

Independent Auditor's Report on the

Combined Financial Statements of

**National Wild Turkey Federation, Inc.
and Affiliates**

as of and for the years ended August 31, 2020 and 2019

SCOTT  COMPANY

Contents

	<u>Page(s)</u>
Independent Auditor's Report.....	1-2
Combined Financial Statements:	
Combined Statements of Financial Position.....	3
Combined Statements of Activities and Changes in Net Assets	4
Combined Statements of Functional Expenses.....	5-6
Combined Statements of Cash Flows	7
Notes to the Combined Financial Statements.....	8-16
Supplemental Information:	
Schedule 1 – Combining Statement of Financial Position	17
Schedule 2 – Combining Statement of Activities and Changes in Net Assets.....	18

Independent Auditor's Report

To the Board of Directors
National Wild Turkey Federation, Inc. and affiliates
Edgefield, South Carolina

We have audited the accompanying combined financial statements of the National Wild Turkey Federation, Inc. (a nonprofit organization) and affiliates (collectively, the "Federation"), which comprise the combined statements of financial position as of August 31, 2020 and 2019, the related combined statements of activities and changes in net assets, 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 combined 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 the combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Federation'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 Federation'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Federation as of August 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.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statement of financial position and combining statement of activities and changes in net assets are presented for purposes of additional analysis and are not required parts of the combined financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the combined financial statements.

The combining statement of financial position, combining statement of activities and changes in net assets, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to, the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2020, on our consideration of the Federation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Federation's internal control over financial reporting and compliance.

Scott and Company LLC

Columbia, South Carolina
December 3, 2020

National Wild Turkey Federation, Inc. and affiliates
 Combined Statements of Financial Position
 August 31,

	2020	2019
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 7,299,002	\$ 5,517,607
Accounts receivable, net	2,720,577	2,837,171
Prepaid merchandise	81,325	442,511
Inventories	2,996,320	2,178,707
Land held for sale	811,231	3,286,139
Other current assets	66,917	44,767
Total current assets	13,975,372	14,306,902
Land, building, and equipment, net of accumulated depreciation	14,729,381	15,537,554
Total assets	\$ 28,704,753	\$ 29,844,456
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 1,232,185	\$ 1,615,064
Accrued expenses	1,120,103	1,525,240
Current portion of refundable advance	712,679	-
Deferred revenues	4,223,533	2,736,322
Total current liabilities	7,288,500	5,876,626
Long-Term Liabilities:		
Accrued compensated absences, net of current portion	433,517	584,275
Refundable advance, net of current portion	2,862,621	-
Total long-term liabilities	3,296,138	584,275
Total liabilities	10,584,638	6,460,901
Net Assets:		
Without donor restrictions	9,996,943	14,652,940
With donor restrictions	8,123,172	8,730,615
Total net assets	18,120,115	23,383,555
Total liabilities and net assets	\$ 28,704,753	\$ 29,844,456

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

National Wild Turkey Federation, Inc. and Affiliates
 Combined Statements of Activities and Changes in Net Assets
 Years Ended August 31,

	2020	2019
Change in Net Assets Without Donor Restrictions:		
Support and Revenue:		
Membership dues	\$ 11,254,863	\$ 13,555,852
Contributions	1,328,104	1,363,648
Advertising income	853,255	1,014,427
Federal grants and contracts	3,603,692	2,713,165
Program services	30,048,165	37,319,149
Total Support and Revenue	47,088,079	55,966,241
Net assets released from donor restrictions	3,358,085	4,093,982
	50,446,164	60,060,223
Expenses:		
Education	2,795,241	3,292,060
Membership activities	2,872,513	3,609,493
Conservation activities	14,537,154	13,650,667
General program services	28,655,772	33,831,535
Administration	5,593,687	6,026,099
Fundraising	1,396,912	1,427,791
Total Expenses	55,851,279	61,837,645
Non-operating revenue:		
Net gain on sale of assets	749,118	451,871
Change in Net Assets Without Donor Restrictions	(4,655,997)	(1,325,551)
Change in Net Assets With Donor Restrictions:		
Super fund contributions	2,750,311	4,738,162
Other contributions	-	68,959
Interest income	331	401
Net assets released from donor restrictions	(3,358,085)	(4,093,982)
Change in Net Assets With Donor Restrictions	(607,443)	713,540
Change in net assets	(5,263,440)	(612,011)
Net assets, beginning of year	23,383,555	23,995,566
Net assets, end of year	\$ 18,120,115	\$ 23,383,555

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

National Wild Turkey Federation, Inc. and affiliates
 Combined Statement of Functional Expenses
 Year Ended August 31, 2020

	Program Services					Supporting Services			Total
	Education	Membership	Conservation	General Program Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and related expenses:									
Salaries	\$ 637,945	\$ 979,003	\$ 4,661,973	\$ 4,596,227	\$ 10,875,148	\$ 3,467,899	\$ 1,093,540	\$ 4,561,439	\$ 15,436,587
Employee retirement benefits	(9,696)	(14,880)	(70,858)	(69,859)	(165,293)	(52,709)	-	(52,709)	(218,002)
Payroll taxes	53,760	82,501	392,867	387,327	916,455	292,242	-	292,242	1,208,697
Total salaries and related expenses	<u>682,009</u>	<u>1,046,624</u>	<u>4,983,982</u>	<u>4,913,695</u>	<u>11,626,310</u>	<u>3,707,432</u>	<u>1,093,540</u>	<u>4,800,972</u>	<u>16,427,282</u>
Banquet expenses:									
Banquet merchandise	-	-	-	15,637,843	15,637,843	-	-	-	15,637,843
Banquet support	-	-	-	97,292	97,292	-	-	-	97,292
Banquet incentives	-	-	-	1,023,077	1,023,077	-	-	-	1,023,077
Super Fund banquet percentage	-	-	-	655,535	655,535	-	-	-	655,535
Total banquet expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,413,747</u>	<u>17,413,747</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,413,747</u>
Other expenses:									
Bank charges	-	-	-	515,930	515,930	-	-	-	515,930
Communications	191,552	-	-	-	191,552	-	-	-	191,552
Computer expense	23,503	84,557	23,503	84,557	216,120	23,503	4,594	28,097	244,217
Convention expense	-	-	-	2,922,615	2,922,615	18,393	-	18,393	2,941,008
Grants expense	-	-	4,806,967	-	4,806,967	-	-	-	4,806,967
Insurance	140,942	216,292	1,029,975	1,015,449	2,402,658	766,166	-	766,166	3,168,824
Interest expense	-	-	-	-	-	94,970	-	94,970	94,970
Membership acquisition	-	544,884	-	-	544,884	-	43,186	43,186	588,070
Non-banquet merchandise	-	-	-	403,714	403,714	-	-	-	403,714
Advertising	-	-	-	-	-	4,827	-	4,827	4,827
Media and publications	510,769	-	-	-	510,769	-	-	-	510,769
Meetings	179	356	93,608	93,964	188,107	93,328	-	93,328	281,435
Outreach	181,106	-	-	-	181,106	-	-	-	181,106
Outdoor Education Center	9,406	-	9,405	-	18,811	-	-	-	18,811
Palmetto Shooting Complex	-	-	-	326,725	326,725	-	-	-	326,725
Postage	420,506	33,719	-	29,428	483,653	16,767	10,868	27,635	511,288
Professional fees	-	-	-	-	-	70,583	-	70,583	70,583
Repairs and maintenance	24,377	24,377	24,377	24,377	97,508	24,378	-	24,378	121,886
Shoot expense	-	-	-	2,343	2,343	-	-	-	2,343
Super Fund	-	-	2,931,118	-	2,931,118	-	-	-	2,931,118
Supplies	7,248	14,186	4,850	16,939	43,223	3,805	1,010	4,815	48,038
Telephone and utilities	68,355	100,622	34,574	97,722	301,273	34,574	3,027	37,601	338,874
Travel	281,175	540,739	108,051	519,129	1,449,094	64,830	158,032	222,862	1,671,956
Other expenses	132,903	144,946	123,109	154,227	555,185	134,435	82,655	217,090	772,275
Total other expenses	<u>1,992,021</u>	<u>1,704,678</u>	<u>9,189,537</u>	<u>6,207,119</u>	<u>19,093,355</u>	<u>1,350,559</u>	<u>303,372</u>	<u>1,653,931</u>	<u>20,747,286</u>
Total expenses before depreciation and amortization	<u>2,674,030</u>	<u>2,751,302</u>	<u>14,173,519</u>	<u>28,534,561</u>	<u>48,133,412</u>	<u>5,057,991</u>	<u>1,396,912</u>	<u>6,454,903</u>	<u>54,588,315</u>
Depreciation and amortization	121,211	121,211	363,635	121,211	727,268	535,696	-	535,696	1,262,964
Total expenses	<u>\$ 2,795,241</u>	<u>\$ 2,872,513</u>	<u>\$ 14,537,154</u>	<u>\$ 28,655,772</u>	<u>\$ 48,860,680</u>	<u>\$ 5,593,687</u>	<u>\$ 1,396,912</u>	<u>\$ 6,990,599</u>	<u>\$ 55,851,279</u>

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

National Wild Turkey Federation, Inc. and affiliates
 Combined Statement of Functional Expenses
 Year Ended August 31, 2019

	Program Services				Supporting Services				Total
	Education	Membership	Conservation	General Program Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and related expenses:									
Salaries	\$ 830,877	\$ 1,096,465	\$ 3,894,318	\$ 5,195,944	\$ 11,017,604	\$ 3,498,387	\$ 1,066,026	\$ 4,564,413	\$ 15,582,017
Employee retirement benefits	53,633	70,776	251,377	335,397	711,183	225,820	-	225,820	937,003
Payroll taxes	69,483	91,694	325,669	434,519	921,365	292,558	-	292,558	1,213,923
Total salaries and related expenses	953,993	1,258,935	4,471,364	5,965,860	12,650,152	4,016,765	1,066,026	5,082,791	17,732,943
Banquet expenses:									
Banquet merchandise	-	-	-	17,674,189	17,674,189	-	-	-	17,674,189
Banquet support	-	-	-	125,071	125,071	-	-	-	125,071
Banquet incentives	-	-	-	1,283,259	1,283,259	-	-	-	1,283,259
Super Fund banquet percentage	-	-	-	1,289,630	1,289,630	-	-	-	1,289,630
Total banquet expenses	-	-	-	20,372,149	20,372,149	-	-	-	20,372,149
Other expenses:									
Bank charges	-	-	-	604,425	604,425	72	-	72	604,497
Communications	200,965	-	-	-	200,965	-	-	-	200,965
Computer expense	39,957	139,851	39,957	139,851	359,616	39,957	-	39,957	399,573
Convention expense	-	-	-	2,845,732	2,845,732	-	-	-	2,845,732
Grants expense	-	-	4,236,284	-	4,236,284	-	-	-	4,236,284
Insurance	169,795	224,069	795,828	1,061,823	2,251,515	714,917	-	714,917	2,966,432
Interest expense	-	-	-	-	-	108,395	-	108,395	108,395
Membership acquisition	-	844,193	-	-	844,193	-	28,547	28,547	872,740
Non-banquet merchandise	-	-	-	469,300	469,300	-	-	-	469,300
Advertising	-	-	-	-	-	4,042	-	4,042	4,042
Media and publications	558,133	-	-	-	558,133	-	-	-	558,133
Meetings	937	1,873	210,087	211,960	424,857	128,559	-	128,559	553,416
Outreach	215,170	-	-	-	215,170	-	-	-	215,170
Outdoor Education Center	17,275	-	17,274	-	34,549	-	-	-	34,549
Palmetto Shooting Complex	-	-	-	384,946	384,946	-	-	-	384,946
Postage	441,983	41,394	-	36,701	520,078	27,742	3,654	31,396	551,474
Professional fees	-	-	-	-	-	196,320	-	196,320	196,320
Repairs and maintenance	33,807	33,807	33,807	33,807	135,228	33,809	-	33,809	169,037
Shoot expense	-	-	-	242,267	242,267	-	-	-	242,267
Super Fund	-	-	3,252,082	-	3,252,082	-	35,486	35,486	3,287,568
Supplies	9,364	17,677	7,233	24,489	58,763	6,498	802	7,300	66,063
Telephone and utilities	67,427	98,101	36,752	95,525	297,805	36,112	638	36,750	334,555
Travel	387,068	739,682	172,261	705,230	2,004,241	114,006	180,469	294,475	2,298,716
Other expenses	102,799	116,524	97,578	99,486	416,387	124,560	112,169	236,729	653,116
Total other expenses	2,244,680	2,257,171	8,899,143	6,955,542	20,356,536	1,534,989	361,765	1,896,754	22,253,290
Total expenses before depreciation and amortization	3,198,673	3,516,106	13,370,507	33,293,551	53,378,837	5,551,754	1,427,791	6,979,545	60,358,382
Depreciation and amortization	93,387	93,387	280,160	537,984	1,004,918	474,345	-	474,345	1,479,263
Total expenses	\$ 3,292,060	\$ 3,609,493	\$ 13,650,667	\$ 33,831,535	\$ 54,383,755	\$ 6,026,099	\$ 1,427,791	\$ 7,453,890	\$ 61,837,645

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

National Wild Turkey Federation, Inc. and affiliates
 Combined Statements of Cash Flows
 Years Ended August 31,

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (5,263,440)	\$ (612,011)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,262,964	1,479,263
Net gain on sales of land and equipment	(749,118)	(451,781)
Change in assets and liabilities:		
Accounts receivable	116,594	1,481,864
Prepaid merchandise	361,186	287,378
Inventories	(817,613)	728,223
Accounts payable	(382,879)	(405,585)
Accrued expenses	(555,895)	(970,175)
Deferred revenues	1,487,211	(844,006)
Net cash (used in) provided by operating activities	(4,540,990)	693,170
Cash flows from investing activities:		
Purchase of land, building, and equipment	(414,204)	(263,947)
Proceeds from sales of land and equipment	3,234,289	853,771
Net cash provided by investing activities	2,820,085	589,824
Cash flows from financing activities:		
Borrowings under line of credit	28,778,654	18,822,247
Proceeds from refundable advance	3,575,300	-
Payment of loan origination fees	(73,000)	(56,879)
Repayment of line of credit	(28,778,654)	(18,822,247)
Net cash provided by (used in) financing activities	3,502,300	(56,879)
Net increase in cash and cash equivalents	1,781,395	1,226,115
Cash and cash equivalents, beginning of year	5,517,607	4,291,492
Cash and cash equivalents, end of year	\$ 7,299,002	\$ 5,517,607
Supplemental cash flow information:		
Cash paid for interest	\$ 94,970	\$ 108,395

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

National Wild Turkey Federation, Inc. and affiliates
Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of Operations – National Wild Turkey Federation, Inc. and affiliates (the “Federation”) is a nonprofit organization that promotes public awareness of, and support for, the conservation and wise management of the American wild turkeys and the preservation of the turkey hunting tradition. The Federation has established chapters in cities across the United States of America. These chapters support the Federation and benefit from the overall success of their programs. The Federation operates in all states and in several foreign countries.

Financial Statements – The accompanying combined financial statements include the combined accounts of the National Wild Turkey Federation, Inc., the American Upland Land Trust, LLC (included within NWTF of the combining financial statements), the National Wild Turkey Federation Research Foundation, Inc. (“Research Foundation”), and the NWTF Foundation, Inc. (“Foundation”), which are either under common control or exist solely to support the mission of the Federation. The combined financial statements of the four entities have been combined in accordance with accounting principles generally accepted in the United States of America and all intercompany accounts have been eliminated.

Accounting Principles – The Federation follows accounting principles generally accepted in the United States of America on accounting for contributions and financial statements of not-for-profit organizations, which require reporting revenue and net assets by classification of either without donor restrictions or with donor restrictions.

Basis of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958, *Not for Profit Entities*. The Federation is required to report information regarding its financial position and activities according to the following net asset classifications:

Without Donor Restrictions: Net assets that are not subject to donor imposed restrictions and may be expended for any purpose in performing the primary objectives of the Federation. The governing board has discretionary control over these resources.

With Donor Restrictions: Net assets resulting from contributions restricted by outside sources are reported as having donor restrictions and are distinguished from net assets without restrictions allocated to specific purposes by action of the governing board. Externally restricted net assets may only be utilized in accordance with the purposes established by the source of net assets and are in contrast with net assets without donor restrictions over which the governing board retains full control for use in achieving any of its institutional purposes.

Cash and Cash Equivalents – For purposes of reporting cash flows, the Federation considers all demand deposits and all liquid non-equity investments with a maturity of three months or less to be cash equivalents. Cash includes donor-restricted cash related to the Research Foundation and the Foundation of \$1,326,213 and \$1,543,435 at August 31, 2020 and 2019, respectively, as well as donor-restricted cash related to the sale of Utah conservation permits of \$161,060 and \$139,167, at August 31, 2020 and 2019, respectively. The Utah Department of Natural Resources requires proceeds from the sale of conservation permits to be kept in a separate bank account. The Federation is in compliance with this requirement as of August 31, 2020.

Accounts Receivable – Receivables are carried at invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts and banquet losses by regularly evaluating individual customer and chapter receivables and considering a customer’s or chapter’s financial condition, credit history, and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

National Wild Turkey Federation, Inc. and affiliates
Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Inventories – Inventories consist primarily of firearms and are stated at the lower of cost (first-in, first-out basis) or market (net realizable value).

Prepaid Merchandise – Prepaid merchandise consists of items to be used by chapters for banquets during the next banquet season.

Land Held for Sale – Land held for sale includes properties that are not used for business activities. The land is measured at the lower of the carrying amount or fair value less costs of sale. During the year ended August 31, 2020, the Federation sold previously donated land for \$3,233,034, recognizing a gain on the sale of \$758,126 over net book value of \$2,474,908.

Other Assets – Other assets consists of debt issuance costs incurred in obtaining the line of credit. These costs are amortized on the straight-line method, over the life of the agreement. Debt issuance costs less accumulated amortization was \$66,917 and \$44,767 at August 31, 2020 and 2019, respectively. Amortization expense on debt issuance costs was \$50,851 and \$100,799 as of and for the years ended August 31, 2020 and 2019, respectively.

Land, Building, and Equipment – Land, building, and equipment are stated at cost except for donated property, which is stated at fair market value at the date of the donation. Additions with a cost or fair value of less than \$1,000 and an estimated life of less than three years are expensed as incurred. Depreciation is provided over the estimated useful lives of the assets and computed using the straight-line method.

Costs of Borrowing – Interest costs on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets. No interest was capitalized in 2020 or 2019.

Recognition of Donor Restrictions – Support that is restricted by the donor is reported as an increase in net assets with restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without restrictions.

Revenue Recognition and Deferred Revenue – Revenues consist primarily of dues paid by members and program services. Program services include proceeds from member banquets that are held by chapters and federal and state grants. The Federation’s policy is to recognize membership revenue when the member joins and pays its membership dues. The Federation’s policy is to recognize merchandise revenue when it is shipped. The Federation’s policy is to recognize banquet proceeds as revenue when earned and collectability reasonably assured, which occurs when the banquet is finalized at the national headquarters. Revenue related to banquet proceeds is deferred until finalization of the banquet occurs. The Federation receives grants on a primarily reimbursement basis. The Federation’s policy is to recognize revenues and receivables when expenses are incurred in connection with the grants.

Super Fund Contributions – The Hunting Heritage Super Fund (“Super Fund”) was established in 1985 to fund wild turkey restoration, management and other Federation projects. The Super Fund pools money generated by Federation chapters to benefit wild turkey management, wildlife habitat, hunting access and hunter recruitment, retention and reactivation efforts. Super Fund contributions are considered donor-restricted contributions and used for ongoing projects in various states. A portion of contributions are given back to chapters to assist with future banquets.

Advertising – Advertising costs are expensed as incurred. Advertising costs were \$4,827 and \$4,042 during the years ended August 31, 2020 and 2019, respectively.

Shipping and Handling Costs – Freight billed to chapters and customers for banquet merchandise and firearms is considered program service revenue and the related freight costs as a program services expense.

National Wild Turkey Federation, Inc. and affiliates
Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk – The Federation places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Federation from time to time may have amounts on deposit in excess of the insured limits. The Federation had approximately \$2,225,000 and \$1,820,000 which exceeded these insured amounts as of August 31, 2020 and 2019, respectively.

Donated Goods and Services – Donated materials and equipment are reflected as contributions at their fair market value at date of receipt.

Accrued Compensated Absences – The Association expenses and records as a liability the obligations relating to employees' rights to receive vacation compensation for future absences attributable to employees' services as rendered.

Use of Estimates – The preparation of the combined 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 combined financial statements and the reported amounts or revenues and expenses during the reporting period. The most significant estimates include the estimated useful lives of property and equipment and the allowance for doubtful accounts. Actual results could differ from those estimates.

Conservation Easements – Conservation easements represent rights to restrict the use, access, and development of certain properties. The Federation is obligated to monitor easements to ensure that the restrictions are maintained. The Federation monitors these easements in the normal course of its operations and associated costs are expensed as incurred. The property owners contribute funds to help with the monitoring costs and these contributions are held in the Research Foundation as net assets with restrictions.

The estimated value of easements is not included in the combined statements of financial position because the easements do not represent a future economic benefit to the Federation.

Functional Allocation – The costs of providing the Federation's programs and other activities have been reported on a functional basis in the combined statements of activities and changes in net assets. Directly identifiable costs have been allocated to the program or supporting services benefited. Indirect costs have been allocated based on management's estimate of resources used on behalf of the program or supporting services.

Income Tax Status – The Federation is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and the applicable state statutes. Management has evaluated the effect of the guidance provided by U.S. Generally Accepted Accounting Principles on Accounting for Uncertainty in Income Taxes. Management believes that the Federation continues to satisfy the requirements of a tax-exempt organization at August 31, 2020. Management has evaluated the tax positions of the Federation and does not believe that any uncertain tax positions or unrecognized tax benefits exist for the years ended August 31, 2020 and 2019. The Federation's policy is to report accrued interest related to unrecognized tax benefits, when applicable, in miscellaneous functional category and to report penalties as other expense. The Federation's tax returns for 2018, 2019, and 2020 are open and subject to investigation.

National Wild Turkey Federation, Inc. and affiliates
Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Recently Implemented Accounting Standard – In June 2018, the FASB issued Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU is meant to clarify whether transactions should be account for as contributions, which are covered by Topic 958, *Not for Profit Entities*, or as exchange transactions under other guidance. The Federation adopted this ASU effective September 1, 2019. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

Recently Issued Accounting Pronouncements Not Yet Adopted - In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. The standard is effective for annual periods beginning after December 15, 2019. The Federation is currently evaluating the impact of the pending adoption of ASU 2014-09 on its financial statements.

The FASB issued ASU 2016-02, *Leases*, which will require lessees to recognize a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. The standard is effective for nonpublic business entities for fiscal years beginning after December 15, 2021 and the Federation is currently evaluating the impact of the pending adoption of ASU 2016-02.

Note 2. Accounts Receivable

The Federation records earned revenues as receivables when it conducts Federation business. Accounts receivable balances consisted of the following at August 31,:

	2020	2019
Advertising	\$ 33,737	\$ 32,888
Banquets	801,214	746,701
Grants and stewardships	1,042,862	1,278,325
Unbilled revenue	501,625	338,727
Chapter	81,693	107,090
Other	430,203	467,179
Less, allowance for banquet losses and doubtful accounts	(170,757)	(133,739)
	\$ 2,720,577	\$ 2,837,171

National Wild Turkey Federation, Inc. and affiliates
Notes to Combined Financial Statements

Note 3. Land, Buildings, and Equipment

Land, buildings, and equipment consisted of the following at August 31,:

	<u>Useful Lives</u>	<u>2020</u>	<u>2019</u>
Land		\$ 4,977,411	\$ 4,977,411
Buildings and infrastructure	2-40 years	19,515,284	19,443,370
Furniture	3-15 years	705,985	705,985
Equipment	2-15 years	5,844,320	5,714,757
Vehicles	3-5 years	453,282	453,282
Software	3-5 years	212,506	212,506
Gross land, buildings, and equipment		<u>31,708,788</u>	<u>31,507,311</u>
Less accumulated depreciation		<u>(16,979,407)</u>	<u>(15,969,757)</u>
Total land, buildings, and equipment		<u>\$ 14,729,381</u>	<u>\$ 15,537,554</u>

Depreciation expense was \$1,212,113 and \$1,378,464 for the years ended August 31, 2020 and 2019, respectively.

Note 4. Lines of Credit and Long-Term Debt

At August 31, 2019, the Federation had two lines of credit with a local bank in the amounts of \$12,800,000 and \$1,412,000. The borrowing rate on the \$12,800,000 line of credit was a variable rate of interest based on LIBOR, not to exceed LIBOR plus 1.35%, which was 3.58% at August 31, 2019. The borrowing rate on the \$1,412,000 line of credit, which was specifically for capital expenditures, was a simple fixed interest rate of 3.82%. During the year ended August 31, 2020, the Federation signed a modification agreement with the bank which consolidated both lines of credit into a single line of credit in the amount of \$15,000,000 with a maturity date of June 25, 2022. The borrowing rate of the line of credit was LIBOR plus 1.35%, which was 1.60% at August 31, 2020. All lines of credit are secured by the assets of the Federation.

There was no outstanding balance under the lines of credit at August 31, 2020 and 2019, respectively. Both line of credit agreements require, among other things, the Federation to maintain certain restrictive covenants. As of August 31, 2020, management was not in violation of any of its debt covenants.

During the years ended August 31, 2020 and 2019, intercompany loans were formed among the Federation and its affiliates. These intercompany loans accrue interest at a rate of 3% annually. At August 31, 2020, the intercompany loan balances had been paid off.

Long-term debt at August 31, 2020 consisted of a refundable advance in the amount of \$3,575,300, maturing April 10, 2022, with interest at 1.00%. The current and long-term amounts due on the advance were \$712,679 and \$2,862,621, respectively, at August 31, 2020.

The Federation currently believes its use of the proceeds of the refundable advance will meet conditions for forgiveness of the advance. However, the Federation cannot be assured that the advance will be eligible for forgiveness, in whole or in part.

National Wild Turkey Federation, Inc. and affiliates
Notes to Combined Financial Statements

Note 5. Retirement Plan

The Federation has a 401(k) and profit sharing plan covering all employees who have reached the age of 21 and completed six months of service. For calendar years 2020 and 2019, the overall limit for employee contributions into the plan was the lesser of \$19,500 and \$19,000, respectively, or 75% of the employee’s compensation. The Federation may make profit sharing contributions at its discretion based on an integrated allocation formula calculated as a percentage of each eligible active participant’s compensation. Eligibility for the discretionary contribution requires the participant to be employed by the Federation on the last day of the plan year and to have worked at least 1,000 hours during the plan year. The Federation’s expense related to the plan was \$937,003 for the prior year ended August 31, 2019, which represents an amount accrued at year end based on expectations prior to the discretionary contribution being submitted in the subsequent calendar year. During calendar year 2020, due to the unexpected impact of COVID-19 and overall economic uncertainties, the Federation opted not to pay the previously accrued discretionary contribution for the year ended August 31, 2019. Additionally, the Federation does not expect to pay a discretionary contribution for the year ended August 31, 2020; therefore, no amount was accrued. As a result, expense related to the plan was a credit balance of \$218,002 for the year ended August 31, 2020.

Note 6. Net Assets Without Restrictions

Net assets with restrictions are available for the following as of August 31,:

	2020	2019
National Wild Turkey Federation Research Foundation, Inc.	\$ 870,924	\$ 870,593
NWTF Foundation, Inc.	352,908	587,694
Funds held for State Superfund	6,733,043	7,103,696
Paddy’s Bluff Operating Funds	166,297	168,632
	\$ 8,123,172	\$ 8,730,615

Note 7. Liquidity and Availability of Resources

During the year ended August 31, 2020, the Federation experienced a decrease in net assets without donor restrictions of approximately \$4,656,000. This was largely due to decreased revenues as a result of canceled and postponed banquets due to COVID-19. Although there was a decrease in net assets, the Federation was able to increase cash and cash equivalents by \$1,781,000 during the same time period. Management implemented layoffs of certain positions as well as other cost saving measures. As previously discussed in Note 4, the Federation has a refundable advance of approximately \$3,575,000. Although it was accessed during various times of the year, the line of credit had a zero balance at August 31, 2020 as previously discussed in Note 4. Therefore, \$15,000,000 was available to be drawn at August 31, 2020 for operations moving into the fiscal year ended August 31, 2021. Management believes that with existing resources on hand, as well as continued cost savings measures and revenue streams opening back up, that the Federation will continue as a going concern for at least one year after this report date.

National Wild Turkey Federation, Inc. and affiliates
Notes to Combined Financial Statements

Note 7. Liquidity and Availability of Resources (continued)

The Federation's financial assets available within one year of the balance sheet date for general expenditures are as follows as of August 31,:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 7,299,002	\$ 5,517,607
Accounts receivable	2,720,577	2,837,171
Total financial assets	10,019,579	8,354,778
Less amounts not available to be used within one year	-	-
Liquidity resources: Bank lines of credit	15,000,000	14,212,000
Financial assets available to meet general expenditures over the next twelve months	\$ 25,019,579	\$ 22,566,778

Note 8. Operating Leases

The Federation leases vehicles under operating leases. The Federation leases one vehicle under the terms of a lease initiated October 2018, with monthly payments of \$1,129, expiring October 2020. Additionally, during the year ended August 31, 2020, the Federation entered into various vehicle leases through a lender during the year ended August 31, 2020. All of these leases expire in 36 months. Total lease expense was \$211,589 and \$34,027 for the years ended August 31, 2020 and 2019, respectively. Future minimum lease payments are as follows:

2021	\$	269,625
2022		267,367
2023		102,897
Total	\$	639,889

Note 9. Donor-Restricted Endowments

The Federation's endowment consists of one fund established for a variety of purposes. This donor-restricted endowment includes funds contributed to the Federation for the long-term benefit of the future of the Federation. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors of the Federation has interpreted the *State Prudent Management of Institutional Funds Act* ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Federation classifies as net assets with restrictions that are perpetual in nature (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with restrictions that are perpetual in nature is classified as net assets with restrictions by purpose until those amounts are appropriated for expenditure by the Federation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Federation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Federation, and (7) the Federation's investment policies.

National Wild Turkey Federation, Inc. and affiliates
Notes to Combined Financial Statements

Note 9. Donor-Restricted Endowments (continued)

Investment Return Objectives, Risk Parameters, and Strategies – The Federation has adopted investment and spending policies, approved by the board of directors, for endowment assets that attempts to maximize total return consistent with an acceptable level of risk. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy – The Federation’s spending policy is not to spend the funds unless needed to defend the development of land. The Federation expects the current spending policy to allow its endowment funds to grow at a nominal rate, which is consistent with the Federation’s objective to maintain the purchasing power of the endowment assets.

Endowment net asset composition by type of Fund consisted of the following at August 31, 2020:

	Net Assets Without Restrictions	Net Assets With Restrictions	Total Endowment Net Assets
Board-designated funds	\$ 77,718	\$ -	\$ 77,718
Donor-restricted endowment funds	-	1,223,832	1,223,832
Total assets at fair value	<u>\$ 77,718</u>	<u>\$ 1,223,832</u>	<u>\$ 1,301,550</u>

Endowment net asset composition by type of Fund consisted of the following at August 31, 2019:

	Net Assets Without Restrictions	Net Assets With Restrictions	Total Endowment Net Assets
Board-designated funds	\$ 69,507	\$ -	\$ 69,507
Donor-restricted endowment funds	-	1,458,287	1,458,287
Total assets at fair value	<u>\$ 69,507</u>	<u>\$ 1,458,287</u>	<u>\$ 1,527,794</u>

Endowment net assets are included in cash and cash equivalents in the combined statements of financial position at August 31, 2020 and 2019. Additionally, the Endowment had intercompany loans with the Federation during the years ended August 31, 2020 and 2019. There was no balance on the loans at August 31, 2020 and 2019. Investment earnings on these loans are considered increases in net assets without restriction for the Endowment and are eliminated in the combined statements of financial position.

Changes in endowment net assets during the year ended August 31, 2020 are as follows:

	Net Assets Without Restrictions	Net Assets With Restrictions	Total Endowment Net Assets
Endowment net assets, beginning	\$ 69,507	\$ 1,458,287	\$ 1,527,794
Investment income	8,211	331	8,542
Net assets released from restriction	-	(234,786)	(234,786)
Endowment net assets, ending	<u>\$ 77,718</u>	<u>\$ 1,223,832</u>	<u>\$ 1,301,550</u>

National Wild Turkey Federation, Inc. and affiliates
Notes to Combined Financial Statements

Note 9. Donor-Restricted Endowments (continued)

Changes in endowment net assets during the year ended August 31, 2019 are as follows:

	Net Assets Without Restrictions	Net Assets With Restrictions	Total Endowment Net Assets
Endowment net assets, beginning	\$ 52,292	\$ 1,423,989	\$ 1,476,281
Contributions	-	68,959	68,959
Investment income	17,215	401	17,616
Net assets released from restriction	-	(35,062)	(35,062)
Endowment net assets, ending	<u>\$ 69,507</u>	<u>\$ 1,458,287</u>	<u>\$ 1,527,794</u>

Note 10. Contingencies

The Research Foundation has been named as a party in a lawsuit involving the marketing of conservation easements. The Federation's insurance carrier has been notified and defense counsel has been hired to contest the matter. Management believes that any potential liability, with the exception of a deductible of \$50,000, would be covered by its insurance policy. The lawsuit is still in the discovery phase and management has filed a motion to dismiss the matter and does not consider an unfavorable outcome to be probable; therefore, no contingency has been accrued.

Note 11. Subsequent Events

Management has evaluated subsequent events through December 3, 2020, the date these financial statements were available to be issued, for possible recognition or disclosure in the financial statements. Management has concluded that, other than the event noted below, no significant subsequent events meet the criteria of professional accounting standards to be recognized or not recognized, but disclosed, in these financial statements.

The Federation's fiscal year ended after the initial impact of the outbreak of COVID-19. As a result of the pandemic, the majority of chapters cancelled or postponed their banquets, resulting in decreases in both membership dues and program services revenue. Sufficient information is not available to adequately evaluate the short-term or long-term impact to the Federation; however, these economic conditions may adversely impact the Federation's operations and future financial condition.

Supplemental Information

National Wild Turkey Federation, Inc. and affiliates
Combining Statement of Financial Position
August 31, 2020

	NWTF	Research Foundation	Foundation	Eliminations	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 5,972,789	\$ 961,150	\$ 365,063	\$ -	\$ 7,299,002
Accounts receivable, net	2,720,577	-	-	-	2,720,577
Prepaid merchandise	81,325	-	-	-	81,325
Inventories	2,996,320	-	-	-	2,996,320
Land held for sale	811,231	-	-	-	811,231
Other current assets	66,917	-	-	-	66,917
Due from related party	63	-	-	(63)	-
Total current assets	<u>12,649,222</u>	<u>961,150</u>	<u>365,063</u>	<u>(63)</u>	<u>13,975,372</u>
Land, building, and equipment, net of accumulated depreciation	<u>14,729,381</u>	-	-	-	<u>14,729,381</u>
Total assets	<u><u>\$ 27,378,603</u></u>	<u><u>\$ 961,150</u></u>	<u><u>\$ 365,063</u></u>	<u><u>\$ (63)</u></u>	<u><u>\$ 28,704,753</u></u>
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts payable	\$ 1,232,185	\$ -	\$ -	\$ -	\$ 1,232,185
Accrued expenses	1,095,503	24,600	-	-	1,120,103
Current portion of refundable advance	712,679	-	-	-	712,679
Deferred revenues	4,223,533	-	-	-	4,223,533
Due to related party	-	-	63	(63)	-
Total current liabilities	<u>7,263,900</u>	<u>24,600</u>	<u>63</u>	<u>(63)</u>	<u>7,288,500</u>
Long-Term Liabilities:					
Accrued compensated absences, net of current portion	433,517	-	-	-	433,517
Refundable advance, net of current portion	<u>2,862,621</u>	-	-	-	<u>2,862,621</u>
Total long-term liabilities	<u>3,296,138</u>	-	-	-	<u>3,296,138</u>
Net Assets:					
Without donor restrictions	9,919,225	-	-	77,718	9,996,943
With donor restrictions	<u>6,899,340</u>	<u>936,550</u>	<u>365,000</u>	<u>(77,718)</u>	<u>8,123,172</u>
Total net assets	<u>16,818,565</u>	<u>936,550</u>	<u>365,000</u>	<u>-</u>	<u>18,120,115</u>
Total liabilities and net assets	<u><u>\$ 27,378,603</u></u>	<u><u>\$ 961,150</u></u>	<u><u>\$ 365,063</u></u>	<u><u>\$ (63)</u></u>	<u><u>\$ 28,704,753</u></u>

See accompanying independent auditor's report.

National Wild Turkey Federation, Inc. and affiliates
Combining Statement of Activities and Changes in Net Assets
Year Ended August 31, 2020

	NWTF	Research Foundation	Foundation	Eliminations	Total
Change in Net Assets Without Donor Restrictions:					
Support and Revenue:					
Membership dues	\$ 11,254,863	\$ -	\$ -	\$ -	\$ 11,254,863
Contributions	1,544,104	-	-	(216,000)	1,328,104
Advertising income	853,255	-	-	-	853,255
Federal grants and contracts	3,603,692	-	-	-	3,603,692
Program services	30,048,165	-	-	-	30,048,165
Total Support and Revenue	47,304,079	-	-	(216,000)	47,088,079
Net assets released from donor restrictions	3,123,299	-	234,786	-	3,358,085
	50,427,378	-	234,786	(216,000)	50,446,164
Expenses:					
Education	2,795,241	-	-	-	2,795,241
Membership activities	2,872,513	-	16,000	(16,000)	2,872,513
Conservation activities	14,537,154	-	200,000	(200,000)	14,537,154
Program services	28,655,772	-	-	-	28,655,772
Administration	5,583,112	-	18,786	(8,211)	5,593,687
Fundraising	1,396,912	-	-	-	1,396,912
Total Expenses	55,840,704	-	234,786	(224,211)	55,851,279
Non-operating revenue:					
Gain on sale of assets	749,118	-	-	-	749,118
Change in Net Assets Without Donor Restrictions	(4,664,208)	-	-	8,211	(4,655,997)
Change in Net Assets With Donor Restrictions:					
Super fund contributions	2,750,311	-	-	-	2,750,311
Interest income	-	8,542	-	(8,211)	331
Net assets released from donor restrictions	(3,123,299)	-	(234,786)	-	(3,358,085)
Change in Net Assets With Donor Restrictions	(372,988)	8,542	(234,786)	(8,211)	(607,443)
Change in net assets	(5,037,196)	8,542	(234,786)	-	(5,263,440)
Net assets, beginning of year	21,855,761	928,008	599,786	-	23,383,555
Net assets, end of year	<u>\$ 16,818,565</u>	<u>\$ 936,550</u>	<u>\$ 365,000</u>	<u>\$ -</u>	<u>\$ 18,120,115</u>

See accompanying independent auditor's report.