

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED BALANCE SHEETS	3
CONSOLIDATED STATEMENTS OF ACTIVITY	4
CONSOLIDATED STATEMENTS OF CASH FLOWS	5
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION	22
SUPPLEMENTARY INFORMATION	
CONSOLIDATING BALANCE SHEET	23
CONSOLIDATED SCHEDULE OF ACTIVITY	24

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, 2017 and 2016 and the related consolidated statements of activity, 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, 2017 and 2016, 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 17, 2017, 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 17, 2017

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2017 AND 2016

ASSETS	2017	2016
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 17,004,277	\$ 18,990,738
Investments - Short-term	5,290,992	4,741,312
Accounts Receivable (Net)	6,647,991	5,578,093
Pledges Receivable (Net)	326,458	310,889
Inventories	1,508,409	1,537,578
Land Held for Resale & Conservation	2,555,500	121,170
Prepaid Expenses	958,066	966,324
Total Current Assets	34,291,693	32,246,104
PROPERTY AND EQUIPMENT		
	5,398,506	5,224,777
Less: Accumulated Depreciation	3,955,032	3,699,865
Total Property and Equipment	1,443,474	1,524,912
OTHER ASSETS		
Investments - Endowments	2,188,566	1,943,850
Land Held for Resale & Conservation	5,239,831	4,309,643
Pledges Receivable - Long-Term	111,169	105,654
Beneficial Interest in Trusts	1,088,644	1,085,852
Cash Surrender Value of Life Insurance	486,095	422,005
Total Other Assets	9,114,305	7,867,004
Total Assets	\$ 44,849,472	\$ 41,638,020
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 5,477,004	\$ 5,582,819
Accrued Employee Benefits, Withholdings and Other Liabilities	1,384,931	1,358,884
Current Maturities of Long Term Debt	8,378	-
Land Purchase Installment Payable	257,594	-
Grant Advances	3,163,488	1,456,277
Deferred Revenues	385,936	225,352
Liability Under Annuity Agreement	17,393	17,667
Total Current Liabilities	10,694,724	8,641,000
LONG-TERM LIABILITIES		
Liability Under Annuity Agreement	176,460	186,298
Long-Term Debt, Net of Current Maturities	26,529	-
Total Long-Term Liabilities	202,989	186,298
Total Liabilities	10,897,713	8,827,298
NET ASSETS		
Unrestricted	23,854,555	22,852,365
Unrestricted - Board Designated Reserve	1,545,270	1,478,879
Unrestricted - Designated Endowment	770,150	712,167
Unrestricted - Designated Stewardship Funds	259,982	234,851
Temporarily Restricted	6,806,289	6,819,447
Permanently Restricted	715,513	713,013
Total Net Assets	33,951,759	32,810,722
Total Liabilities and Net Assets	\$ 44,849,472	\$ 41,638,020

See accompanying Notes to Consolidated Financial Statements.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITY
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CHANGES IN UNRESTRICTED NET ASSETS:		
SUPPORT AND REVENUE		
Support:		
Contributions (Including In-Kind Contributions - Note 7)	\$ 26,945,064	\$ 20,305,685
Banquet and Event Revenues	22,741,420	20,948,567
Direct Expenses of Banquets and Events	(14,641,667)	(13,620,882)
Net Support from Banquets and Events	8,099,753	7,327,685
Membership Dues	5,235,528	5,319,379
Total Support	40,280,345	32,952,749
Revenue:		
Sales of Merchandise	669,066	475,577
Cost of Merchandise Sold	(441,252)	(241,274)
Gross Profit on Merchandise Sales	227,814	234,303
Program Service Revenue	10,676,619	14,973,630
Government Program Grants	35,340,424	36,446,946
Advertising Revenues	835,190	698,202
Investment Income	72,195	(148,101)
Other Income	415,283	488,480
Total Revenue	47,567,525	52,693,458
Net Assets Released from Restrictions	1,127,396	1,392,349
Total Support and Revenue	88,975,266	87,038,556
EXPENSES		
Program Services	79,203,929	77,059,069
Supporting Services:		
Administrative Expenses	2,108,941	1,891,902
Fundraising Expenses	6,510,701	6,591,937
Total Supporting Services	8,619,642	8,483,839
Total Expenses	87,823,571	85,542,908
CHANGES IN UNRESTRICTED NET ASSETS	1,151,695	1,495,648
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Time and Purpose Restricted Contributions	1,008,624	1,691,384
Investment Income	105,614	(35,014)
Net Assets Released from Restrictions	(1,127,396)	(1,392,349)
Changes in Temporarily Restricted Net Assets	(13,158)	264,021
PERMANENTLY RESTRICTED CONTRIBUTIONS	2,500	5,938
CHANGES IN NET ASSETS	1,141,037	1,765,607
Net Assets - Beginning of the Year	32,810,722	31,045,115
NET ASSETS - END OF YEAR	\$ 33,951,759	\$ 32,810,722

See accompanying Notes to Consolidated Financial Statements.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 1,141,037	\$ 1,765,607
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Value of Donated Land	(760,500)	(99,000)
Land Reevaluations	89,170	-
Loss on Disposal of Property & Equipment	-	25,769
Depreciation	304,456	340,383
Net Realized and Unrealized Loss (Gain) on Investments	(187,372)	130,990
Change in Valuation of Annuity Obligations	15,034	25,146
Change in Valuation of Beneficial Interest in Trusts	(2,792)	(27,614)
Change in Valuation of Life Insurance	(64,090)	(112,486)
Contributions Restricted for Long-Term Investment	(2,500)	(5,938)
Change in Current Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(1,069,898)	(419,793)
Decrease (Increase) in Inventories	29,169	141,367
(Increase) Decrease in Pledges Receivable	(21,084)	54,542
Increase in Prepaid Expenses	8,258	(299,630)
Increase (Decrease) in Accounts Payable	(105,815)	898,304
Increase in Accrued Employee Benefits, Withholdings and Other Liabilities	26,047	401,107
(Decrease) Increase in Grant Advances	1,707,211	(645,520)
(Decrease) Increase in Deferred Revenues	160,584	28,539
Increase in Land Purchase Installment Payable	257,594	-
Net Cash Provided by Operating Activities	1,524,509	2,201,773
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property and Equipment	(181,130)	(53,257)
Proceeds from Sale of Property & Equipment	-	700
Acquisition of Land Held for Resale	(2,717,188)	-
Proceeds from Sale of Land Held for Resale	24,000	376,000
Purchase of Investments	(6,852,027)	(4,709,263)
Proceeds from Sale of Investments	6,245,003	6,242,369
Net Cash (Used) Provided by Investing Activities	(3,481,342)	1,856,549
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	(6,981)	(8,348)
Net (Payments) Borrowings on Bank Line of Credit	-	(1,220,295)
Contributions Restricted for Long-Term Investment	2,500	5,938
Payment on Annuity Obligation	(25,147)	(25,147)
Net Cash (Used) Provided by Financing Activities	(29,628)	(1,247,852)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,986,461)	2,810,470
Cash and Cash Equivalents - Beginning of Year	18,990,738	16,180,268
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 17,004,277	\$ 18,990,738
NON-CASH TRANSACTIONS		
Vehicle Purchased in Exchange for Note Payable	\$ 41,888	\$ -
Cash Paid for Interest	\$ 4,211	\$ 32,774

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			
	Habitat Projects	Public Awareness and Education	Field Operations	Membership Services	Chapter Services	Total Program Services	Administrative Expenses	Fundraising Expenses	Total Expenses
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	77,990	300,219	40,419	262,232	602,869
Total Expenses	\$68,179,949	\$ 7,385,810	\$ 2,540,973	\$ 849,275	\$ 247,920	\$79,203,929	\$ 2,108,941	\$ 6,510,701	\$ 87,823,571
	<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>2.39%</u>	<u>7.41%</u>	<u>100.00%</u>

See accompanying Notes to Consolidated Financial Statements.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Program Services					Supporting Services			
	Habitat Projects	Public Awareness and Education	Field Operations	Membership Services	Chapter Services	Total Program Services	Administrative Expenses	Fundraising Expenses	Total Expenses
Woody Cover/Shelter Belts	\$ 661,516	\$ -	\$ -	\$ -	\$ -	\$ 661,516	\$ -	\$ -	\$ 661,516
Nesting Cover	18,318,107	-	-	-	-	18,318,107	-	-	18,318,107
Food Plots/Feeding	14,435,003	-	-	-	-	14,435,003	-	-	14,435,003
Land Procurement	21,599,174	-	-	-	-	21,599,174	-	-	21,599,174
Wetland Restoration	27,545	-	-	-	-	27,545	-	-	27,545
Equipment for Habitat	955,301	-	-	-	-	955,301	-	-	955,301
Other Habitat Projects	1,939,027	-	-	-	-	1,939,027	-	-	1,939,027
Youth Programs	31,201	2,851,773	-	-	-	2,882,974	-	-	2,882,974
Publications	-	728,108	-	-	-	728,108	-	-	728,108
Other Public Awareness and Education	-	894,042	-	-	-	894,042	-	-	894,042
Chapter Advertising and Promotion	-	-	-	-	-	-	-	1,344,664	1,344,664
Salaries and Wages	6,087,443	1,504,395	1,234,144	315,767	57,384	9,199,132	1,080,185	2,180,883	12,460,200
Payroll Tax Expense	442,205	101,328	110,719	24,186	3,292	681,730	73,021	160,759	915,510
Employee Benefits	585,827	77,036	83,602	31,347	2,126	779,938	73,008	150,008	1,002,955
Retirement Plan	274,775	80,234	61,563	17,306	5,379	439,257	99,191	111,896	650,344
Legal Fees	-	-	-	-	-	-	17,909	3,724	21,632
Consulting Fees	-	2,438	-	4,515	-	6,952	38,362	70,200	115,515
Accounting and Audit Fees	-	-	-	-	-	-	134,251	-	134,251
State Registration Fees	-	-	-	-	8,961	8,961	500	-	9,461
Insurance	107,318	17,914	17,149	6,065	124,248	272,694	27,550	86,404	386,647
Government Relations	-	334,045	-	-	-	334,045	-	-	334,045
Direct Mail Expenses	-	-	-	-	-	-	-	1,181,696	1,181,696
Printing and Supplies	106,399	62,268	41,217	185,843	44,503	440,231	48,574	252,173	740,978
Postage	4,083	4,999	6,536	242,536	4,088	262,241	19,908	14,325	296,475
Shipping	-	-	-	-	-	-	-	261,248	261,248
Occupancy	-	16,996	-	2,509	949	20,454	3,763	28,186	52,403
Telephone	47,494	33,198	26,015	8,355	-	115,062	29,806	36,536	181,404
Travel Expense	626,184	112,676	270,499	207	37	1,009,603	33,102	391,606	1,434,310
Meetings and Conferences	56,911	3,932	12,021	179	-	73,042	76,731	11,098	160,872
Depreciation	112,574	98,213	2,317	13,937	13,821	240,861	28,265	71,257	340,383
Equipment Rental and Maintenance	401,054	1,125	276	7,101	11,968	421,525	38,978	21,139	481,642
Bad Debt Expense	-	-	-	-	-	-	19,447	-	19,447
Interest Expense	-	-	-	-	-	-	32,774	-	32,774
Miscellaneous	171,782	42,275	14,808	700	82,980	312,545	16,579	214,135	543,257
Total Expenses	\$66,990,921	\$ 6,966,992	\$ 1,880,867	\$ 860,554	\$ 359,735	\$77,059,069	\$ 1,891,902	\$ 6,591,937	\$ 85,542,908
	<u>78.31%</u>	<u>8.14%</u>	<u>2.20%</u>	<u>1.01%</u>	<u>0.42%</u>	<u>90.08%</u>	<u>2.21%</u>	<u>7.71%</u>	<u>100.00%</u>

See accompanying Notes to Consolidated Financial Statements.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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, 2017 and 2016 the board designated net assets as operating reserves in the amounts of \$1,545,270 and \$1,478,879, respectively. The organization also had unrestricted net assets designated as endowments in the amounts of \$770,150 and \$712,167 at June 30, 2017 and 2016, respectively. At June 30, 2017 and 2016, the Organization also had unrestricted net assets designated for the Forever Stewardship Fund in the amount of \$259,982 and \$234,851, 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, 2017 and 2016, 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.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

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.

Investments

Investments are recorded at fair market value. Interest, dividends, and realized and unrealized gains and losses 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 \$35,772 and \$35,691 at June 30, 2017 and 2016, respectively.

Receivables from agencies of the United States government accounted for 30% and 35% of the total accounts receivable balances as of June 30, 2017 and 2016, respectively. Receivables from the State of Nebraska and Minnesota accounted for 12% and 12% of the total, respectively, as of June 30, 2017 and 11% and 13% of the total receivables as of June 30, 2016.

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 \$42,228 and \$42,309 at June 30, 2017 and 2016, 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, other items used for chapter fundraising and educational materials.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

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, 2017 and 2016, the cash surrender value of those policies was \$159,145 and \$145,545, 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, 2017 and 2016, the cash surrender value of those policies was \$326,950 and \$276,460, respectively.

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. Typically the land is subsequently transferred at no cost to a local government agency to manage for wildlife purposes. At June 30, 2017 and 2016, the Organization held title to land with a value at the date of donation or cost of \$7,795,331 and \$4,430,813, respectively. Land expected to be sold within one year is classified as a current asset. Land expected to be held longer than one year is classified as non-current.

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.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

Fair Value Measurement (Continued)

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.

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.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

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, 2017, the Organization held nine conservation easements covering a total of 5,982 acres and at June 30, 2016, the Organization held four conservation easements covering 672 acres.

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 17, 2017, the date the financial statements were available to be issued.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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, 2017. 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.

NOTE 3 INVESTMENTS

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

	<u>2017</u>	<u>2016</u>
Short-Term Investments:		
Certificates of Deposit	\$ 5,176,253	\$ 4,613,914
Corporate Bonds	104,355	114,974
Bond Mutual Funds	-	8,853
Equity Mutual Funds	-	3,571
Stocks	10,384	-
Total Short-Term Investments	<u>\$ 5,290,992</u>	<u>\$ 4,741,312</u>
Endowment Investments:		
Cash & Cash Equivalents - Pending Investment	\$ 38,647	\$ 8,221
Bond Mutual Funds	101,672	134,428
Equity Mutual Funds	2,048,247	1,801,201
Total Endowment Investments	<u>\$ 2,188,566</u>	<u>\$ 1,943,850</u>

Investment income for 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and Dividends	\$ 107,691	\$ 68,553
Net Realized and Unrealized Gain(Loss) on Investments	187,371	(130,991)
Fees	(117,253)	(120,677)
Total	<u>\$ 177,809</u>	<u>\$ (183,115)</u>

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2017	2016	Estimated Useful Lives
Land	\$ 410,000	\$ 410,000	
Building and Improvements	1,035,023	1,013,230	30 Years
Habitat Equipment	1,550,635	1,433,904	5 Years
Office Equipment	2,360,960	2,318,354	3 - 5 Years
Vehicle	41,888	49,289	3 Years
Software Under Development	-	-	
	<u>\$ 5,398,506</u>	<u>\$ 5,224,777</u>	

NOTE 5 PLEDGES RECEIVABLE

Pledges receivable consists of the following:

	2017	2016
Amounts Due in:		
Less Than One Year	\$ 368,686	\$ 353,198
One to Five Years	113,098	108,076
Total	<u>481,784</u>	<u>461,274</u>
Unamortized Discount - 1.62%	(1,929)	(2,422)
Allowance for Uncollectible Accounts	<u>(42,228)</u>	<u>(42,309)</u>
Net Pledge Receivable	437,627	416,543
Less: Current Portion	326,458	310,889
Pledges Receivable - Long-Term	<u>\$ 111,169</u>	<u>\$ 105,654</u>

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, 2017 and 2016, 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, 2016, the latest valuation available to the Organization, was \$379,569. The Organization projects that the value of the remaining assets after the unitrust period to be \$87,907. This discounted value as of June 30, 2017 and 2016 was \$67,874 and \$65,082, respectively.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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 \$17,617,395 and \$13,434,301 for the years ended June 30, 2017 and 2016, 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 and \$99,000 for the years ended June 30, 2017 and 2016, respectively. 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 \$588,200 and \$326,580 for the years ended June 30, 2017 and 2016, 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 April 5, 2018. 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, but not less than 2.75%. The rate on outstanding borrowings at June 30, 2017 and 2016 was 3.50% and 2.75%, respectively. Outstanding borrowings on the line are secured by bank certificates of deposit. There was no outstanding borrowing on the line of credit at June 30, 2017 or June 30, 2016.

NOTE 9 LONG-TERM DEBT

Long-term debt consists of the following:

<u>Description</u>	<u>2017</u>	<u>2016</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.	\$ 34,907	\$ -
Less: Current Maturities of Long-Term Debt	8,378	-
Long-Term Debt, Net of Current Maturities	<u>\$ 26,529</u>	<u>\$ -</u>

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 9 LONG-TERM DEBT (CONTINUED)

Scheduled Maturities on long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	8,378
2019	8,378
2020	8,378
2021	8,378
2022	1,397
Total	<u>\$ 34,907</u>

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, 2017 and 2016 consist of the following:

	2017			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate Bonds	\$ -	\$ 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 Trusts	-	-	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>
	2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate Bonds	\$ -	\$ 114,974	\$ -	\$ 114,974
Brokered CDs	-	2,154,534	-	2,154,534
Stocks	-	-	-	-
Bond Mutual Funds	143,281	-	-	143,281
Equity Mutual Funds	1,804,772	-	-	1,804,772
Stocks	-	-	-	-
Beneficial Interest in Trust	-	-	1,085,852	1,085,852
Total	<u>\$ 1,948,053</u>	<u>\$ 2,269,507</u>	<u>\$ 1,085,852</u>	<u>\$ 5,303,413</u>

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

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 10 FAIR VALUE MEASUREMENT (CONTINUED)

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

	2017	2016
Beginning Balance	\$ 1,085,852	\$ 1,058,238
Additional Contributions	-	-
Change in Fair Value	2,792	27,614
Ending Balance	\$ 1,088,644	\$ 1,085,852

NOTE 11 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following donor restrictions:

	2017	2016
Time Restricted Pledges	\$ 437,627	\$ 416,543
Beneficial Interest in Trust	1,088,644	1,085,852
Youth and Conservation Education Programs	252,284	650,940
Farm Bill Biologist Program	254,724	315,697
Land Acquisition and Other Habitat Projects	1,561,066	1,296,300
Technology Initiative	343,889	343,889
Restricted Land Donations	2,868,056	2,710,226
Total Temporarily Restricted Net Assets	\$ 6,806,289	\$ 6,819,447

Net assets released from restrictions consist of the following:

	2017	2016
Collection of Pledges	\$ 342,181	\$ 363,920
Satisfaction of Program Restrictions	785,215	1,028,429
Total Net Assets Released from Restrictions	\$ 1,127,396	\$ 1,392,349

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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.

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.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 12 ENDOWMENT AND SIMILAR FUNDS (CONTINUED)

Endowment and similar fund's net asset composition by fund type at June 30, 2017 and 2016 are as follows:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<u>Donor Restricted Endowments and Similar Funds:</u>				
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	<u>\$ -</u>	<u>\$ 442,921</u>	<u>\$ 715,513</u>	<u>\$ 1,158,434</u>
<u>Designated Endowment and Similar Funds:</u>				
Forever Shooting Sports Program	\$ 770,150	\$ -	\$ -	\$ 770,150
Forever Stewardship Fund	259,982	-	-	259,982
	<u>\$ 1,030,132</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,030,132</u>
	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<u>Donor Restricted Endowments and Similar Funds:</u>				
Habitat Education Program	\$ -	\$ 4,434	\$ 60,753	\$ 65,187
Forever Shooting Sports Program	-	14,968	252,260	267,228
Wildlife Conservation Experience	-	56,963	400,000	456,963
Forever Stewardship Fund	-	207,455	-	207,455
Total Donor Restricted	<u>\$ -</u>	<u>\$ 283,820</u>	<u>\$ 713,013</u>	<u>\$ 996,832</u>
<u>Designated Endowment:</u>				
Forever Shooting Sports Program	\$ 712,167	\$ -	\$ -	\$ 712,167
Forever Stewardship Fund	234,851	-	-	234,851
	<u>\$ 947,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 947,017</u>

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 12 ENDOWMENT AND SIMILAR FUNDS (CONTINUED)

Changes in endowment net asset for the years ended June 30, 2017 and 2016 are as follows:

	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	(19,411)	(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>
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - July 1, 2015	\$ 614,007	\$ 144,659	\$ 707,075	\$1,465,741
Investment Return	(25,098)	(35,014)	-	(60,112)
Contributions & Designations	370,345	207,000	5,938	583,283
Appropriation of Endowment				
Assets for Expenditure	(12,237)	(32,825)	-	(45,062)
Endowment Net Assets - June 30, 2016	<u>\$ 947,017</u>	<u>\$ 283,821</u>	<u>\$ 713,013</u>	<u>\$1,943,850</u>

NOTE 13 LEASES

The Organization leases various equipment and vehicles under operating leases that expire between 2017 and 2021. 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>
2018	5,586	150,437	156,023
2019	931	117,447	118,378
2020	-	69,706	69,706
2021	-	2,009	2,009
Total	<u>\$ 6,517</u>	<u>\$ 339,599</u>	<u>\$ 346,116</u>

Office equipment lease expense was \$5,586 for both of the years ended June 30, 2017 and 2016. Equipment and vehicle lease expense was \$252,134 and \$273,100 in the years ended June 30, 2017 and 2016, 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, 2017 and 2016, the building had accumulated depreciation of \$338,669 and \$306,415, respectively. The Organization leases a portion of the building to two unrelated tenants.

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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>
2018	98,820
2019	96,208
2020	9,969
Total	<u>\$ 204,997</u>

For the years ended June 30, 2017 and 2016, the Organization recorded rental income associated with these leases of \$131,993 and \$130,862, respectively. For the years ended June 30, 2017 and 2016, the Organization had associated expenses related to an allocable portion of real estate taxes and maintenance of \$23,700 and \$26,735, 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 \$640,163 and \$583,696 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016 and our report dated November 17, 2017, 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 taken as a whole.

The consolidating balance sheet and consolidating schedule of activity, 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 + Barenscheer PLLP

Boyum & Barenscheer PLLP

Minneapolis, Minnesota
November 17, 2017

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET - UNAUDITED
JUNE 30, 2017

	Pheasants Forever, Inc.	Habitat Forever, LLC	The Forever Land Trust, LLC	Eliminations	Total
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalent	\$ 16,653,647	\$ 314,759	\$ 35,871	\$ -	\$ 17,004,277
Investments	5,881,938	-	-	(590,946)	5,290,992
Accounts Receivable (Net)	7,453,969	179,973	-	(985,951)	6,647,991
Pledges Receivable	326,458	-	-	-	326,458
Inventories	1,503,501	4,908	-	-	1,508,409
Land Held for Resale & Conservation	2,555,500	-	-	-	2,555,500
Prepaid Expenses	956,098	1,968	-	-	958,066
Total Current Assets	<u>35,331,111</u>	<u>501,608</u>	<u>35,871</u>	<u>(1,576,897)</u>	<u>34,291,693</u>
PROPERTY AND EQUIPMENT	4,071,467	1,327,039	-	-	5,398,506
Less: Accumulated Depreciation	2,683,838	1,271,194	-	-	3,955,032
Total Property and Equipment	<u>1,387,629</u>	<u>55,845</u>	<u>-</u>	<u>-</u>	<u>1,443,474</u>
OTHER ASSETS					
Investments - Endowments	2,188,566	-	-	-	2,188,566
Land Held for Resale & Conservation	5,019,144	-	220,687	-	5,239,831
Pledges Receivable - Long Term	111,169	-	-	-	111,169
Beneficial Interest in Trust	1,088,644	-	-	-	1,088,644
Cash Surrender Value of Life Insurance	486,095	-	-	-	486,095
Total Other Assets	<u>8,893,618</u>	<u>-</u>	<u>220,687</u>	<u>-</u>	<u>9,114,305</u>
Total Assets	<u>\$ 45,612,358</u>	<u>\$ 557,453</u>	<u>\$ 256,558</u>	<u>\$ (1,576,897)</u>	<u>\$ 44,849,472</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable	\$ 5,837,534	\$ 625,421	\$ -	\$ (985,951)	\$ 5,477,004
Accrued Employee Benefits, Withholdings and Other Liabilities	1,337,430	47,501	-	-	1,384,931
Current Maturities of Long-Term Debt	8,378	-	-	-	8,378
Land Purchase Installment Payable	257,594	-	-	-	257,594
Grant Advances	2,895,871	267,617	-	-	3,163,488
Deferred Revenues	384,391	1,545	-	-	385,936
Liability Under Annuity Agreement	17,393	-	-	-	17,393
Total Current Liabilities	<u>10,738,591</u>	<u>942,084</u>	<u>-</u>	<u>(985,951)</u>	<u>10,694,724</u>
LONG-TERM LIABILITIES					
Liability Under Annuity Agreement	176,460	-	-	-	176,460
Long-Term Debt, Net of Current Maturities	26,529	-	-	-	26,529
Total Long-Term Liabilities	<u>202,989</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,989</u>
Total Liabilities	<u>10,941,580</u>	<u>942,084</u>	<u>-</u>	<u>(985,951)</u>	<u>10,897,713</u>
NET ASSETS					
Unrestricted	24,573,574	(384,631)	256,558	(590,946)	23,854,555
Unrestricted - Board Designated Reserve	1,545,270	-	-	-	1,545,270
Unrestricted - Designated Endowment	770,150	-	-	-	770,150
Unrestricted - Designated Stewardship Funds	259,982	-	-	-	259,982
Temporarily Restricted	6,806,289	-	-	-	6,806,289
Permanently Restricted	715,513	-	-	-	715,513
Total Net Assets	<u>34,670,778</u>	<u>(384,631)</u>	<u>256,558</u>	<u>(590,946)</u>	<u>33,951,759</u>
Total Liabilities and Net Assets	<u>\$ 45,612,358</u>	<u>\$ 557,453</u>	<u>\$ 256,558</u>	<u>\$ (1,576,897)</u>	<u>\$ 44,849,472</u>

PHEASANTS FOREVER, INC. AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF ACTIVITY - UNAUDITED
YEAR ENDED JUNE 30, 2017

	Pheasants Forever, Inc.	Habitat Forever, LLC	The Forever Land Trust, LLC	Eliminations	Total
CHANGES IN UNRESTRICTED NET ASSETS:					
SUPPORT AND REVENUE					
Support:					
Contributions (Including In-Kind Contributions)	\$ 26,938,799	\$ 13,888	\$ 6,012	\$ (13,635)	\$ 26,945,064
Banquet and Event Revenues	22,741,420	-	-	-	22,741,420
Direct Expenses of Banquets and Events	(14,641,667)	-	-	-	(14,641,667)
Net Support from Banquets and Events	8,099,753	-	-	-	8,099,753
Membership Dues	5,235,528	-	-	-	5,235,528
Total Support	40,274,080	13,888	6,012	(13,635)	40,280,345
Revenue:					
Sales of Merchandise	669,066	-	-	-	669,066
Cost of Merchandise Sold	(441,252)	-	-	-	(441,252)
Gross Profit on Merchandise Sales	227,814	-	-	-	227,814
Program Service Revenue	9,698,387	1,014,868	-	(36,636)	10,676,619
Government Program Grants	32,208,593	3,131,831	-	-	35,340,424
Advertising Revenues	835,190	-	-	-	835,190
Investment Income	72,195	-	-	-	72,195
Other Income	450,827	77,616	-	(113,160)	415,283
Total Revenue	43,493,006	4,224,315	-	(149,796)	47,567,525
Net Assets Released from Restrictions	1,127,396	-	-	-	1,127,396
Total Support and Revenue	84,894,482	4,238,203	6,012	(163,431)	88,975,266
EXPENSES					
Program Services	75,179,374	4,149,676	2,310	(127,431)	79,203,929
Supporting Services:					
Administrative Expenses	2,099,995	44,026	920	(36,000)	2,108,941
Fundraising Expenses	6,510,701	-	-	-	6,510,701
Total Supporting Services	8,610,696	44,026	920	(36,000)	8,619,642
Total Expenses	83,790,070	4,193,702	3,230	(163,431)	87,823,571
CHANGES IN UNRESTRICTED NET ASSETS	1,104,412	44,501	2,782	-	1,151,695
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS					
Time and Purpose Restricted Contributions	1,008,624	-	-	-	1,008,624
Investment Income	105,614	-	-	-	105,614
Net Assets Released from Restrictions	(1,127,396)	-	-	-	(1,127,396)
Changes in Temporarily Restricted Net Assets	(13,158)	-	-	-	(13,158)
PERMANENTLY RESTRICTED CONTRIBUTIONS	2,500	-	-	-	2,500
CHANGES IN NET ASSETS	1,093,754	44,501	2,782	-	1,141,037
Net Assets - Beginning of the Year	33,577,023	(429,132)	253,776	(590,946)	32,810,722
NET ASSETS - END OF YEAR	\$ 34,670,778	\$ (384,631)	\$ 256,558	\$ (590,946)	\$ 33,951,759