

THE RUFFED GROUSE SOCIETY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
December 31, 2020 and 2019

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 non-profit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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, 2020 and 2019, 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 Plusgi Company, LLP

Pittsburgh, Pennsylvania

May 24, 2021

THE RUFFED GROUSE SOCIETY

STATEMENTS OF FINANCIAL POSITION December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 1,868,404	\$ 877,504
Accounts receivable - trade	130,227	181,844
Promises to give - net	2,428,487	591,534
Grants receivable	84,810	263,189
Inventory	261,064	274,854
Prepaid expenses	35,390	99,475
Investments	5,627,563	5,431,502
Land held for investment	492,000	492,000
Property and equipment - net	<u>111,817</u>	<u>202,737</u>
TOTAL ASSETS	<u>\$ 11,039,762</u>	<u>\$ 8,414,639</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
LIABILITIES		
Line of credit	\$ 1,127,310	\$ 1,114,232
Notes payable	48,324	18,673
Accounts payable	109,591	238,199
Accrued expenses	109,715	141,981
Deferred grant income	35,203	31,614
Other deferred revenue	<u>15,340</u>	<u>4,920</u>
Total liabilities	<u>1,445,483</u>	<u>1,549,619</u>
 NET ASSETS		
Without donor restrictions		
Undesignated	(220,805)	(500,172)
Designated by the Board for quasi-endowment	<u>6,099,685</u>	<u>5,904,196</u>
	5,878,880	5,404,024
With donor restrictions		
Perpetual in nature	14,045	14,045
Purpose restrictions	1,251,868	900,860
Time-restricted for future periods	<u>2,449,486</u>	<u>546,091</u>
	3,715,399	1,460,996
Total net assets	<u>9,594,279</u>	<u>6,865,020</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,039,762</u>	<u>\$ 8,414,639</u>

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

THE RUFFED GROUSE SOCIETY

STATEMENT OF ACTIVITIES Year Ended December 31, 2020

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
OPERATING REVENUE			
Contributions	\$ 748,956	\$ 2,705,268	\$ 3,454,224
Grant income	463,821	-	463,821
Paycheck Protection Program	344,000	-	344,000
Membership dues	543,803	-	543,803
Corporate sponsors	76,000	-	76,000
Banquet and event revenue	1,099,098	-	1,099,098
Sales of merchandise	145,360	-	145,360
Advertising income	37,663	-	37,663
Timber sales	80,423	-	80,423
Miscellaneous income	9,181	-	9,181
	3,548,305	2,705,268	6,253,573
Net assets released from restrictions:			
Restrictions satisfied	453,334	(453,334)	-
Total operating revenue	4,001,639	2,251,934	6,253,573
OPERATING EXPENSES			
Program services:			
Membership services	582,377	-	582,377
Chapter operations	1,293,690	-	1,293,690
General education and outreach	384,131	-	384,131
Habitat projects	958,443	-	958,443
Research	113,369	-	113,369
Advocacy	54,284	-	54,284
Supporting services:			
Administration	266,150	-	266,150
Fundraising	381,992	-	381,992
Total operating expenses	4,034,436	-	4,034,436
Change in net assets from operations	(32,797)	2,251,934	2,219,137
NON-OPERATING INCOME (EXPENSES)			
Net investment return	684,293	2,469	686,762
Gain on disposal of property and equipment	7,192	-	7,192
Uncollectible promise to give	(52,643)	-	(52,643)
Depreciation expense	(131,189)	-	(131,189)
Total non-operating income	507,653	2,469	510,122
Change in net assets	474,856	2,254,403	2,729,259
Net assets at beginning of year	5,404,024	1,460,996	6,865,020
NET ASSETS AT END OF YEAR	\$ 5,878,880	\$ 3,715,399	\$ 9,594,279

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 Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUE			
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 restriction:			
Restriction satisfied	1,076,021	(1,076,021)	-
Total operating revenue	5,077,991	(36,752)	5,041,239
OPERATING EXPENSES			
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)
NON-OPERATING INCOME (EXPENSES)			
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	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
NET ASSETS AT END OF YEAR	\$ 5,404,024	\$ 1,460,996	\$ 6,865,020

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

THE RUFFED GROUSE SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

	Conservation <u>Programs</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Totals</u>
Chapter events and activities	\$ 323,516	\$ -	\$ 39,210	\$ 362,726
Education and outreach	169,529	13,503	12,695	195,727
Habitat	659,076	1,033	-	660,109
Interest	-	38,354	-	38,354
Legal and auditing	-	25,180	-	25,180
Membership	189,506	6,990	183,362	379,858
Miscellaneous	94,277	27,278	19,006	140,561
Occupancy and office expense	214,234	20,834	14,729	249,797
Publications	130,588	-	-	130,588
Salaries and benefits	1,523,465	130,720	122,895	1,777,080
Travel	63,839	5,473	5,145	74,456
Total	<u>\$ 3,368,031</u>	<u>\$ 269,364</u>	<u>\$ 397,041</u>	<u>\$ 4,034,436</u>

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

THE RUFFED GROUSE SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	Conservation <u>Programs</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Totals</u>
Chapter events and activities	\$ 1,106,258	\$ 26,024	\$ 19,849	\$ 1,152,131
Education and outreach	235,473	-	-	235,473
Habitat	1,111,385	-	-	1,111,385
Interest	-	43,866	-	43,866
Legal and auditing	-	20,750	-	20,750
Membership	115,499	9,874	2,446	127,819
Miscellaneous	31,426	113,781	1,263	146,470
Occupancy and office expense	260,385	39,271	15,077	314,733
Publications	100,151	-	-	100,151
Salaries and benefits	1,646,784	141,378	132,734	1,920,896
Travel	231,663	45,423	-	277,086
Total	<u>\$ 4,839,024</u>	<u>\$ 440,367</u>	<u>\$ 171,369</u>	<u>\$ 5,450,760</u>

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

THE RUFFED GROUSE SOCIETY

STATEMENTS OF CASH FLOWS Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributors and sponsors	\$ 1,639,946	\$ 1,459,502
Cash received from grants	645,789	568,268
Cash received from Paycheck Protection Program	344,000	-
Cash received from membership dues	557,548	633,589
Cash received from banquets and events	1,149,765	2,216,991
Miscellaneous receipts	363,156	330,195
Cash paid to employees	(1,792,892)	(1,900,876)
Cash paid to suppliers	(2,286,189)	(3,463,274)
Cash paid to return Dew Scholarship Fund	-	(166,966)
Interest paid	(38,354)	(43,866)
Net cash provided by (used in) operating activities	<u>582,769</u>	<u>(366,437)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of marketable securities	6,598,921	5,280,671
Purchases of marketable securities	(6,164,207)	(4,986,968)
Purchase of property and equipment	(1,333)	(26,082)
Investment fees paid	(36,235)	(50,310)
Proceeds on disposal of property and equipment	8,500	89,796
Net cash provided by investing activities	<u>405,646</u>	<u>307,107</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings on line of credit	13,078	194,744
Payments on vehicle note payable	(10,593)	(4,583)
Net cash provided by financing activities	<u>2,485</u>	<u>190,161</u>
Net increase in cash and cash equivalents	990,900	130,831
Cash and cash equivalents at beginning of year	<u>877,504</u>	<u>746,673</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,868,404</u>	<u>\$ 877,504</u>
Supplemental disclosure of non-cash financing activities:		
Vehicle financed by note payable	<u><u>\$ 40,244</u></u>	<u><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. 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.

Investments - Investments include marketable securities with readily determinable fair values are carried at their fair value 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 gain 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, 2020 and 2019. For promises to give, an allowance for doubtful accounts has been provided for as of December 31, 2020 and 2019 in the amount of \$56,000 and \$6,000, respectively.

Accounts Receivable and Promises to Give - Accounts receivable are recorded at their net realizable value. 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.

Inventory - The Society values its inventory at average costs on the first in first out basis. 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.

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.

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NOTES TO FINANCIAL STATEMENTS

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

	<u>Years</u>
Leasehold Improvements	8
Vehicles	5
Forestry Equipment	5 - 10
Office Furniture and Equipment	3 - 5

Impairment of Long-lived Assets - Management of the Society considers the valuation and depreciation of property and equipment to be reasonable. Management considers both the current and future levels of undiscounted cash 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 during the years ended December 31, 2020 and 2019.

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.

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

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NOTES TO FINANCIAL STATEMENTS

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.

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.

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 and benefits are allocated directly to conservation programs, administration, and fundraising based on the results of the time study. Certain expenses including legal and auditing and interest are allocated entirely to administration. Habitat expenses are allocated entirely to conservation programs. Occupancy expenses including rent and utilities are allocated based on time incurred on a particular function by the staff in that office. Miscellaneous 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 not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2020 and 2019. The Society's policy is to classify any income tax related interest and penalties to interest expense and other expenses, respectively.

The Society is subject to routine audits by taxing jurisdictions: however, there are currently no audits for any tax periods in progress.

Concentration of Credit Risk - The Society maintains its cash and cash equivalents with two financial institutions as of December 31, 2020 and 2019. 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, 2020 and 2019, the uninsured balances totaled \$1,588,583 and \$969,627, respectively.

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NOTES TO FINANCIAL STATEMENTS

The Society recognized approximately 59% and 25% of contribution revenue from two contributors for the years ended December 31, 2020 and 2019, respectively. Total promises to give from these contributors accounted for 67% and 15% of total promises to give at December 31, 2020 and 2019, respectively.

Recent Accounting Standards Updates - The Financial Accounting Standards Board (FASB) issued new Accounting Standard Updates (ASUs) addressing various accounting and reporting standards. Management has determined based on their review that the following ASUs 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 statement of financial position. 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).

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, 2021, and interim periods beginning after December 15, 2022. 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.

In September 2020, the FASB issued ASU 2020-07, "Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets," which requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the statement of activities, disaggregated by category that depicts the type of nonfinancial assets.

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For each category of contributed nonfinancial assets recognized, the standard requires a not-for-profit to disclose:

- Qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If they were utilized, a description of the programs or other activities in which those assets were used is required.
- The not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets.
- A description of any donor-imposed restrictions associated with the contributed nonfinancial assets.
- The valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, at initial recognition.
- The principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

FASB is requiring the standard to be applied retrospectively. The amendments take effect for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption of the standard is permitted. 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 2019 amounts have been reclassified to conform with the 2020 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>2020</u>	<u>2019</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 1,868,404	\$ 877,504
Accounts receivable - trade	130,227	181,844
Promises to give - net	2,428,487	591,534
Grants receivable	84,810	263,189
Investments	5,627,563	5,431,502
Total financial assets at year-end	<u>10,139,491</u>	<u>7,345,573</u>

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NOTES TO FINANCIAL STATEMENTS

	<u>2020</u>	<u>2019</u>
Less amounts not available to be used within one year:		
Board designated for quasi-endowment	(6,099,685)	(5,904,196)
Amounts designated for disbursement		
from board designated quasi-endowment	785,915	645,000
Land held for investment included		
in board designated quasi-endowment	492,000	492,000
Total amount designated from quasi-endowment	(4,821,770)	(4,767,196)
With donor restrictions		
Perpetual in nature	(14,045)	(14,045)
Purpose restrictions	(1,251,868)	(900,860)
Time-restricted for future periods	(2,449,486)	(546,091)
Total financial assets not available		
to be used within one year	(8,537,169)	(6,228,192)
Financial Assets available to meet		
general expenditures within one year	1,602,322	1,117,381
Addback of board designated for quasi-endowment		
(excluding 2021 and 2020 disbursements	4,821,770	4,767,196
and land held for investment)		
Adjusted total financial assets available to meet		
general expenditures within one year	\$ 6,424,092	\$ 5,884,577

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. The Society does not intend to spend from the board-designated endowment except for amounts appropriated for general expenditure as part of the 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 draw upon its available borrowings under its line of credit, as further discussed in Note 8.

3. INVESTMENTS

Investments as of December 31, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Common stock	\$ 2,855,436	\$ 3,972,424
Government securities	-	858,233
Mutual funds	1,667,237	36,098
Fixed income	741,620	-
Money market	363,270	564,747
	\$ 5,627,563	\$ 5,431,502

THE RUFFED GROUSE SOCIETY
NOTES TO FINANCIAL STATEMENTS

Investment return is comprised of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 95,146	\$ 119,907
Realized gain (loss) on marketable securities	1,288,147	(16,635)
Unrealized gain (loss) on marketable securities	(660,296)	928,785
Investment fees	(36,235)	(50,310)
	<u>\$ 686,762</u>	<u>\$ 981,747</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, 2020 and 2019.

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The Society's investments at fair value, within the fair value hierarchy, are as follows as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
<u>Level 1</u>		
Common stock	\$ 2,855,436	\$ 3,972,424
Government securities	-	858,233
Mutual funds	1,667,237	36,098
Fixed income	741,620	-
Money market	363,270	564,747
	<hr/>	<hr/>
Total Level 1	5,627,563	5,431,502
<u>Level 3</u>		
Land held for investment	492,000	492,000
	<hr/>	<hr/>
Total investments	<u>\$ 6,119,563</u>	<u>\$ 5,923,502</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>2020</u>	<u>2019</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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Promises to give	\$ 2,698,177	\$ 618,113
Less: unamortized discount	(213,690)	(20,579)
Less: allowance for uncollectible accounts	(56,000)	(6,000)
	<hr/>	<hr/>
Net promises to give	<u>\$ 2,428,487</u>	<u>\$ 591,534</u>
Amounts due in:		
Less than one year	\$ 520,714	
One to five years	1,977,463	
Greater than five years	200,000	
	<hr/>	
	<u>\$ 2,698,177</u>	

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

Promises to give due in more than one year are reflected at the present value of estimated future cash flows using discount rates of 3.25% and 4.75% for the years ending December 31, 2020 and 2019, 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, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 11,809	\$ 11,809
Vehicles	391,503	466,915
Forestry equipment	294,824	403,057
Office furniture and equipment	142,901	227,423
	<u>841,037</u>	<u>1,109,204</u>
Less: accumulated depreciation	<u>(729,220)</u>	<u>(906,467)</u>
	<u>\$ 111,817</u>	<u>\$ 202,737</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$131,189 and \$179,113, 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 25, 2021. The line of credit bears interest at the banks' prime rate which was 3.25% and 4.75% at December 31, 2020 and 2019, respectively. The line of credit is secured by the Society's investment account. At December 31, 2020 and 2019, the outstanding balance was \$1,127,310 and \$1,114,232, respectively.

9. NOTES PAYABLE

Notes payable at December 31, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</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 time the unpaid principal becomes due.	\$ 14,247	\$ 18,673

THE RUFFED GROUSE SOCIETY
NOTES TO FINANCIAL STATEMENTS

	<u>2020</u>	<u>2019</u>
In March 2020, the Society entered into a note payable with a financial institution in the amount of \$40,244; collateralized by the vehicle being financed; non-interest bearing; payable in 72 monthly installments of principal of \$559 through maturity in February 2026, at which time the unpaid principal becomes due.	<u>34,077</u> <u>48,324</u>	<u>-</u> <u>18,673</u>
Less current portion	<u>11,349</u>	<u>4,065</u>
Long-term portion	<u>\$ 36,975</u>	<u>\$ 14,608</u>

Total maturities for the notes payable as of December 31, 2020 are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Amount Due</u>
2021	\$ 11,349
2022	11,574
2023	11,448
2024	6,708
2025	6,708
Thereafter	<u>537</u>
	<u>\$ 48,324</u>

10. PAYCHECK PROTECTION PROGRAM LOAN

The Society was granted a \$344,000 loan under the Paycheck Protection Program (“PPP”) administered by a Small Business Administration (“SBA”) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Society recorded the loan as contribution revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Society has recognized \$344,000 as contribution revenue for the year ended December 31, 2020. The Society was granted a second draw loan under the PPP as outlined in Note 19.

11. BOARD-DESIGNATED QUASI-ENDOWMENT FUNDS

The composition of board designated net assets as of December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Investments	\$ 5,607,685	\$ 5,412,196
Land held for investment	492,000	492,000
Total board designated endowment funds	<u>\$ 6,099,685</u>	<u>\$ 5,904,196</u>

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

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.

Changes in endowment net assets for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of the year	\$ 5,904,196	\$ 5,364,579
Investment income net of direct external and internal expenses	52,961	64,246
Net appreciation (depreciation)	625,622	895,363
Total investment return	<u>678,583</u>	<u>959,609</u>
Contributions	61,350	61,994
Board authorized transfers from investments	<u>(544,444)</u>	<u>(481,986)</u>
Endowment net assets, end of the year	<u>\$ 6,099,685</u>	<u>\$ 5,904,196</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.

THE RUFFED GROUSE SOCIETY

NOTES TO FINANCIAL STATEMENTS

Spending Policy and How the Investment Objectives Relate to Spending Policy - Endowment Fund Revenue will be calculated annually, in December, for budgetary and spending purposes for the coming year at a percentage of all endowment assets not otherwise restricted. The percentage available to be spent will be recommended to the Board of Directors by the President/Chief Executive Officer, or his designate. The value of the assets against which the percentage will be levied will be the average value of all assets over the preceding three-year period, determined on a quarterly basis. The annual valuation will, therefore, be the average of twelve (12) quarterly valuations concluding with that of the September 30th quarter most recently preceding the date of the Board Meeting. It is anticipated that the 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.

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2020 and 2019 are available for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Habitat and other projects	\$ 1,169,858	\$ 847,308
Time - restricted for future periods	2,449,486	546,091
State drummer funds	76,177	50,188
Dessecker Scholarship Fund	19,878	17,409
	<u>\$ 3,715,399</u>	<u>\$ 1,460,996</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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Time - restricted for future periods	\$ 544,937	\$ 25,000
Habitat and other projects	505,306	793,490
State drummer funds	3,091	90,609
Dew Scholarship fund	-	166,922
	<u>\$ 1,053,334</u>	<u>\$ 1,076,021</u>

13. 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, 2020 and 2019 were \$31,316 and \$34,058, respectively, and are included in salaries and benefits in the statements of functional expenses.

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NOTES TO FINANCIAL STATEMENTS

14. 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. In July 2020, the lease was amended to reduce the monthly payment amounts to \$7,063.

The Society also leases office equipment and a vehicle under operating leases that range between 48 to 63 months through October 2025. These leases require monthly payments ranging from \$23 to \$1,106.

Future minimum lease payments as of December 31, 2020 are as follows:

	<u>Office Space</u>	<u>Office Equipment</u>	<u>Vehicle</u>	<u>Total</u>
2021	\$ 84,755	\$ 39,044	\$ 3,986	\$ 127,785
2022	28,252	32,327	-	60,579
2023	-	32,166	-	32,166
2024	-	30,591	-	30,591
2025	-	7,874	-	7,874
	<u>\$ 113,007</u>	<u>\$ 142,002</u>	<u>\$ 3,986</u>	<u>\$ 258,995</u>

Total lease expense under operating leases was \$151,158 and \$159,688 for the years ended December 31, 2020 and 2019, respectively. These amounts are included in rent, utilities, and cleaning expense and supplies and equipment rental in the statements of functional expenses.

15. 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.

16. 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, 2020 and 2019, the Society received payments of \$80,423 and \$25,817, respectively, related to the timber sale agreements referred to above. These amounts are classified as timber sales in the statements of activities.

17. CONTRIBUTED SERVICES

The Society recognized no contribution revenue related to contributed services for the years ended December 31, 2020 and 2019.

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.

18. RELATED PARTY TRANSACTIONS

The Society received cash contributions from its Board of Directors. Contributions totaled \$435,702 and \$295,624 for the years ended December 31, 2020 and 2019, respectively. Promises to give from the Board of Directors totaled \$1,330,000 and \$125,000 for the years ended December 31, 2020 and 2019, respectively.

19. SUBSEQUENT EVENTS

The Society has evaluated subsequent events in accordance with FASB ASC Topic 855, Subsequent Events, through May 24, 2021, which is the date the financial statements were available to be issued. During their evaluation, the following subsequent event item was identified:

The Society was granted a \$325,500 second draw loan (see Note 10) under the PPP administered by the SBA on January 28, 2021.