

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Pheasants Forever, Inc. and Subsidiaries  
St. Paul, Minnesota

### ***Report on the Financial Statements***

We have audited the accompanying consolidated financial statements of Pheasants Forever, Inc. and Subsidiaries (a non-profit organization), which comprise the consolidated balance sheets as of June 30, 2018 and 2017 and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pheasants Forever, Inc. and Subsidiaries as of June 30, 2018 and 2017, 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.

## **Other Matters**

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2018, on our consideration of the Organization'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 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 the Organization's 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 Pheasants Forever, Inc. and Subsidiaries internal control over financial reporting and compliance.

*Boyum + Barescheer PLLP*

## **Boyum & Barescheer PLLP**

Minneapolis, Minnesota  
November 14, 2018

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**JUNE 30, 2018 AND 2017**

<b>ASSETS</b>	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 10,776,895	\$ 17,004,277
Investments - Short-term	12,038,681	5,290,992
Accounts Receivable (Net)	8,886,664	6,647,991
Pledges Receivable (Net)	450,320	326,458
Inventories	2,098,957	1,508,409
Land Held for Resale & Conservation	305,000	2,555,500
Prepaid Expenses	918,787	958,066
Total Current Assets	<u>35,475,304</u>	<u>34,291,693</u>
<b>PROPERTY AND EQUIPMENT</b>		
Less: Accumulated Depreciation	5,190,246	5,398,506
Total Property and Equipment	<u>3,659,562</u>	<u>3,955,032</u>
<b>OTHER ASSETS</b>		
Investments - Endowments	2,331,279	2,188,566
Land Held for Resale & Conservation	5,079,831	5,239,831
Pledges Receivable - Long-Term	233,270	111,169
Beneficial Interest in Trusts	1,094,600	1,088,644
Cash Surrender Value of Life Insurance	546,725	486,095
Total Other Assets	<u>9,285,705</u>	<u>9,114,305</u>
Total Assets	<u><u>\$ 46,291,693</u></u>	<u><u>\$ 44,849,472</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 5,392,111	\$ 5,477,004
Accrued Employee Benefits, Withholdings and Other Liabilities	1,625,471	1,384,931
Current Maturities of Long Term Debt	8,378	8,378
Land Purchase Installment Payable	-	257,594
Grant Advances	3,671,645	3,163,488
Deferred Revenues	337,163	385,936
Liability Under Annuity Agreement	17,738	17,393
Line of Credit	124,288	-
Total Current Liabilities	<u>11,176,794</u>	<u>10,694,724</u>
<b>LONG-TERM LIABILITIES</b>		
Liability Under Annuity Agreement	167,504	176,460
Long-Term Debt, Net of Current Maturities	18,850	26,529
Total Long-Term Liabilities	<u>186,354</u>	<u>202,989</u>
Total Liabilities	11,363,148	10,897,713
<b>NET ASSETS</b>		
Unrestricted	23,840,760	23,854,555
Unrestricted - Board Designated Reserve	1,706,657	1,545,270
Unrestricted - Designated Endowment	791,675	770,150
Unrestricted - Designated Stewardship Funds	276,304	259,982
Temporarily Restricted	7,594,886	6,806,289
Permanently Restricted	718,263	715,513
Total Net Assets	<u>34,928,545</u>	<u>33,951,759</u>
Total Liabilities and Net Assets	<u><u>\$ 46,291,693</u></u>	<u><u>\$ 44,849,472</u></u>

See accompanying Notes to Consolidated Financial Statements.

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
<b>CHANGES IN UNRESTRICTED NET ASSETS:</b>		
<b>SUPPORT AND REVENUE</b>		
Support:		
Contributions (Including In-Kind Contributions - Note 7)	\$ 23,777,403	\$ 26,945,064
Banquet and Event Revenues	22,713,117	22,741,420
Costs of Direct Benefit to Donors	(15,357,628)	(14,641,667)
Net Support from Banquets and Events	7,355,489	8,099,753
Membership Dues	5,474,163	5,235,528
Total Support	36,607,055	40,280,345
Revenue:		
Sales of Merchandise	500,039	669,066
Cost of Merchandise Sold	(278,567)	(441,252)
Gross Profit on Merchandise Sales	221,472	227,814
Program Service Revenue	15,082,711	10,676,619
Government Program Grants	42,363,800	35,340,424
Advertising Revenues	1,013,343	835,190
Investment Income	72,917	72,195
Other Income	386,319	415,283
Total Revenue	59,140,562	47,567,525
Net Assets Released from Restrictions	807,120	1,127,396
Total Support and Revenue	96,554,737	88,975,266
<b>EXPENSES</b>		
Program Services:		
Habitat Projects	75,592,413	68,179,949
Public Awareness and Education	7,773,719	7,385,810
Field Operations	2,209,425	2,540,973
Membership Services	891,752	849,275
Chapter Services	330,582	247,922
Total Program Services	86,797,891	79,203,929
Supporting Services:		
Administrative Expenses	2,240,899	2,108,941
Fundraising Expenses	7,330,507	6,510,701
Total Supporting Services	9,571,406	8,619,642
Total Expenses	96,369,297	87,823,571
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>	185,440	1,151,695
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Time and Purpose Restricted Contributions	1,523,107	1,008,624
Investment Income	72,609	105,614
Net Assets Released from Restrictions	(807,120)	(1,127,396)
Changes in Temporarily Restricted Net Assets	788,596	(13,158)
<b>PERMANENTLY RESTRICTED CONTRIBUTIONS</b>	2,750	2,500
<b>CHANGES IN NET ASSETS</b>	976,786	1,141,037
Net Assets - Beginning of the Year	33,951,759	32,810,722
<b>NET ASSETS - END OF YEAR</b>	\$ 34,928,545	\$ 33,951,759

See accompanying Notes to Consolidated Financial Statements.

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 976,786	\$ 1,141,037
Adjustments to Reconcile Changes in Net Assets to Net Cash (Used) Provided by Operating Activities:		
Value of Donated Land	-	(760,500)
Land Reevaluations	-	22,000
(Gain) loss on sale of land	(119,010)	67,170
Loss on Disposal of Property & Equipment	1,139	-
Depreciation	232,449	304,457
Net Realized and Unrealized Loss (Gain) on Investments	(65,302)	(187,371)
Change in Valuation of Annuity Obligations	16,536	15,034
Change in Valuation of Beneficial Interest in Trusts	(5,956)	(2,792)
Change in Valuation of Life Insurance	(60,630)	(64,090)
Contributions Restricted for Long-Term Investment	(2,750)	(2,500)
Change in Current Assets and Liabilities:		
Increase in Accounts Receivable	(2,238,673)	(1,069,898)
(Increase) Decrease in Inventories	(590,548)	29,169
Increase in Pledges Receivable	(245,963)	(21,084)
Decrease in Prepaid Expenses	39,279	8,258
Decrease in Accounts Payable	(84,893)	(105,815)
Increase in Accrued Employee Benefits, Withholdings and Other Liabilities	240,540	26,047
Increase in Grant Advances	508,157	1,707,211
Increase (Decrease) in Deferred Revenues	(48,773)	160,584
Increase (Decrease) in Purchase Installment Payable	(257,594)	257,594
Net Cash Provided by Operating Activities	(1,705,206)	1,524,509
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of Property and Equipment	(320,799)	(181,130)
Acquisition of Land Held for Resale	-	(2,717,188)
Proceeds from Sale of Land Held for Resale	2,529,510	24,000
Purchase of Investments	(10,607,878)	(6,852,027)
Proceeds from Sale of Investments	3,782,779	6,245,003
Net Cash (Used) Provided by Investing Activities	(4,616,388)	(3,481,342)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Notes Payable	(7,679)	(6,981)
Net (Payments) Borrowings on Bank Line of Credit	124,288	-
Contributions Restricted for Long-Term Investment	2,750	2,500
Payment on Annuity Obligation	(25,147)	(25,147)
Net Cash (Used) Provided by Financing Activities	94,212	(29,628)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(6,227,382)	(1,986,461)
Cash and Cash Equivalents - Beginning of Year	17,004,277	18,990,738
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 10,776,895	\$ 17,004,277
<b>NON-CASH TRANSACTIONS</b>		
Vehicle Purchased in Exchange for Note Payable	\$ -	\$ 41,888
Cash Paid for Interest	\$ 11,156	\$ 4,211

See accompanying Notes to Consolidated Financial Statements.

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2018**

	Program Services					Supporting Services			
	Public					Total Program Services	Administrative Expenses	Fundraising Expenses	Total Expenses
	Habitat Projects	Awareness and Education	Field Operations	Membership Services	Chapter Services				
Woody Cover/Shelter Belts	\$ 535,908	\$ -	\$ -	\$ -	\$ -	\$ 535,908	\$ -	\$ -	\$ 535,908
Nesting Cover	21,277,729	-	-	-	-	21,277,729	-	-	21,277,729
Food Plots/Feeding	17,156,814	-	-	-	-	17,156,814	-	-	17,156,814
Land Procurement	23,436,845	-	-	-	-	23,436,845	-	-	23,436,845
Wetland Restoration	20,111	-	-	-	-	20,111	-	-	20,111
Equipment for Habitat	620,171	-	-	-	-	620,171	-	-	620,171
Other Habitat Projects	1,222,363	-	-	-	-	1,222,363	-	-	1,222,363
Youth Programs	810	3,187,321	-	-	-	3,188,131	-	-	3,188,131
Publications	-	734,582	-	-	-	734,582	-	-	734,582
Other Public Awareness and Education	-	1,009,451	-	-	-	1,009,451	-	-	1,009,451
Chapter Advertising and Promotion	-	-	-	-	-	-	-	925,318	925,318
Salaries and Wages	8,020,647	1,669,240	1,479,317	340,545	50,308	11,560,057	1,322,439	2,799,359	15,681,855
Payroll Tax Expense	559,695	117,937	133,692	25,309	2,887	839,520	91,823	200,101	1,131,444
Employee Benefits	663,900	85,429	100,877	19,368	2,240	871,814	79,398	177,750	1,128,962
Retirement Plan	342,700	89,372	73,721	12,141	2,655	520,589	110,698	150,002	781,289
Legal Fees	-	-	-	-	-	-	4,193	2,041	6,234
Consulting Fees	9,950	536	-	357	-	10,843	77,374	187,497	275,714
Accounting and Audit Fees	-	-	-	-	-	-	124,247	-	124,247
State Registration Fees	-	-	-	-	10,701	10,701	1,717	-	12,418
Insurance	179,611	99,190	14,811	5,052	91,701	390,365	17,846	56,143	464,354
Government Relations	-	329,739	-	-	-	329,739	-	-	329,739
Direct Mail Expenses	-	-	-	-	-	-	-	1,149,481	1,149,481
Printing and Supplies	108,442	82,951	56,959	158,053	69,963	476,368	91,371	289,310	857,049
Postage	6,844	4,412	4,716	307,936	3,333	327,241	19,716	17,537	364,494
Shipping	-	-	-	121	-	121	-	284,139	284,260
Occupancy	-	16,312	690	3,753	248	21,003	9,888	27,988	58,879
Telephone	23,254	22,293	17,698	8,296	-	71,541	22,173	36,564	130,278
Travel Expense	806,642	145,323	305,432	6,459	53	1,263,909	69,504	590,057	1,923,470
Meetings and Conferences	112,199	2,478	9,544	-	-	124,221	63,625	8,685	196,531
Depreciation	55,338	84,353	3,215	3,750	2,995	149,651	29,202	53,595	232,448
Equipment Rental and Maintenance	302,014	4,107	1,183	-	5,597	312,901	42,881	19,308	375,090
Bad Debt Expense	-	-	-	-	-	-	13,828	-	13,828
Interest Expense	-	-	-	-	-	-	10,991	-	10,991
Miscellaneous	130,426	88,693	7,570	613	87,900	315,202	37,985	355,632	708,819
<b>Total Expenses</b>	<b>\$ 75,592,413</b>	<b>\$ 7,773,719</b>	<b>\$ 2,209,425</b>	<b>\$ 891,753</b>	<b>\$ 330,581</b>	<b>\$ 86,797,891</b>	<b>\$ 2,240,899</b>	<b>\$ 7,330,507</b>	<b>\$ 96,369,297</b>
	<b>78.44%</b>	<b>8.07%</b>	<b>2.29%</b>	<b>0.93%</b>	<b>0.34%</b>	<b>90.07%</b>	<b>2.33%</b>	<b>7.60%</b>	<b>100.00%</b>

See accompanying Notes to Consolidated Financial Statements.



**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2017**

	Program Services					Supporting Services			
	Public Awareness and Education		Field Operations	Membership Services	Chapter Services	Total Program Services	Administrative Expenses	Fundraising Expenses	Total Expenses
	Habitat Projects	Education							
Woody Cover/Shelter Belts	\$ 495,243	\$ -	\$ -	\$ -	\$ -	\$ 495,243	\$ -	\$ -	\$ 495,243
Nesting Cover	20,604,320	-	-	-	-	20,604,320	-	-	20,604,320
Food Plots/Feeding	17,833,959	-	-	-	-	17,833,959	-	-	17,833,959
Land Procurement	16,921,671	-	-	-	-	16,921,671	-	-	16,921,671
Wetland Restoration	69,951	-	-	-	-	69,951	-	-	69,951
Equipment for Habitat	709,287	-	-	-	-	709,287	-	-	709,287
Other Habitat Projects	1,569,751	-	-	-	-	1,569,751	-	-	1,569,751
Youth Programs	19,268	3,151,122	-	-	-	3,170,390	-	-	3,170,390
Publications	-	742,755	-	-	-	742,755	-	-	742,755
Other Public Awareness and Education	-	898,815	-	-	-	898,815	-	-	898,815
Chapter Advertising and Promotion	-	-	-	-	-	-	-	1,016,543	1,016,543
Salaries and Wages	6,782,065	1,422,227	1,680,672	313,507	37,519	10,235,990	1,227,504	2,224,942	13,688,436
Payroll Tax Expense	490,189	95,889	154,509	23,411	2,157	766,155	84,337	159,454	1,009,946
Employee Benefits	576,428	69,197	108,286	25,812	1,223	780,946	74,218	143,684	998,848
Retirement Plan	312,803	82,998	86,162	12,767	2,114	496,844	106,030	113,821	716,695
Legal Fees	148	-	-	-	-	148	13,916	-	14,064
Consulting Fees	9,100	1,755	-	3,413	-	14,268	34,060	219,882	268,210
Accounting and Audit Fees	-	-	-	-	-	-	135,054	-	135,054
State Registration Fees	-	-	-	-	9,195	9,195	2,225	-	11,420
Insurance	190,754	74,492	15,040	5,754	47,179	333,219	23,551	63,812	420,582
Government Relations	-	370,830	-	-	-	370,830	-	-	370,830
Direct Mail Expenses	-	-	-	-	-	-	-	1,167,348	1,167,348
Printing and Supplies	122,111	83,369	54,492	191,923	52,387	504,282	80,168	291,239	875,689
Postage	4,071	5,926	5,343	247,724	4,614	267,678	19,754	13,106	300,538
Shipping	-	-	-	-	-	-	-	261,514	261,514
Occupancy	-	16,714	711	3,931	257	21,613	7,316	30,832	59,761
Telephone	17,701	18,202	20,610	8,702	-	65,215	24,640	31,948	121,803
Travel Expense	747,191	163,167	376,751	3,156	-	1,290,265	47,516	411,148	1,748,929
Meetings and Conferences	108,040	8,017	25,384	(89)	-	141,352	105,981	12,440	259,773
Depreciation	75,131	110,372	3,030	8,564	7,688	204,785	28,218	71,453	304,456
Equipment Rental and Maintenance	377,534	368	1,284	-	5,597	384,783	33,033	15,303	433,119
Bad Debt Expense	-	-	-	-	-	-	16,790	-	16,790
Interest Expense	-	-	-	-	-	-	4,211	-	4,211
Miscellaneous	143,233	69,595	8,699	700	77,992	300,219	40,419	262,232	602,869
<b>Total Expenses</b>	<b>\$68,179,949</b>	<b>\$ 7,385,810</b>	<b>\$ 2,540,973</b>	<b>\$ 849,275</b>	<b>\$ 247,922</b>	<b>\$79,203,929</b>	<b>\$ 2,108,941</b>	<b>\$ 6,510,701</b>	<b>\$ 87,823,571</b>
	<u>77.63%</u>	<u>8.41%</u>	<u>2.89%</u>	<u>0.97%</u>	<u>0.28%</u>	<u>90.19%</u>	<u>2.40%</u>	<u>7.41%</u>	<u>100.00%</u>

See accompanying Notes to Consolidated Financial Statements.

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Pheasants Forever, Inc. (the Organization) is a nonprofit organization which incorporated under the laws of the State of Minnesota in August 1982. The mission of the Organization is to conserve and enhance habitat for pheasants, quail, and other wildlife through habitat initiatives, land management policies and programs, and conservation education.

**Consolidation**

The Organization has two single member limited liabilities companies in which certain business activities are conducted. The activities of these single member limited liabilities companies, Habitat Forever, LLC and The Forever Land Trust, LLC, have been consolidated into these statements, and all material financial transactions among the entities have been eliminated.

**Financial Statement Presentation**

The Organization follows the guidance provided in the Financial Accounting Standards Board (FASB) Accounting Standards Codification for Not-for-Profit Entities. In accordance with those standards, net assets and revenues, gains, and losses are classified based on donor imposed restrictions. Temporarily restricted contributions received during the year, whose restrictions are released during the same year, are recorded as a change in unrestricted net assets. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Those resources over which the board of directors has discretionary control. Board designated amounts represent those revenues which the board has set aside for a particular purpose. At June 30, 2018 and 2017 the board designated net assets as operating reserves in the amounts of \$1,706,657 and \$1,545,270, respectively. The Organization also had unrestricted net assets designated as endowments in the amounts of \$791,675 and \$770,150 for the Forever Shooting Sports Program and \$276,304 and \$259,982 for the Forever Stewardship Fund at June 30, 2018 and 2017, respectively

Temporarily Restricted – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Organization or passage of time. At June 30, 2018 and 2017, temporarily restricted net assets consisted of time-restricted pledges receivable and purpose-restricted contributions.

Permanently Restricted – Those resources subject to a donor imposed restriction that they be maintained permanently by the Organization. The donors of these resources permitted the Organization to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

**Recently Issued Accounting Pronouncements**

In May 2014, FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which provides guidance for accounting for revenue from contracts with customers. The new guidance outlines a single comprehensive model for companies to use in accounting for revenue from contracts with customers. For private companies, the ASU is effective for annual and interim periods beginning after December 15, 2018 with early adoption permitted. It can be adopted using either a retrospective approach or a modified retrospective approach. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's consolidated financial statements and anticipates the new guidance will not have a material impact on its consolidated financial statements.

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recently Issued Accounting Pronouncements (Continued)**

In August 2016, FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958), which provides guidance for presentation of financial statements of not-for-profit (NFP) entities. The new guidance requires not-for-profits to include a number of changes in their financial presentation including presenting two classes of net assets, enhanced disclosures on board designations, management of liquid resources for cash flows, and present expenses by their natural and functional classification. The ASU will be effective for financial statements for fiscal years beginning after December 15, 2017, and for interim financial statements for periods after that date with early adoption permitted. The amendments in this update should be applied on a retrospective basis. However, if presenting comparative financial statements, the NFP has the option to omit the following information for any periods presented before the period of adoption: analysis of expenses by both natural classification and functional classification and disclosures about liquidity and availability of resources. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's consolidated financial statements and anticipates the new guidance will significantly impact its consolidated financial statements presentation.

In June 2018, FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this guidance is the determination on whether two parties receive and sacrifice commensurate value to distinguish which guidance should be applied. FASB 958-605, Not-for-Profit Entities – Revenue Recognition should be followed for contributions while FASB 606, Revenue from Contracts with Customers should be followed for exchange transactions. For private companies and organizations, the ASU is effective for annual and interim periods beginning after December 15, 2018 with early adoption permitted. It should be applied on a modified prospective basis with retrospective application being permitted. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's consolidated financial statements and anticipates the new guidance will significantly impact its consolidated financial statements presentation.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposit accounts, savings accounts and certificates of deposit with an original maturity of three months or less. Each chapter maintains these accounts at financial institutions in their local area unless they have combined the amounts in a cash management pool with other chapters. The national office maintains its demand deposit accounts, savings accounts and certificates of deposit at primarily one financial institution. At times, such investments may be in excess of FDIC insurance limits.

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash and cash equivalents.

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments are recorded at fair market value. Interest, dividends, realized and unrealized gains and losses, and investment fees are included in investment income.

**Accounts Receivable**

Accounts receivable are stated at net realizable value. All accounts receivable are due on demand. The Organization accounts for uncollectible accounts by use of the reserve method. Receivables are assessed individually for collectability based on the surrounding facts and circumstances and management's past history. When all collection efforts have been exhausted, accounts are written off. The allowance for uncollectible accounts was \$36,355 and \$35,772 at June 30, 2018 and 2017, respectively.

Receivables from agencies of the United States government accounted for 39% and 30% of the total accounts receivable balances as of June 30, 2018 and 2017, respectively. Receivables from the States of Nebraska and Minnesota accounted for 16% and 12% of the total, respectively, as of June 30, 2018 and 12% and 11% of the total receivables as of June 30, 2017.

**Pledges Receivable**

Pledges to give that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. The allowance for uncollectible pledges was \$41,645 and \$42,228 at June 30, 2018 and 2017, respectively.

Conditional pledges are not included as support until such times as the conditions are substantially met.

**Inventories**

Inventories are valued at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method. Inventory consists of apparel, prints, firearms, other items used for chapter fundraising and educational materials.

**Cash Surrender Value of Life Insurance**

The Organization is the owner and beneficiary of several life insurance policies that have been received as gifts from donors. At June 30, 2018 and 2017, the cash surrender value of those policies was \$194,963 and \$159,145, respectively. In 2013, the Organization purchased life insurance policies on key members of management as part of a split-dollar life insurance program. At June 30, 2018 and 2017, the cash surrender value of those policies was \$351,762 and \$326,950, respectively.

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

Property and equipment are generally carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method. Habitat equipment purchased by local chapters is charged to expense at the time of purchase, as this equipment is either donated to local government agencies or made widely available for use by individuals at minimal or no charge.

**Land Held for Resale and Conservation**

Periodically the Organization acquires land either by purchase or donation. The land is recorded at fair market value and land expected to be sold within one year is recorded as a current asset. At June 30, 2018 and 2017, the Organization held title to land with a value of \$5,384,831 and \$7,795,331, respectively. Of those amounts, \$305,000 and \$2,555,500 were recorded as short term as of June 30, 2018 and 2017, respectively.

**Fair Value Measurement**

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to the quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

*Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the assets and liabilities, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

*Level 3* – Inputs that are observable inputs for the asset or liability, which are typically based on the Organization's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Organization may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying value to their fair value.

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

One of the Organization's principal revenue sources are banquets and events sponsored by the local chapters. Revenues associated with such events are recognized when the event occurs. Membership dues are treated as contributions, as tangible benefits to members are nominal.

**Contributions**

The Organization considers all support available for unrestricted use unless specifically restricted by the donor.

**Contributed Goods and Services**

Donated goods and services are valued at their fair market value and are presented as revenue and offsetting program costs or land held for resale and conservation. Contributions of services are recognized for services that create or enhance nonfinancial assets, require specialized skills and are provided by individuals possessing those skills, and would have to be purchased if not provided by donation. Contributed services and promises to give services that do not meet these criteria are not recognized. The Organization receives a substantial amount of services donated by volunteers which do not meet the above criteria for recognition in the financial statements.

**Grants and Contracts**

The Organization's funding includes several cost-reimbursable grants, primarily from the United States Departments of Interior and Agriculture as well as various States. Government grants and contracts are treated as an exchange transaction, where revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as grant advances. Expenditures under government grants are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowed under these grants, the Organization will record such disallowances at the time the final assessment is made.

**Conservation Easements**

A conservation easement is a voluntary, legally enforceable agreement between a landowner and another entity in which the landowner gives up certain rights to use or modify their land subject to the terms of the easement. The entity agrees to monitor and enforce conditions within the agreement throughout the life of the easement (usually in perpetuity). In certain cases, the Organization acquires, or accepts as a donation, easements that provide conservation benefits consistent with the Organization's mission. Conservation easements that are purchased are recorded as program expense in the year acquired. Contributed easements are recorded as contribution income and program expense based on appraisal or other estimates of value. At June 30, 2018, the Organization held ten conservation easements covering a total of 6,672 acres and at June 30, 2017, the Organization held nine conservation easements covering 5,982 acres.

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Advertising Costs**

Advertising costs are charged to expense when the advertising first occurs.

**Functional Allocation of Expense**

Salaries and related expenses are allocated based on actual time spent by employees. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

**Estimates and Assumptions**

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**Canadian Affiliate**

The Organization is associated with a separate tax-exempt corporation, Pheasants Forever Canada, Inc. Activities between the two organizations relate primarily to the Canadian members receiving the Organization's magazine.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 14, 2018, the date the financial statements were available to be issued.

**NOTE 2 TAX EXEMPT STATUS**

The Organization has been granted exempt status relative to federal and state corporate income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state codes. It has been classified as an organization that is not a private foundation. Therefore, charitable contributions are tax deductible. The Organization follows the guidance outlined in the Income Tax Topic of FASB Accounting Standards Codification. The Organization is subject to unrelated business income tax on advertising revenues and merchandise sales.

The Organization projects no income tax liability for the year ended June 30, 2018. The two single member limited liability companies owned by Organization are disregarded entities for income tax purposes and follow the same tax treatment as the Organization.

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 3 INVESTMENTS**

Investments are recorded at fair market value. Investments consist of the following:

	<u>2018</u>	<u>2017</u>
Short-Term Investments:		
Cash & Cash Equivalents - Pending Investment	\$ 44,877	\$ -
Certificates of Deposit	3,405,726	5,176,253
Corporate Bonds, Fixed Income & Preferreds	2,934,546	104,355
Bond Mutual Funds	5,625,520	-
Corporate Stock	28,012	10,384
Total Short-Term Investments	<u>\$ 12,038,681</u>	<u>\$ 5,290,992</u>
Endowment Investments:		
Cash & Cash Equivalents - Pending Investment	\$ 115,724	\$ 38,647
Bond Mutual Funds	206,450	101,672
Alternative Investments	229,657	-
Corporate Bonds, Fixed Income & Preferreds	15,557	-
Corporate Stock	1,763,891	2,048,247
Total Endowment Investments	<u>\$ 2,331,279</u>	<u>\$ 2,188,566</u>

Investment income for 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
Interest and Dividends	\$ 222,571	\$ 107,691
Net Realized and Unrealized Gain(Loss) on Investments	65,302	187,371
Fees	(142,347)	(117,253)
Total	<u>\$ 145,526</u>	<u>\$ 177,809</u>

**NOTE 4 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	<u>2018</u>	<u>2017</u>	<u>Estimated Useful Lives</u>
Land	\$ 410,000	\$ 410,000	
Building and Improvements	1,035,023	1,035,023	30 Years
Habitat Equipment	1,139,456	1,550,635	5 Years
Office Equipment	2,360,960	2,360,960	3 - 5 Years
Vehicle	41,888	41,888	3 Years
Software Under Development	202,919	-	
	<u>\$ 5,190,246</u>	<u>\$ 5,398,506</u>	



**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 5 PLEDGES RECEIVABLE**

Pledges receivable consists of the following:

	2018	2017
Amounts Due in:		
Less Than One Year	\$ 491,965	\$ 368,686
One to Five Years	244,815	113,098
Total	736,780	481,784
Unamortized Discount - 2.73% and 1.62%	(11,545)	(1,929)
Allowance for Uncollectible Accounts	(41,645)	(42,228)
Net Pledge Receivable	683,590	437,627
Less: Current Portion	450,320	326,458
Pledges Receivable - Long-Term	\$ 233,270	\$ 111,169

**NOTE 6 BENEFICIAL INTEREST IN TRUST**

During 2008, the Organization was notified that it is the sole beneficiary of an irrevocable trust. The assets held in the trust consist principally of real estate, which is subject to a mortgage. The trust specifies that upon the death of the grantor's son, who serves as the trustee, the trust will terminate and all of the assets will be transferred to the Organization. The Organization's interest in the trust has been valued at the current value of the real estate, less the outstanding mortgage balance. At June 30, 2018 and 2017, the estimated real estate value was \$1,188,770 and the associated mortgage balance was \$168,000.

In 2015, the Organization was notified that it is the sole beneficiary of a charitable remainder unitrust. The trust specifies that at the end of the unitrust period of 12 years the Organization will receive the net assets of the trust. During the unitrust period the grantors shall receive an annual payment equal to 17.4% of the fair market value of the unitrust assets determined at the beginning of the year. The assets of the trust consist primarily of investment assets managed by the trustee, Ameriprise National Trust Bank of Minneapolis. The value of the unitrust assets upon creation of the trust on March 31, 2014 was \$629,748. The value of the trust assets as of December 31, 2017, the latest valuation available to the Organization, was \$342,081. The Organization projects that the value of the remaining assets after the unitrust period to be \$92,836. This discounted value as of June 30, 2018 and 2017 was \$73,830 and \$67,874, respectively.

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 7 CONTRIBUTED GOODS AND SERVICES**

The Organization received in-kind contributions relating to food plots consisting of primarily donated seed and the donated use of land. The fair market value of these items has been recorded in the financial statements as contribution income and food plot expense in the amount of \$16,477,855 and \$17,617,395 for the years ended June 30, 2018 and 2017, respectively.

The Organization periodically receives fee title donations of land as well as partial donations in the form of purchases by the Organization at less than the fair market value of the property. Fee title donations of land have been recorded in the financial statements as contribution income and an increase in land held for resale and conservation in the amount of \$760,500 for the year ended June 30, 2017. There were no land donations for the year ended June 30, 2018. The value of partial donations associated with land purchased at below market value have been recorded as contribution income and land procurement expense in the amount of \$341,600 and \$588,200 for the years ended June 30, 2018 and 2017, respectively.

**NOTE 8 LINE OF CREDIT**

The Organization maintains a \$2,500,000 revolving line of credit agreement with Wells Fargo Bank, which expires on March 5, 2019. The current agreement specifies an interest rate on outstanding balances equal to 0.75% below the index rate, defined as the lender's Prime Rate. The rate on outstanding borrowings at June 30, 2018 and 2017 was 4.25% and 3.50%, respectively. The outstanding balance at June 30, 2018 was \$124,288. There was no outstanding borrowing on the line of credit at June 30, 2017.

**NOTE 9 LONG-TERM DEBT**

Long-term debt consists of the following:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Note Payable - Wells Fargo Equipment Finance, Inc; 60 equal monthly payments of principal and interest beginning October 2016 and continuing through September 2021. There is no stated rate of interest. Secured by vehicle.	\$ 27,228	\$ 34,907
Less: Current Maturities of Long-Term Debt	8,378	8,378
Long-Term Debt, Net of Current Maturities	<u>\$ 18,850</u>	<u>\$ 26,529</u>

Scheduled Maturities on long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 8,378
2020	8,378
2021	8,378
2022	2,094
Total	<u>\$ 27,228</u>

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 10 FAIR VALUE MEASUREMENT**

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Nature of Activities and Significant Accounting Policies.

The fair value hierarchy for assets and liabilities measured at fair value on a recurring basis at June 30, 2018 and 2017 consist of the following:

	2018			
	Level 1	Level 2	Level 3	Total
Corporate Bonds & Fixed Income	\$ 2,855,248	\$ 94,855	\$ -	\$ 2,950,103
Brokered CDs	-	1,503,766	-	1,503,766
Bond Mutual Funds	5,831,971	-	-	5,831,971
Alternative Investments	229,657	-	-	229,657
Stocks	1,791,903	-	-	1,791,903
Beneficial Interest in Trusts	-	-	1,094,600	1,094,600
Total	<u>\$10,708,779</u>	<u>\$ 1,598,621</u>	<u>\$ 1,094,600</u>	<u>\$ 13,402,000</u>

  

	2017			
	Level 1	Level 2	Level 3	Total
Corporate Bonds & Fixed Income	\$ -	\$ 104,355	\$ -	\$ 104,355
Brokered CDs	-	2,704,834	-	2,704,834
Bond Mutual Funds	101,672	-	-	101,672
Equity Mutual Funds	2,048,247	-	-	2,048,247
Stocks	10,384	-	-	10,384
Beneficial Interest in Trust	-	-	1,088,644	1,088,644
Total	<u>\$ 2,160,303</u>	<u>\$ 2,809,189</u>	<u>\$ 1,088,644</u>	<u>\$ 6,058,137</u>

Directly invested bank CDs are not subject to fair value measurement disclosures.

Changes in valuation of Level 3 financial instruments are as follows for the years ended June 30:

	2018	2017
Beginning Balance	\$ 1,088,644	\$ 1,085,852
Additional Contributions	-	-
Change in Fair Value	5,956	2,792
Ending Balance	<u>\$ 1,094,600</u>	<u>\$ 1,088,644</u>

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 11 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following donor restrictions:

	2018	2017
Time Restricted Pledges	\$ 683,590	\$ 437,627
Beneficial Interest in Trust	1,094,600	1,088,644
Youth and Conservation Education Programs	286,300	252,284
Farm Bill Biologist Program	127,382	254,724
Land Acquisition and Other Habitat Projects	2,393,988	1,561,066
Technology Initiative	140,970	343,889
Restricted Land Donations	2,868,056	2,868,056
Total Temporarily Restricted Net Assets	<u>\$ 7,594,886</u>	<u>\$ 6,806,289</u>

Net assets released from restrictions consist of the following:

	2018	2017
Collection of Pledges	\$ 337,003	\$ 342,181
Satisfaction of Program Restrictions	470,117	785,215
Total Net Assets Released from Restrictions	<u>\$ 807,120</u>	<u>\$ 1,127,396</u>

**NOTE 12 ENDOWMENT AND SIMILAR FUNDS**

The Organization's endowments consist of four funds established for a variety of purposes. The Endowments and Similar Funds may include both donor-restricted endowment funds, donor-restricted stewardship funds, as well as funds designated by the board of directors to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence and nature of donor-imposed restrictions.

**Interpretation of Relevant Law**

In August 2008, the Codification on Endowments of Not-For-Profit Organizations: Net Asset Classification of Funds Subject to the Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Fund was issued. The Codification addresses accounting issues related to guidelines in the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the National Conferences of Commissioners on Uniform State Laws in July 2006. The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original donor-restricted endowment gifts as of the date of the gift absent explicit donor stipulations to the contrary. As a result of this stipulation, the Organization classifies as permanently restricted net assets (a) the original value of cash gifts donated to the permanent endowment and (b) the discounted value of future gifts promised to the permanent endowment, net of allowances for uncollectible pledges. The remaining portion of donor-restricted endowment funds not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence by UPMIFA.

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 12 ENDOWMENT AND SIMILAR FUNDS (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The purposes of the Organization and donor-restricted endowment fund
- The duration and preservation of the fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Investment policies
- Other available financial resources

**Spending Policy, Objectives and Strategies**

The Organization has adopted investment and spending policies for permanently restricted cash contributions that attempt to provide a predictable stream of funding to programs, while maintaining purchasing power. The annual distribution is determined annually by the Board of Directors and is expressed as an amount not to exceed 5% of the previous 12 quarterly average investment market values each December 31. All earnings from these funds are reflected as temporarily restricted net assets until appropriated for program expenditures.

Endowment and similar fund's net asset composition by fund type at June 30, 2018 and 2017 are as follows:

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b><u>Donor Restricted Endowments and Similar Funds:</u></b>				
Habitat Education Program	\$ -	\$ 9,246	\$ 66,003	\$ 75,249
Forever Shooting Sports Program	-	43,999	252,260	296,259
Wildlife Conservation Experience	-	82,228	400,000	482,228
Forever Stewardship Fund	-	409,564	-	409,564
Total Donor Restricted	\$ -	\$ 545,037	\$ 718,263	\$ 1,263,300
<b><u>Designated Endowment and Similar Funds:</u></b>				
Forever Shooting Sports Program	\$ 791,675	\$ -	\$ -	\$ 791,675
Forever Stewardship Fund	276,304	-	-	276,304
	\$ 1,067,979	\$ -	\$ -	\$ 1,067,979
	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b><u>Donor Restricted Endowments and Similar Funds:</u></b>				
Habitat Education Program	\$ -	\$ 8,170	\$ 63,253	\$ 71,423
Forever Shooting Sports Program	-	35,949	252,260	288,209
Wildlife Conservation Experience	-	78,734	400,000	478,734
Forever Stewardship Fund	-	320,068	-	320,068
Total Donor Restricted	\$ -	\$ 442,921	\$ 715,513	\$ 1,158,434
<b><u>Designated Endowment:</u></b>				
Forever Shooting Sports Program	\$ 770,150	\$ -	\$ -	\$ 770,150
Forever Stewardship Fund	259,982	-	-	259,982
	\$ 1,030,132	\$ -	\$ -	\$ 1,030,132

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 12 ENDOWMENT AND SIMILAR FUNDS (CONTINUED)**

Changes in endowment net asset for the years ended June 30, 2018 and 2017 are as follows:

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets - July 1, 2017	\$ 1,030,132	\$ 442,921	\$ 715,513	\$ 2,188,566
Investment Return	64,570	72,609	-	137,179
Contributions & Designations	12	69,400	2,750	72,162
Appropriation of Endowment				
Assets for Expenditure	(26,736)	(39,893)	-	(66,629)
Endowment Net Assets - June 30, 2018	<u>\$ 1,067,978</u>	<u>\$ 545,037</u>	<u>\$ 718,263</u>	<u>\$ 2,331,279</u>

  

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets - July 1, 2016	\$ 947,017	\$ 283,821	\$ 713,013	\$ 1,943,850
Investment Return	100,455	105,614	-	206,069
Contributions & Designations	2,070	90,414	2,500	94,984
Appropriation of Endowment				
Assets for Expenditure	(19,410)	(36,927)	-	(56,338)
Endowment Net Assets - June 30, 2017	<u>\$ 1,030,132</u>	<u>\$ 442,921</u>	<u>\$ 715,513</u>	<u>\$ 2,188,566</u>

**NOTE 13 LEASES**

The Organization leases various equipment and vehicles under operating leases that expire between 2018 and 2023. The following is a schedule of future minimum lease payments due through the terms of these leases:

<u>Year Ending June 30,</u>	<u>Office Equipment</u>	<u>Equipment and Vehicles</u>	<u>Total</u>
2019	\$ 3,451	\$ 205,438	\$ 208,889
2020	2,520	146,904	149,424
2021	2,520	27,043	29,563
2022	2,520	-	2,520
2023	2,520	-	2,520
Total	<u>\$ 13,531</u>	<u>\$ 379,385</u>	<u>\$ 392,916</u>

Office equipment lease expense was \$6,216 and \$5,586 for the years ended June 30, 2018 and 2017, respectively. Equipment and vehicle lease expense was \$196,146 and \$252,134 in the years ended June 30, 2018 and 2017, respectively.

In 2006 the Organization acquired the land and building which serves as its national headquarters at a cost of \$1,377,625. At June 30, 2018 and 2017, the building had accumulated depreciation of \$370,923 and \$338,669, respectively. The Organization leases a portion of the building to two unrelated tenants.

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 13 LEASES (CONTINUED)**

Upon taking ownership, the Organization assumed two leases, which account for 45% of the building space, and expire in October 2019 and May 2019. The lease expiring in May 2019 permits the lessee to terminate the lease any time after May 2016 by providing at least a six month notice. The lease agreements provide that the lessees are responsible for the base rent, plus their share of real estate taxes, maintenance and insurance. The following is a schedule of the future minimum lease payments (base rent) due to be received through the terms of these leases:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 96,208
2020	9,969
Total	<u>\$ 106,177</u>

For the years ended June 30, 2018 and 2017, the Organization recorded rental income associated with these leases of \$131,347 and \$131,993, respectively. For the years ended June 30, 2018 and 2017, the Organization had associated expenses related to an allocable portion of real estate taxes and maintenance of \$26,971 and \$23,700, respectively.

**NOTE 14 RETIREMENT PLAN**

The Organization maintains a qualified retirement plan under IRC Section 401(k). The plan covers all employees that meet the minimum age, job classification, and length of service requirements. Employees can make voluntary contributions to the plan. Vesting is immediate for these employee contributions. The plan also provides for matching contributions and discretionary employer contributions, which are determined annually by the Organization's Board of Directors. These contributions are subject to a vesting schedule. Total employer contributions were \$703,836 and \$640,163 for the years ended June 30, 2018 and 2017, respectively.

**NOTE 15 ANNUITY AGREEMENT**

The Organization has a charitable gift annuity agreement, which provides for an annual payment to the annuitants for the duration of their lives. An annuity liability has been recorded based on the present value of the future expected payments calculated using a discount rate of 4% and applicable life expectancy tables. An unrestricted contribution has been recognized for the difference between the fair market value of the assets received and the annuity liability. Annual revaluations of the annuity liability are recorded as changes in unrestricted net assets.

**INDEPENDENT AUDITORS' REPORT ON  
SUPPLEMENTARY INFORMATION**

Board of Directors  
Pheasants Forever, Inc. and Subsidiaries  
St. Paul, Minnesota

We have audited the consolidated financial statements of Pheasants Forever, Inc. and Subsidiaries as of and for the years ended June 30, 2018 and 2017 and our report dated November 14, 2018, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating balance sheet and consolidating schedule of activities, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Boyum + Barescheer PLLP*

**Boyum & Barescheer PLLP**

Minneapolis, Minnesota  
November 14, 2018



**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**CONSOLIDATING BALANCE SHEET - UNAUDITED**  
**JUNE 30, 2018**

	Pheasants Forever, Inc.	Habitat Forever, LLC	The Forever Land Trust, LLC	Eliminations	Total
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalent	\$ 10,598,599	\$ 138,919	\$ 39,377	\$ -	\$ 10,776,895
Investments	12,629,627	-	-	(590,946)	12,038,681
Accounts Receivable (Net)	8,650,724	579,899	-	(343,959)	8,886,664
Pledges Receivable	450,320	-	-	-	450,320
Inventories	2,043,008	55,949	-	-	2,098,957
Land Held for Resale & Conservation	305,000	-	-	-	305,000
Prepaid Expenses	904,965	13,822	-	-	918,787
Total Current Assets	<u>35,582,243</u>	<u>788,589</u>	<u>39,377</u>	<u>(934,905)</u>	<u>35,475,304</u>
<b>PROPERTY AND EQUIPMENT</b>	3,815,315	1,374,931	-	-	5,190,246
Less: Accumulated Depreciation	<u>2,348,847</u>	<u>1,310,715</u>	<u>-</u>	<u>-</u>	<u>3,659,562</u>
Total Property and Equipment	1,466,468	64,216	-	-	1,530,684
<b>OTHER ASSETS</b>					
Investments - Endowments	2,331,279	-	-	-	2,331,279
Land Held for Resale & Conservation	4,859,144	-	220,687	-	5,079,831
Pledges Receivable - Long Term	233,270	-	-	-	233,270
Beneficial Interest in Trust	1,094,600	-	-	-	1,094,600
Cash Surrender Value of Life Insurance	546,725	-	-	-	546,725
Total Other Assets	<u>9,065,018</u>	<u>-</u>	<u>220,687</u>	<u>-</u>	<u>9,285,705</u>
Total Assets	<u>\$ 46,113,729</u>	<u>\$ 852,805</u>	<u>\$ 260,064</u>	<u>\$ (934,905)</u>	<u>\$ 46,291,693</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts Payable	\$ 5,151,924	\$ 584,146	\$ -	\$ (343,959)	\$ 5,392,111
Accrued Employee Benefits, Withholdings and Other Liabilities	1,537,894	87,577	-	-	1,625,471
Current Maturities of Long-Term Debt	8,378	-	-	-	8,378
Land Purchase Installment Payable	-	-	-	-	-
Grant Advances	3,202,307	469,338	-	-	3,671,645
Deferred Revenues	320,322	16,841	-	-	337,163
Liability Under Annuity Agreement	17,738	-	-	-	17,738
Line of Credit	124,288	-	-	-	124,288
Total Current Liabilities	<u>10,362,851</u>	<u>1,157,902</u>	<u>-</u>	<u>(343,959)</u>	<u>11,176,794</u>
<b>LONG-TERM LIABILITIES</b>					
Liability Under Annuity Agreement	167,504	-	-	-	167,504
Long-Term Debt, Net of Current Maturities	18,850	-	-	-	18,850
Total Long-Term Liabilities	<u>186,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>186,354</u>
Total Liabilities	10,549,205	1,157,902	-	(343,959)	11,363,148
<b>NET ASSETS</b>					
Unrestricted	24,476,739	(305,097)	260,064	(590,946)	23,840,760
Unrestricted - Board Designated Reserve	1,706,657	-	-	-	1,706,657
Unrestricted - Designated Endowment	791,675	-	-	-	791,675
Unrestricted - Designated Stewardship Funds	276,304	-	-	-	276,304
Temporarily Restricted	7,594,886	-	-	-	7,594,886
Permanently Restricted	718,263	-	-	-	718,263
Total Net Assets	<u>35,564,524</u>	<u>(305,097)</u>	<u>260,064</u>	<u>(590,946)</u>	<u>34,928,545</u>
Total Liabilities and Net Assets	<u>\$ 46,113,729</u>	<u>\$ 852,805</u>	<u>\$ 260,064</u>	<u>\$ (934,905)</u>	<u>\$ 46,291,693</u>

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES - UNAUDITED**  
**YEAR ENDED JUNE 30, 2018**

	Pheasants Forever, Inc.	Habitat Forever, LLC	The Forever Land Trust, LLC	Eliminations	Total
<b>CHANGES IN UNRESTRICTED NET ASSETS:</b>					
<b>SUPPORT AND REVENUE</b>					
Support:					
Contributions (Including In-Kind Contributions)	\$ 23,769,570	\$ 25,040	\$ 6,250	\$ (23,457)	\$ 23,777,403
Banquet and Event Revenues	22,713,117	-	-	-	22,713,117
Direct Expenses of Banquets and Events	(15,357,628)	-	-	-	(15,357,628)
Net Support from Banquets and Events	7,355,489	-	-	-	7,355,489
Membership Dues	5,474,163	-	-	-	5,474,163
Total Support	36,599,222	25,040	6,250	(23,457)	36,607,055
Revenue:					
Sales of Merchandise	500,039	-	-	-	500,039
Cost of Merchandise Sold	(278,567)	-	-	-	(278,567)
Gross Profit on Merchandise Sales	221,472	-	-	-	221,472
Program Service Revenue	14,280,962	857,616	-	(55,867)	15,082,711
Government Program Grants	39,416,827	2,946,973	-	-	42,363,800
Advertising Revenues	1,013,343	-	-	-	1,013,343
Investment Income	72,917	-	-	-	72,917
Other Income	412,919	86,560	-	(113,160)	386,319
Total Revenue	55,418,440	3,891,149	-	(169,027)	59,140,562
Net Assets Released from Restrictions	807,120	-	-	-	807,120
Total Support and Revenue	92,824,782	3,916,189	6,250	(192,484)	96,554,737
<b>EXPENSES</b>					
Program Services	83,165,291	3,786,917	2,167	(156,484)	86,797,891
Supporting Services:					
Administrative Expenses	2,226,584	49,738	577	(36,000)	2,240,899
Fundraising Expenses	7,330,507	-	-	-	7,330,507
Total Supporting Services	9,557,091	49,738	577	(36,000)	9,571,406
Total Expenses	92,722,382	3,836,655	2,744	(192,484)	96,369,297
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>	102,400	79,534	3,506	-	185,440
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>					
Time and Purpose Restricted Contributions	1,523,107	-	-	-	1,523,107
Investment Income	72,609	-	-	-	72,609
Net Assets Released from Restrictions	(807,120)	-	-	-	(807,120)
Changes in Temporarily Restricted Net Assets	788,596	-	-	-	788,596
<b>PERMANENTLY RESTRICTED CONTRIBUTIONS</b>	2,750	-	-	-	2,750
<b>CHANGES IN NET ASSETS</b>	893,746	79,534	3,506	-	976,786
Net Assets - Beginning of the Year	34,670,778	(384,631)	256,558	(590,946)	33,951,759
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 35,564,524</b>	<b>\$ (305,097)</b>	<b>\$ 260,064</b>	<b>\$ (590,946)</b>	<b>\$ 34,928,545</b>