THE RUFFED GROUSE SOCIETY

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 2022 and 2021

THE RUFFED GROUSE SOCIETY

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Louis Plung & Company

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Ruffed Grouse Society

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Ruffed Grouse Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Ruffed Grouse Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Ruffed Grouse Society's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Ruffed Grouse Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Louis Plung & Company, LLP

Pittsburgh, Pennsylvania
June 1, 2023

THE RUFFED GROUSE SOCIETY

STATEMENTS OF FINANCIAL POSITION
For the Years Ended December 31, 2022 and 2021

ASSETS

	2022	2021
ASSETS		
Cash and cash equivalents	$ 4,588,563	$ 3,973,894
Accounts receivable - trade - net	28,140	134,740
Promises to give - net	1,470,289	2,131,047
Grants receivable	968,661	323,994
Inventory	160,739	148,004
Prepaid expenses	29,610	38,220
Investments	4,897,269	6,120,602
Land held for investment	492,000	492,000
Property and equipment - net	100,698	76,335
Right of use assets	719,358	-
TOTAL ASSETS	$ 13,455,327	$ 13,438,836

LIABILITIES AND NET ASSETS

	2022	2021
LIABILITIES		
Line of credit	$ 95,185	$ 531,522
Notes payable	525,366	36,958
Accounts payable	303,632	177,202
Accrued expenses	179,757	127,154
Deferred grant income	671,698	32,223
Other deferred revenue	6,440	21,710
Right of use liability	720,302	-
Total liabilities	2,502,380	926,769
NET ASSETS		
Without donor restrictions		
Undesignated	3,015,528	2,552,529
Designated by the Board for quasi-endowment	5,371,024	6,589,962
	8,386,552	9,142,491
With donor restrictions		
Perpetual in nature	14,045	14,045
Purpose restrictions	1,259,825	1,174,484
Time-restricted for future periods	1,292,525	2,181,047
	2,566,395	3,369,576
Total net assets	10,952,947	12,512,067
TOTAL LIABILITIES AND NET ASSETS	$ 13,455,327	$ 13,438,836

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

THE RUFFED GROUSE SOCIETY

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
Contributions	$ 322,929	$ 570,737	$ 893,666
Grant income	1,671,282	-	1,671,282
Membership dues	439,170	-	439,170
Corporate sponsors	26,250	-	26,250
Banquet and event revenue	1,701,804	-	1,701,804
Sales of merchandise	100,824	-	100,824
Advertising income	39,200	-	39,200
Timber sales	397,990	-	397,990
Miscellaneous income	3,356	-	3,356
	4,702,805	570,737	5,273,542
Net assets released from restrictions:			
Restrictions satisfied	1,369,523	(1,369,523)	-
Total operating revenue	6,072,328	(798,786)	5,273,542
OPERATING EXPENSES			
Program services:			
Membership services	814,078	-	814,078
Chapter operations	1,546,706	-	1,546,706
General education and outreach	132,265	-	132,265
Habitat projects	2,610,116	-	2,610,116
Research	20,276	-	20,276
Advocacy	61,102	-	61,102
Supporting services:			
Administration	429,138	-	429,138
Fundraising	165,755	-	165,755
Total operating expenses	5,779,436	-	5,779,436
Change in net assets from operations	292,892	(798,786)	(505,894)
NON-OPERATING EXPENSES			
Net investment return	(935,320)	(4,395)	(939,715)
Loss on disposal of property and equipment	(5,628)	-	(5,628)
Uncollectible promise to give	(67,748)	-	(67,748)
Depreciation expense	(40,135)	-	(40,135)
Total non-operating expenses	(1,048,831)	(4,395)	(1,053,226)
Change in net assets	(755,939)	(803,181)	(1,559,120)
Net assets at beginning of year	9,142,491	3,369,576	12,512,067
NET ASSETS AT END OF YEAR	$ 8,386,552	$ 2,566,395	$ 10,952,947

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

THE RUFFED GROUSE SOCIETY

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
Contributions	$ 2,026,467	$ 1,278,731	$ 3,305,198
Grant income	540,156	-	540,156
Paycheck Protection Program loan	325,500	-	325,500
Membership dues	502,762	-	502,762
Corporate sponsors	56,000	-	56,000
Banquet and event revenue	1,022,394	-	1,022,394
Sales of merchandise	104,810	-	104,810
Advertising income	31,165	-	31,165
Timber sales	201,814	-	201,814
Consulting	500	-	500
Miscellaneous income	7,687	-	7,687
	4,819,255	1,278,731	6,097,986
Net assets released from restriction:			
Restriction satisfied	1,627,316	(1,627,316)	-
Total operating revenue	6,446,571	(348,585)	6,097,986
OPERATING EXPENSES			
Program services:			
Membership services	549,834	-	549,834
Chapter operations	1,274,016	-	1,274,016
General education and outreach	377,927	-	377,927
Habitat projects	788,577	-	788,577
Research	61,266	-	61,266
Advocacy	53,106	-	53,106
Supporting services:			
Administration	253,725	-	253,725
Fundraising	590,131	-	590,131
Total operating expenses	3,948,582	-	3,948,582
Change in net assets from operations	2,497,989	(348,585)	2,149,404
NON-OPERATING INCOME (EXPENSES)			
Net investment return	811,647	2,762	814,409
Loss on disposal of property and equipment	(665)	-	(665)
Uncollectible promise to give	(1,982)	-	(1,982)
Depreciation expense	(43,378)	-	(43,378)
Total non-operating income	765,622	2,762	768,384
Change in net assets	3,263,611	(345,823)	2,917,788
Net assets at beginning of year	5,878,880	3,715,399	9,594,279
NET ASSETS AT END OF YEAR	$ 9,142,491	$ 3,369,576	$ 12,512,067

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

THE RUFFED GROUSE SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	Conservation Programs	Administration	Fundraising	Totals
Chapter events and activities	$ 576,306	$ -	$ 16,202	$ 592,508
Dues and subscriptions	5,500	-	-	5,500
Education and outreach	97,011	10,353	4,423	111,787
Habitat	1,380,972	2,038	-	1,383,010
Interest	-	27,681	-	27,681
Legal and auditing	-	24,349	-	24,349
Membership	204,286	8,633	5,641	218,560
Miscellaneous	133,967	34,898	4,174	173,039
Occupancy and office expense	203,450	25,530	9,015	237,995
Publications	160,148	3,090	1,320	164,558
Salaries and benefits	2,242,440	270,775	115,671	2,628,886
Travel	180,463	21,791	9,309	211,563
Total	$ 5,184,543	$ 429,138	$ 165,755	$ 5,779,436

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

THE RUFFED GROUSE SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	Conservation Programs	Administration	Fundraising	Totals
Chapter events and activities	$ 331,243	$ -	$ 125	$ 331,368
Education and outreach	56,091	3,767	3,541	63,399
Habitat	448,469	2,198	-	450,667
Interest	-	35,363	-	35,363
Legal and auditing	-	21,107	-	21,107
Membership	154,929	6,585	432,019	593,533
Miscellaneous	86,426	20,941	4,726	112,093
Occupancy and office expense	200,978	19,313	13,916	234,207
Publications	141,214	-	-	141,214
Salaries and benefits	1,582,109	135,599	127,481	1,845,189
Travel	103,267	8,852	8,323	120,442
Total	$ 3,104,726	$ 253,725	$ 590,131	$ 3,948,582

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

THE RUFFED GROUSE SOCIETY

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributors and sponsors	$ 1,593,997	$ 3,663,556
Cash received from grants	1,650,820	297,992
Cash received from Paycheck Protection Program loan	-	325,500
Cash received from membership dues	425,847	508,214
Cash received from banquets and events	1,808,404	1,013,881
Cash received from board authorized transfer from investments	1,718,816	585,915
Miscellaneous receipts	696,002	443,841
Cash paid to employees	(2,616,155)	(1,820,060)
Cash paid to suppliers	(3,033,124)	(1,897,879)
Interest paid	(27,681)	(35,363)
Net cash provided by operating activities	2,216,926	3,085,597
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfer to operations from Board designated quasi-endowment	(1,718,816)	(585,915)
Sales of marketable securities	3,356,379	2,798,705
Purchases of marketable securities	(3,186,557)	(2,537,858)
Purchase of property and equipment	(70,125)	(8,561)
Investment fees paid	(40,836)	(39,324)
Proceeds on disposal of property and equipment	5,627	-
Net cash provided by (used in) investing activities	(1,654,328)	(372,953)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on notes payable	500,000	-
Net payments on line of credit	(436,337)	(595,788)
Payments on notes payable	(11,592)	(11,366)
Net cash provided by (used in) financing activities	52,071	(607,154)
Net increase in cash and cash equivalents	614,669	2,105,490
Cash and cash equivalents at beginning of year	3,973,894	1,868,404
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 4,588,563	$ 3,973,894
Supplemental disclosure of non-cash financing activities:		
Right of use asset and lease liability	$ 779,398	$ -

The accompanying notes are an integral part of these 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 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. An allowance of $666 and $4,000 has been provided for accounts receivable or grants receivable as of December 31, 2022 and 2021, respectively. For promises to give, an allowance for doubtful accounts has been provided for as of December 31, 2022 and 2021 in the amount of $79,248 and $50,000, 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 cost 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 clothing and outdoor related 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.

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

	Years
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, 2022 and 2021.

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.

Deferred Grant Income - Deferred grant income consist of service contract revenue received in advance of the services being provided and conditional government grants received in advance of the condition being satisfied. Recognition does not occur until the Society provides the services and/or satisfies the conditions.

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.

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 primarily 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, 2022 and 2021. 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, 2022 and 2021. 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, 2022 and 2021, the uninsured balances totaled $4,429,528 and $3,741,987, respectively.

Leases - The Society recognizes and measures its leases in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, Leases. The Society adopted the accounting standard during 2022. The Society assesses at contract inception, or when the terms of an existing contract are changed, whether the contract is, or contains, a lease. The Society recognizes a right of use (ROU) asset and lease liability at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability, plus unamortized initial direct costs, plus or minus any prepaid or accrued lease payments, less the unamortized balance of the lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the leaser term.

The Society has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Society is reasonably certain to exercise. The Society recognizes lease costs associated with short-term leases on a straight-line basis over the lease term.

The Society adopted the new accounting standard using a modified retrospective transition method and applied the transition provisions at the beginning of the period of adoption. The adoption of the new lease accounting standard did not have a material impact on the change in net assets.

Recent Accounting Standards Updates - The 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 June 2016, the FASB issued ASU 2016-13, “Financial Instruments - Credit Losses (Topic 326)” which implemented the following changes.

Assets Measured at Amortized Cost - A financial asset (or a group of financial assets) measured at amortized cost basis is required to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The statement of activities reflects the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. The allowance for credit losses for purchased financial assets with a more-than insignificant amount of credit deterioration since origination (PCD assets) that are measured at amortized cost basis is determined in a similar manner to other financial assets measured at amortized cost basis; however, the initial allowance for credit losses is added to the purchase price rather than being reported as a credit loss expense. Only subsequent changes in the allowance for credit losses are recorded as a credit loss expense for these assets. Interest income for PCD assets should be recognized based on the effective interest rate, excluding the discount embedded in the purchase price that is attributable to the acquirer's assessment of credit losses at acquisition.

Available-for-Sale Debt Securities - Credit losses relating to available-for-sale debt securities should be recorded through an allowance for credit losses. The amount of the allowance for credit losses is limited to the amount by which fair value is below amortized cost because the classification as available for sale is premised on an investment strategy that recognizes that the investment could be sold at fair value if cash collection would result in the realization of an amount less than fair value. The allowance for credit losses for purchased available-for-sale securities with a more-than-insignificant amount of credit deterioration since origination is determined in a similar manner to other available-for-sale debt securities; however, the initial allowance for credit losses is added to the purchase price rather than reported as a credit loss expense. Only subsequent changes in the allowance for credit losses are recorded in credit loss expense. Interest income should be recognized based on the effective interest rate, excluding the discount embedded in the purchase price that is attributable to the acquirer's assessment of credit losses at acquisition.

In November 2019, the FASB issued ASU 2019-10, “Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic (842): Effective Dates,” which deferred the effective date of ASU 2016-13 to fiscal years beginning after December 15, 2022. All entities may adopt this ASU as early as of the fiscal years beginning after December 15, 2018. An entity may apply the amendments using a modified-retrospective approach which would be through a cumulative-effect adjustment to net assets as of the beginning of the first reporting period which the guidance is effective. Management has determined that the adoption of this guidance will impact and be applied upon the effective date to the financial statements and notes thereto.

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:

	2022	2021
Financial assets at year-end		
Cash and cash equivalents	$ 4,588,563	$ 3,973,894
Accounts receivable - trade - net	28,140	134,740
Promises to give - net	1,470,289	2,131,047
Grants receivable	968,661	323,994
Investments	4,897,269	6,120,602
Total financial assets at year-end	11,952,922	12,684,277
Less amounts not available to be used within one year:		
Board designated for quasi-endowment	(5,371,024)	(6,589,962)
Amounts designated for disbursement from board designated quasi-endowment	295,000	285,915
Land held for investment included in board designated quasi-endowment	492,000	492,000
Total amount designated from quasi-endowment	$ (4,584,024)	$ (5,812,047)

	2022	2021
With donor restrictions		
Perpetual in nature	$ (14,045)	$ (14,045)
Purpose restrictions	(1,259,825)	(1,174,484)
Time-restricted for future periods	(636,968)	(1,101,195)
Total financial assets not available to be used within one year	(1,910,838)	(2,289,724)
Financial assets available to meet general expenditures within one year	10,042,084	10,394,553
Addback of board designated for quasi-endowment (excluding 2023 and 2022 disbursements and land held for investment)	4,584,024	5,812,047
Adjusted total financial assets available to meet general expenditures within one year	$ 14,626,108	$ 16,206,600

The Society is supported in part 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 9.

3. INVESTMENTS

Investments as of December 31, 2022 and 2021 are summarized as follows:

	2022	2021
Common stock	$ 1,913,255	$ 3,063,453
Mutual funds	717,385	1,908,740
Fixed income	2,175,245	750,079
Money market	91,384	398,330
	$ 4,897,269	$ 6,120,602

Investment return is comprised of the following for the years ended December 31, 2022 and 2021:

	2022	2021
Interest and dividends	$ 161,151	$ 100,221
Realized gain on marketable securities	171,660	421,527
Unrealized gain (loss) on marketable securities	(1,231,690)	331,985
Investment fees	(40,836)	(39,324)
	$ (939,715)	$ 814,409

4. FAIR VALUE MEASUREMENTS

FASB 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, 2022 and 2021.

The Society's investments at fair value, within the fair value hierarchy, are as follows as of December 31, 2022 and 2021:

	2022	2021
Level 1		
Common stock	$ 1,913,255	$ 3,063,453
Mutual funds	717,385	1,908,740
Fixed income	2,175,245	750,079
Money market	91,384	398,330
Total Level 1	4,897,269	6,120,602
Level 3		
Land held for investment	492,000	492,000
Total investments	$ 5,389,269	$ 6,612,602

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:

	2022	2021
Balance at beginning of year	$ 492,000	$ 492,000
Unrealized gain (loss) on land held for investment	-	-
Balance at end of year	$ 492,000	$ 492,000

5. PROMISES TO GIVE

Promises to give as of December 31, 2022 and 2021 are as follows:

	2022	2021
Promises to give	$ 1,611,694	$ 2,242,821
Less: unamortized discount	(62,157)	(61,774)
Less: allowance for uncollectible accounts	(79,248)	(50,000)
Net promises to give	$ 1,470,289	$ 2,131,047

Amounts due in:	
Less than one year	$ 762,569
One to five years	849,125
	$ 1,611,694

Promises to give due in more than one year are reflected at the present value of estimated future cash flows using discount rates of 7.27% and 3.25% for the years ending December 31, 2022 and 2021, 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, 2022 and 2021 consists of the following:

	2022	2021
Leasehold improvements	$ 5,736	$ 11,809
Vehicles	348,362	391,503
Forestry equipment	10,297	294,824
Office furniture and equipment	142,888	113,363
	507,283	811,499
Less: accumulated depreciation	(406,585)	(735,164)
	$ 100,698	$ 76,335

Depreciation expense for the years ended December 31, 2022 and 2021 was $40,135 and $43,378, respectively.

8. LEASES

The Society has operating leases of a building for its corporate offices and for certain office equipment. The leases have lease terms of two to ten years.

As of December 31, 2022, the amounts reported on the statement of financial position for the operating leases are as follows:

Operating leases	
Operating lease ROU asset	$ 719,358
Operating lease liabilities	
Current	$ 88,396
Long-term	631,906
Total operating lease liabilities	$ 720,302

The following is the weighted average remaining lease term and discount rate as of December 31, 2022:

Weighted average remaining lease term	
Operating leases	8.79 years
Weighted average discount rate	
Operating leases	2.15%

The maturities of lease liabilities for the years ending subsequent to December 31, 2022 are as follows:

Year		Operating
2023	$	102,831
2024		101,523
2025		78,397
2026		78,241
2027		79,758
Thereafter		350,181
Total lease payments		790,931
Less: interest		(70,629)
Present value of lease liabilities	$	720,302

9. LINE OF CREDIT

The Society has a line of credit agreement with Huntington National Bank. The agreement allows for maximum borrowings of $1,250,000 with an extended maturity date through August 25, 2023. The line of credit bears interest at the banks' prime rate which was 7.5% and 3.25% at December 31, 2022 and 2021, respectively. The line of credit is secured by the Society's investment account. At December 31, 2022 and 2021, the outstanding balance was $95,185 and $531,522, respectively.

10. NOTES PAYABLE

Notes payable at December 31, 2022 and 2021 consists of the following:

		2022		2021
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.	$	4,125	$	9,606

	2022	2021
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.	21,241	27,352
In December 2022, the Society entered into a note payable agreement with a Foundation to fund habitat for wildlife in the amount of $500,000; maturing January 31, 2025; bearing interest at 1%; all principal and interest will be due and payable at maturity.	500,000	-
	525,366	36,958
Less current portion	10,852	11,574
Long-term portion	$ 514,514	$ 25,384

Total maturities for the notes payable as of December 31, 2022 are as follows:

Year Ending December 31	Amount Due
2023	$ 10,852
2024	6,708
2025	506,708
2026	1,098
	$ 525,366

11. BOARD-DESIGNATED QUASI-ENDOWMENT FUNDS

The composition of board designated net assets as of December 31, 2022 and 2021 is as follows:

	2022	2021
Investments	$ 4,879,024	$ 6,097,962
Land held for investment	492,000	492,000
Total board designated endowment funds	$ 5,371,024	$ 6,589,962

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 the conservation program, 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, 2022 and 2021 are as follows:

	2022	2021
Endowment net assets, beginning of the year	$ 6,589,962	$ 6,099,685
Investment income (loss) net of direct external and internal expenses	115,008	57,541
Net appreciation (depreciation)	(1,140,382)	753,143
Total investment return	(1,025,374)	810,684
Contributions	1,525,252	265,508
Board authorized transfers in accordance with spending policy	(283,155)	(585,915)
Board authorized transfers (special)	(1,435,661)	-
Endowment net assets, end of the year	$ 5,371,024	$ 6,589,962

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 to review performance with investments and recommend investment allocations subject to board approval.

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

Special One Time Transfer - During 2022, the Board of Directors of the Society authorized a special one time transfer from its endowment assets to pay down its line of credit as well as to transfer funds into its operating cash to minimize interest rate risk.

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2022 and 2021 are available for the following purposes or periods:

	2022	2021
Habitat and other projects	$ 1,177,448	$ 1,087,712
Time - restricted for future periods	1,292,525	2,181,047
State drummer funds	78,177	78,177
Dessecker Scholarship Fund	18,245	22,640
	$ 2,566,395	$ 3,369,576

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, 2022 and 2021:

	2022	2021
Time - restricted for future periods	$ 1,176,812	$ 1,262,454
Habitat and other projects	192,711	364,362
State drummer funds	-	500
	$ 1,369,523	$ 1,627,316

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. In 2021, this percentage varies from 0% to 4.5% and is determined by a participant's length of service. In 2022, the Society amended the plan to make a contribution to equal to 4.5%. 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, 2022 and 2021 were $79,865 and $29,746, respectively, and are included in salaries and benefits 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.

During the years ended December 31, 2022 and 2021, the Society received payments of $397,990 and $201,814, respectively, related to the timber sale agreements referred to above. These amounts are classified as timber sales in the statements of activities.

16. CONTRIBUTED SERVICES

The Society recognized no contribution revenue related to contributed services for the years ended December 31, 2022 and 2021.

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 cash contributions from its Board of Directors. Contributions totaled $267,220 and $2,361,680 for the years ended December 31, 2022 and 2021, respectively. Promises to give from the Board of Directors totaled $151,899 and $564,374 for the years ended December 31, 2022 and 2021, respectively.

18. SUBSEQUENT EVENTS

The Society has evaluated subsequent events in accordance with FASB ASC Topic 855, Subsequent Events, through June 1, 2023, which is the date the financial statements were available to be issued. During their evaluation, no subsequent event items were identified.