Society intends to use the proceeds for purposes consistent with the PPP. While the Society currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, management cannot assure that it will not take actions that could cause the Society to be ineligible for forgiveness of the loan, in whole or in part.