

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES  
TABLE OF CONTENTS  
YEARS ENDED JUNE 30, 2019 AND 2018**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
<b>CONSOLIDATED BALANCE SHEETS</b>	<b>3</b>
<b>CONSOLIDATED STATEMENTS OF ACTIVITIES</b>	<b>4</b>
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>	<b>6</b>
<b>CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES</b>	<b>7</b>
<b>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>9</b>
<b>INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION</b>	<b>25</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>CONSOLIDATING BALANCE SHEET</b>	<b>26</b>
<b>CONSOLIDATING SCHEDULE OF ACTIVITIES</b>	<b>27</b>



## 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, 2019 and 2018 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, 2019 and 2018, 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 21, 2019, on our consideration of Pheasants Forever, Inc. and Subsidiaries 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 Pheasants Forever, Inc. and Subsidiaries' 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.

### ***Effect of Adopting New Accounting Standard***

As discussed in Note 16, the Organization adopted the Financial Accounting Standards Board's Accounting Standards update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented, when required. Our opinion is not modified with respect to this matter.

Handwritten signature in cursive script that reads "Boyum & Barescheer PLLP".

**Boyum & Barescheer PLLP**

Minneapolis, Minnesota  
November 21, 2019

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**JUNE 30, 2019 AND 2018**

<b>ASSETS</b>	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 10,005,987	\$ 10,776,895
Investments - Short-term	11,167,355	12,038,681
Accounts Receivable (Net)	8,393,274	8,886,664
Pledges Receivable (Net)	740,136	450,320
Inventories	2,152,380	2,098,957
Land Held for Resale & Conservation	1,121,532	305,000
Prepaid Expenses	750,557	918,787
Total Current Assets	<u>34,331,221</u>	<u>35,475,304</u>
<b>PROPERTY AND EQUIPMENT</b>		
Less: Accumulated Depreciation	6,059,071	5,190,246
Total Property and Equipment	<u>3,858,777</u>	<u>3,659,562</u>
Total Property and Equipment	2,200,294	1,530,684
<b>OTHER ASSETS</b>		
Investments - Endowments	2,710,159	2,331,279
Land Held for Resale & Conservation	5,329,830	5,079,831
Pledges Receivable - Long-Term	758,222	233,270
Beneficial Interest in Trusts	1,100,790	1,094,600
Cash Surrender Value of Life Insurance	634,912	546,725
Total Other Assets	<u>10,533,913</u>	<u>9,285,705</u>
Total Assets	<u>\$ 47,065,428</u>	<u>\$ 46,291,693</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 3,682,575	\$ 5,392,111
Accrued Employee Benefits, Withholdings and Other Liabilities	1,409,807	1,625,471
Current Maturities of Long Term Debt	8,378	8,378
Land Purchase Installment Payable	513,778	-
Grant Advances	3,895,031	3,671,645
Deferred Revenues	521,636	337,163
Liability Under Annuity Agreement	18,303	17,738
Line of Credit	4,475	124,288
Total Current Liabilities	<u>10,053,983</u>	<u>11,176,794</u>
<b>LONG-TERM LIABILITIES</b>		
Liability Under Annuity Agreement	152,805	167,504
Long-Term Debt, Net of Current Maturities	10,472	18,850
Total Long-Term Liabilities	<u>163,277</u>	<u>186,354</u>
Total Liabilities	10,217,260	11,363,148
<b>NET ASSETS</b>		
Without Donor Restrictions	27,671,581	26,615,397
With Donor Restrictions	9,176,587	8,313,148
Total Net Assets	<u>36,848,168</u>	<u>34,928,545</u>
Total Liabilities and Net Assets	<u>\$ 47,065,428</u>	<u>\$ 46,291,693</u>

See accompanying Notes to Consolidated Financial Statements.

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Support:			
Contributions (Including In-Kind Contributions)	\$ 21,063,672	\$ 1,907,972	\$ 22,971,644
Banquet and Event Revenues	23,182,978	-	23,182,978
Costs of Direct Benefit to Donors	(15,153,294)	-	(15,153,294)
Net Support from Banquets and Events	8,029,684	-	8,029,684
Membership Dues	5,248,733	-	5,248,733
Total Support	34,342,089	1,907,972	36,250,061
Revenue:			
Sales of Merchandise	529,051	-	529,051
Cost of Merchandise Sold	(310,380)	-	(310,380)
Gross Profit on Merchandise Sales	218,671	-	218,671
Program Service Revenue	6,419,225	-	6,419,225
Government Program Grants	33,227,656	-	33,227,656
Advertising Revenues	1,150,730	-	1,150,730
Investment Income	397,514	68,035	465,549
Other Income	382,662	-	382,662
Total Revenue	41,796,458	68,035	41,864,493
Net Assets Released from Restrictions			
Satisfaction of program restrictions	633,992	(633,992)	-
Collection of Pledges	436,637	(436,637)	-
Release for Endowment Spending Policy	41,939	(41,939)	-
Total net assets released from restrictions	1,112,568	(1,112,568)	-
Total Support and Revenues	77,251,115	863,439	78,114,554
<b>EXPENSES</b>			
Program Services:			
Habitat Projects	55,309,328	-	55,309,328
Public Awareness and Education	7,306,078	-	7,306,078
Field Operations	2,303,455	-	2,303,455
Membership and Chapter Services	1,243,043	-	1,243,043
Total Program Services	66,161,904	-	66,161,904
Supporting Services:			
Administrative Expenses	2,396,842	-	2,396,842
Fundraising Expenses	7,636,185	-	7,636,185
Total Supporting Services	10,033,027	-	10,033,027
Total Expenses	76,194,931	-	76,194,931
<b>CHANGES IN TOTAL NET ASSETS</b>	1,056,184	863,439	1,919,623
Net Assets - Beginning of the Year	26,615,397	8,313,148	34,928,545
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 27,671,581</b>	<b>\$ 9,176,587</b>	<b>\$ 36,848,168</b>

See accompanying Notes to Consolidated Financial Statements.

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Support:			
Contributions (Including In-Kind Contributions)	\$ 23,777,403	\$ 1,525,857	\$ 25,303,260
Banquet and Event Revenues	22,713,117	-	22,713,117
Costs of Direct Benefit to Donors	(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	36,607,055	1,525,857	38,132,912
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	15,082,711	-	15,082,711
Government Program Grants	42,363,800	-	42,363,800
Advertising Revenues	1,013,343	-	1,013,343
Investment Income	72,917	72,609	145,526
Other Income	386,319	-	386,319
Total Revenue	59,140,562	72,609	59,213,171
Net Assets Released from Restrictions			
Satisfaction of program restrictions	430,224	(430,224)	-
Collection of Pledges	337,003	(337,003)	-
Release for Endowment Spending Policy	39,893	(39,893)	-
Total net assets released from restrictions	807,120	(807,120)	-
Total Support and Revenues	96,554,737	791,346	97,346,083
<b>EXPENSES</b>			
Program Services:			
Habitat Projects	75,592,413	-	75,592,413
Public Awareness and Education	7,773,719	-	7,773,719
Field Operations	2,209,425	-	2,209,425
Membership and Chapter Services	1,222,334	-	1,222,334
Total Program Services	86,797,891	-	86,797,891
Supporting Services:			
Administrative Expenses	2,240,899	-	2,240,899
Fundraising Expenses	7,330,507	-	7,330,507
Total Supporting Services	9,571,406	-	9,571,406
Total Expenses	96,369,297	-	96,369,297
<b>CHANGES IN TOTAL NET ASSETS</b>	185,440	791,346	976,786
Net Assets - Beginning of the Year	26,429,957	7,521,802	33,951,759
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 26,615,397</b>	<b>\$ 8,313,148</b>	<b>\$ 34,928,545</b>

See accompanying Notes to Consolidated Financial Statements.

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 1,919,623	\$ 976,786
Adjustments to Reconcile Changes in Net Assets to Net Cash (Used) Provided by Operating Activities:		
Value of Donated Trust	(33,700)	-
Value of Donated Land	(512,000)	-
(Gain) loss on sale of land	-	(119,010)
Loss on Disposal of Property & Equipment	-	1,139
Depreciation	199,216	232,449
Net Realized and Unrealized Gain on Investments	(130,081)	(65,302)
Change in Valuation of Annuity Obligations	11,013	16,536
Change in Valuation of Beneficial Interest in Trusts	27,510	(5,956)
Change in Valuation of Life Insurance	(88,187)	(60,630)
Contributions Restricted for Long-Term Investment	(2,500)	(2,750)
Change in Current Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	493,390	(2,238,673)
Increase in Inventories	(53,423)	(590,548)
Increase in Pledges Receivable	(814,768)	(245,963)
Decrease in Prepaid Expenses	168,230	39,279
Decrease in Accounts Payable	(1,709,536)	(84,893)
Increase (Decrease) in Accrued Employee Benefits, Withholdings and Other Liabilities	(215,666)	240,540
Increase in Grant Advances	223,386	508,157
Increase (Decrease) in Deferred Revenues	184,473	(48,773)
Increase (Decrease) in Purchase Installment Payable	513,778	(257,594)
Net Cash Provided (Used) by Operating Activities	180,758	(1,705,206)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of Property and Equipment	(868,825)	(320,799)
Acquisition of Land Held for Resale	(826,531)	-
Proceeds from Sale of Land Held for Resale	272,000	2,529,510
Purchase of Investments	(2,524,536)	(10,607,878)
Proceeds from Sale of Investments	3,147,064	3,782,779
Net Cash Used by Investing Activities	(800,828)	(4,616,388)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Notes Payable	(8,378)	(7,679)
Net (Payments) Borrowings on Bank Line of Credit	(119,813)	124,288
Contributions Restricted for Long-Term Investment	2,500	2,750
Payment on Annuity Obligation	(25,147)	(25,147)
Net Cash (Used) Provided by Financing Activities	(150,838)	94,212
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(770,908)	(6,227,381)
Cash and Cash Equivalents - Beginning of Year	10,776,895	17,004,277
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 10,005,987	\$ 10,776,895
<b>NON-CASH TRANSACTIONS</b>		
Cash Paid for Interest	\$ 34,621	\$ 11,156

See accompanying Notes to Consolidated Financial Statements.



**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**

	Program Services				Supporting Services			
	Habitat Projects	Public Awareness and Education	Field Operations	Membership and Chapter Services	Total Program Services	Administrative Expenses	Fundraising Expenses	Total Expenses
Woody Cover/Shelter Belts	\$ 403,977	\$ -	\$ -	\$ -	\$ 403,977	\$ -	\$ -	\$ 403,977
Nesting Cover	13,835,658	-	-	-	13,835,658	-	-	13,835,658
Food Plots/Feeding	13,813,206	-	-	-	13,813,206	-	-	13,813,206
Land Procurement	11,442,668	-	-	-	11,442,668	-	-	11,442,668
Wetland Restoration	269,231	-	-	-	269,231	-	-	269,231
Equipment for Habitat	778,915	-	-	-	778,915	-	-	778,915
Other Habitat Projects	1,356,612	-	-	-	1,356,612	-	-	1,356,612
Youth Programs	298	2,853,974	-	-	2,854,272	-	-	2,854,272
Publications	-	714,992	-	-	714,992	-	-	714,992
Other Public Awareness and Education	-	943,106	-	-	943,106	-	-	943,106
Chapter Advertising and Promotion	-	-	-	-	-	-	1,207,759	1,207,759
Salaries and Wages	9,404,729	1,758,874	1,567,902	432,255	13,163,760	1,485,246	2,909,912	17,558,918
Payroll Tax Expense	671,750	122,998	138,051	30,985	963,784	101,290	203,977	1,269,051
Employee Benefits	775,454	85,856	98,965	23,098	983,373	2,264	161,786	1,147,422
Retirement Plan	403,592	105,039	75,770	18,832	603,233	96,365	147,763	847,361
Legal Fees	-	-	-	-	-	15,931	1,242	17,173
Consulting and Audit Fees	-	-	-	1,052	1,052	181,004	121,293	303,349
State Registration Fees	-	-	-	9,873	9,873	1,813	-	11,686
Insurance	189,828	98,181	14,401	88,200	390,610	25,685	65,868	482,163
Government Relations	-	260,105	-	-	260,105	-	-	260,105
Direct Mail Expenses	-	-	-	-	-	-	1,055,501	1,055,501
Printing and Supplies	150,639	55,255	52,268	222,218	480,379	96,940	331,096	908,416
Shipping and Postage	4,898	4,955	5,077	297,321	312,251	19,316	317,670	649,237
Occupancy	-	17,240	740	4,294	22,274	9,399	30,123	61,796
Telephone	21,771	13,168	18,544	5,907	59,390	17,122	31,994	108,506
Travel Expense	907,052	125,317	300,956	2,165	1,335,490	44,075	615,661	1,995,226
Meetings and Conferences	132,225	12,051	10,495	-	154,771	138,251	21,146	314,168
Depreciation	55,295	64,838	4,515	8,406	133,054	29,748	36,414	199,216
Equipment Rental and Maintenance	533,975	8,021	1,448	8,851	552,295	53,198	39,226	644,719
Interest Expense	-	-	-	-	-	34,786	-	34,786
Miscellaneous	157,554	62,110	14,323	89,586	323,573	44,409	337,754	705,736
Direct Benefit to Donors	-	-	-	-	-	-	15,153,294	15,153,294
Cost of Merchandise Sold	-	-	-	-	-	-	310,380	310,380
<b>Total Expenses</b>	<b>\$ 55,309,328</b>	<b>\$ 7,306,078</b>	<b>\$ 2,303,455</b>	<b>\$ 1,243,043</b>	<b>\$ 66,161,904</b>	<b>\$ 2,396,842</b>	<b>\$ 23,099,859</b>	<b>\$ 91,658,605</b>
Less Direct Benefit to Donors	-	-	-	-	-	-	(15,153,294)	(15,153,294)
Less Cost of Merchandise Sold	-	-	-	-	-	-	(310,380)	(310,380)
<b>Total Net Expenses</b>	<b>\$ 55,309,328</b>	<b>\$ 7,306,078</b>	<b>\$ 2,303,455</b>	<b>\$ 1,243,043</b>	<b>\$ 66,161,904</b>	<b>\$ 2,396,842</b>	<b>\$ 7,636,185</b>	<b>\$ 76,194,931</b>
	<u>72.59%</u>	<u>9.59%</u>	<u>3.02%</u>	<u>1.63%</u>	<u>86.83%</u>	<u>3.15%</u>	<u>10.02%</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, 2018**

	Program Services				Supporting Services			
	Habitat Projects	Public Awareness and Education	Field Operations	Membership and Chapter Services	Total Program Services	Administrative Expenses	Fundraising Expenses	Total Expenses
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	390,853	11,560,057	1,322,439	2,799,359	15,681,855
Payroll Tax Expense	559,695	117,937	133,692	28,196	839,520	91,823	200,101	1,131,445
Employee Benefits	663,900	85,429	100,877	21,608	871,814	79,398	177,750	1,128,962
Retirement Plan	342,700	89,372	73,721	14,796	520,589	110,698	150,002	781,290
Legal Fees	-	-	-	-	-	4,193	2,041	6,234
Consulting and Audit Fees	9,950	536	-	357	10,843	201,621	187,497	399,961
State Registration Fees	-	-	-	10,701	10,701	1,717	-	12,418
Insurance	179,611	99,190	14,811	96,753	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	228,016	476,368	91,371	289,310	857,049
Shipping and Postage	6,844	4,412	4,716	311,390	327,363	19,716	301,676	648,754
Occupancy	-	16,312	690	4,001	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	6,512	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	6,745	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
Interest Expense	-	-	-	-	-	10,991	-	10,991
Miscellaneous	130,426	88,693	7,570	88,512	315,201	51,812	355,632	722,646
Direct Benefit to Donors	-	-	-	-	-	-	15,357,628	15,357,628
Cost of Merchandise Sold	-	-	-	-	-	-	278,567	278,567
<b>Total Expenses</b>	<b>\$ 75,592,413</b>	<b>\$ 7,773,719</b>	<b>\$ 2,209,425</b>	<b>\$ 1,222,334</b>	<b>\$ 86,797,891</b>	<b>\$ 2,240,899</b>	<b>\$ 22,966,702</b>	<b>\$ 112,005,492</b>
Less Direct Benefit to Donors	-	-	-	-	-	-	(15,357,628)	(15,357,628)
Less Cost of Merchandise Sold	-	-	-	-	-	-	(278,567)	(278,567)
<b>Total Net Expenses</b>	<b>75,592,413</b>	<b>7,773,719</b>	<b>2,209,425</b>	<b>1,222,334</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>1.27%</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**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**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. Contributions with donor restrictions received during the year, whose restrictions are released during the same year, are recorded as a change in net assets without donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – 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, 2019 and 2018 the board designated net assets as operating reserves in the amounts of \$1,766,256 and \$1,706,657, respectively. The Organization also had net assets without donor restrictions designated as endowments in the amounts of \$792,455 and \$791,675 for the Forever Shooting Sports Program and \$398,238 and \$276,304 for the Forever Stewardship Fund at June 30, 2019 and 2018, respectively

Net Assets With Donor Restrictions – Consists of endowment gifts where donors have specified investment in perpetuity to generate income for a specified restricted or general purpose, and contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization, such as usage for specific programs. The donors of the net assets with donor restrictions to be held in perpetuity have permitted the Organization to use all or part of the income earned, including capital appreciation. At June 30, 2019 and 2018, net assets with donor restrictions consisted of time-restricted pledges receivable, purpose-restricted contributions and permanently endowed assets.

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

**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.

In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. For private companies, the Financial Accounting Standards Board (FASB) voted to delay the ASU's effective date one year, resulting in an effective date for annual and interim periods beginning after December 15, 2020 with early adoption permitted. It is to be adopted using a modified retrospective approach. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's financial statements and anticipates the new guidance will impact its financial statements given the Organization has lease obligations, see Note 13.

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.

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**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, 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 \$33,853 and \$36,355 at June 30, 2019 and 2018, respectively.

Receivables from agencies of the United States government accounted for 36% and 39% of the total accounts receivable balances as of June 30, 2019 and 2018, respectively. Receivables from the States of Nebraska and Minnesota accounted for 8% and 16% of the total, respectively, as of June 30, 2019 and 16% and 12% of the total receivables as of June 30, 2018.

**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 \$44,147 and \$41,645 at June 30, 2019 and 2018, 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.

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**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, 2019 and 2018, the cash surrender value of those policies was \$232,604 and \$194,963, 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, 2019 and 2018, the cash surrender value of those policies was \$402,308 and \$351,762, 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. 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, 2019 and 2018, the Organization held title to land with a value of \$6,451,362 and \$5,384,831, respectively. Of those amounts, \$1,121,532 and \$305,000 were recorded as short term as of June 30, 2019 and 2018, 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.

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

**Fair Value Measurement (continued)**

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, 2019 AND 2018**

**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, 2019, the Organization held 16 conservation easements covering a total of 7,202 acres and at June 30, 2018, the Organization held 10 conservation easements covering 6,672 acres.

**Advertising Costs**

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

**Functional Allocation of Expense**

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statement of activities and statement of functional expenses. Salaries and related expenses are allocated to program and supporting services 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.

**Reclassifications**

Certain reclassifications have been made to the 2019 financial statements to conform to the presentation in the 2018 financial statements.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 21, 2019, the date the financial statements were available to be issued.



**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**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, 2019. The two single member limited liability companies owned by the 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>2019</u>	<u>2018</u>
Short-Term Investments:		
Cash & Cash Equivalents - Pending Investment	\$ 60,122	\$ 44,877
Certificates of Deposit	893,381	3,405,726
Corporate Bonds, Fixed Income & Preferreds	3,073,342	2,934,546
Bond Mutual Funds	7,083,708	5,625,520
Corporate Stock	56,802	28,012
Total Short-Term Investments	<u>\$ 11,167,355</u>	<u>\$ 12,038,681</u>
Endowment Investments:		
Cash & Cash Equivalents - Pending Investment	\$ 116,798	\$ 115,724
Bond Mutual Funds	244,299	206,450
Alternative Investments	267,009	229,657
Corporate Bonds, Fixed Income & Preferreds	22,179	15,557
Corporate Stock	2,059,873	1,763,891
Total Endowment Investments	<u>\$ 2,710,159</u>	<u>\$ 2,331,279</u>

**NOTE 4 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	<u>2019</u>	<u>2018</u>	<u>Estimated Useful Lives</u>
Land	\$ 410,000	\$ 410,000	
Building and Improvements	1,035,023	1,035,023	30 Years
Habitat Equipment	1,304,445	1,139,456	5 Years
Office Equipment	2,631,618	2,360,960	3 - 5 Years
Vehicle	41,888	41,888	3 Years
Software Under Development	636,097	202,919	Not in Service
	<u>\$ 6,059,071</u>	<u>\$ 5,190,246</u>	

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 5 PLEDGES RECEIVABLE**

Pledges receivable consists of the following:

	2019	2018
Amounts Due in:		
Less Than One Year	\$ 784,283	\$ 491,965
One to Five Years	787,780	244,815
Total	1,572,063	736,780
Unamortized Discount - 1.83% and 2.73%	(29,558)	(11,545)
Allowance for Uncollectible Accounts	(44,147)	(41,645)
Net Pledge Receivable	1,498,358	683,590
Less: Current Portion	740,136	450,320
Pledges Receivable - Long-Term	\$ 758,222	\$ 233,270

**NOTE 6 BENEFICIAL INTEREST IN TRUSTS**

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, 2019 the estimated value of the real estate was \$1,191,880 and the associated mortgage balance was \$193,133, and at June 30, 2018 the estimated value was \$1,188,770 and the 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, 2018, the latest valuation available to the Organization, was \$262,365. The Organization projects that the value of the remaining assets after the unitrust period to be \$83,434. This discounted value as of June 30, 2019 and 2018 was \$68,343 and \$73,830, respectively.

During 2019, the Organization became aware that it is a 10% beneficiary of a charitable remainder trust. The trust assets approximated \$1,160,000 in October 2018 as per the notice the Organization received from the Trust attorney. During their lifetimes the grantors shall receive a distribution annually equal to 5% of the beginning of the calendar year market value of the trust assets. The Organization projects that the value of the remaining assets upon the death of the last surviving grantor to be \$675,861. The Organization's share is projected to be \$67,586, which has a discounted value of \$33,700 as of June 30, 2019.

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**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 \$13,511,472 and \$16,477,855 for the years ended June 30, 2019 and 2018, 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 \$512,000 for the year ended June 30, 2019. 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 \$436,660 and \$341,600 for the years ended June 30, 2019 and 2018, 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 February 5, 2020. 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, 2019 and 2018 was 4.75% and 4.25%, respectively. The outstanding balance at June 30, 2019 and June 30, 2018 was \$4,475 and \$124,288, respectively.

**NOTE 9 LONG-TERM DEBT**

Long-term debt consists of the following:

<u>Description</u>	<u>2019</u>	<u>2018</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.	\$ 18,850	\$ 27,228
Less: Current Maturities of Long-Term Debt	<u>8,378</u>	<u>8,378</u>
Long-Term Debt, Net of Current Maturities	<u>\$ 10,472</u>	<u>\$ 18,850</u>

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

Scheduled Maturities on long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 8,378
2021	8,378
2022	2,094
Total	<u>\$ 18,850</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, 2019 and 2018 consist of the following:

	2019			Total
	Level 1	Level 2	Level 3	
Corporate Bonds & Fixed Income	\$ 3,005,663	\$ 89,860		\$ 3,095,523
Brokered CDs		300,840		300,840
Bond Mutual Funds	7,328,007			7,328,007
Alternative Investments	267,009			267,009
Stocks	2,116,675			2,116,675
Beneficial Interest in Trusts			1,100,790	1,100,790
Total	<u>\$ 12,717,354</u>	<u>\$ 390,700</u>	<u>\$ 1,100,790</u>	<u>\$ 14,208,844</u>
	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
Equity Mutual Funds	229,657	-	-	229,657
Stocks	1,791,903	-	-	1,791,903
Beneficial Interest in Trust	-	-	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>

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

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 10 FAIR VALUE MEASUREMENT (CONTINUED)**

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

	2019	2018
Beginning Balance	\$ 1,094,600	\$ 1,088,644
Additional Contributions	33,700	-
Change in Fair Value	(27,510)	5,956
Ending Balance	<u>\$ 1,100,790</u>	<u>\$ 1,094,600</u>

**NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS**

At June 30, 2019 and 2018, net assets with donor restrictions are available for the following purposes:

	2019	2018
In Perpetuity:		
Habitat Education Program	\$ 68,503	\$ 66,003
Forever Shooting Sports Program	252,260	252,260
Wildlife Conservation Experience	400,000	400,000
Total in Perpetuity	<u>720,763</u>	<u>718,263</u>
Restriction for Time:		
Time Restricted Pledges	1,487,888	683,589
Restricted Land Donations	3,108,056	2,868,056
Beneficial Interest in Trusts	1,100,790	1,094,600
Restriction for Purpose:		
Youth and Conservation Education Programs	307,984	286,300
Farm Bill Biologist Program	158,819	127,382
Land Acquisition and Other Habitat Projects	2,292,287	2,393,988
Technology Initiative	-	140,970
Total Restricted by Time or Purpose	<u>8,455,824</u>	<u>7,594,885</u>
Total Net Assets with Donor Restrictions	<u>\$ 9,176,587</u>	<u>\$ 8,313,148</u>

Net assets released from restrictions consist of the following:

	2019	2018
Collection of Pledges	\$ 436,637	\$ 337,003
Satisfaction of Program Restrictions	675,931	470,117
Total Net Assets Released from Restrictions	<u>\$ 1,112,568</u>	<u>\$ 807,120</u>

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**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 net assets with donor restrictions to be held in perpetuity (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 net assets with donor restrictions to be held in perpetuity is classified as net assets with donor restrictions (that are not to be held in perpetuity) 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 endowment fund 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 net assets with donor restrictions until appropriated for program expenditures.

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

Endowment and similar fund's net asset composition by fund type at June 30, 2019 and 2018 are as follows:

	2019			Total
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions - Held in Perpetuity	
<u>Donor Restricted Endowments and Similar Funds:</u>				
Habitat Education Program	\$ -	\$ 8,816	\$ 68,503	\$ 77,319
Forever Shooting Sports Program	-	44,291	252,260	296,551
Wildlife Conservation Experience	-	75,950	400,000	475,950
Forever Stewardship Fund	-	672,896	-	672,896
Total Donor Restricted	\$ -	\$ 801,953	\$ 720,763	\$ 1,522,716
<u>Designated Endowment and Similar Funds:</u>				
Forever Shooting Sports Program	\$ 792,455	\$ -	\$ -	\$ 792,455
Forever Stewardship Fund	398,238	-	-	398,238
	\$ 1,190,693	\$ -	\$ -	\$ 1,190,693
	2018			
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions - Held in Perpetuity	Total
<u>Donor Restricted Endowments and Similar Funds:</u>				
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
<u>Designated Endowment and Similar Funds:</u>				
Forever Shooting Sports Program	\$ 791,674	\$ -	\$ -	\$ 791,674
Forever Stewardship Fund	276,304	-	-	276,304
	\$ 1,067,978	\$ -	\$ -	\$ 1,067,978

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

Changes in endowment net asset for the years ended June 30, 2019 and 2018 are as follows:

	2019			Total
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions - Held in Perpetuity	
Endowment Net Assets - July 1, 2018	\$ 1,067,978	\$ 545,037	\$ 718,263	\$ 2,331,279
Investment Return	55,668	68,035	-	123,703
Contributions & Designations	100,000	230,820	2,500	333,320
Appropriation of Endowment Assets for Expenditure	(32,954)	(41,939)	-	(74,893)
Endowment Net Assets - June 30, 2019	<u>\$ 1,190,692</u>	<u>\$ 801,953</u>	<u>\$ 720,763</u>	<u>\$ 2,713,409</u>

  

	2018			Total
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions - Held in Perpetuity	
Endowment Net Assets - July 1, 2018	\$ 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, 2019	<u>\$ 1,067,978</u>	<u>\$ 545,037</u>	<u>\$ 718,263</u>	<u>\$ 2,331,279</u>

**NOTE 13 LEASES**

The Organization leases various equipment and vehicles under operating leases that expire between 2019 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>	Office Equipment	Equipment and Vehicles	Total
2020	\$ 2,520	\$ 320,767	\$ 323,287
2021	2,520	199,834	202,354
2022	2,520	29,763	32,283
2023	2,520	-	2,520
Total	<u>\$ 10,080</u>	<u>\$ 550,364</u>	<u>\$ 560,444</u>

Office equipment lease expense was \$3,451 and \$6,216 for the years ended June 30, 2019 and 2018, respectively. Equipment and vehicle lease expense was \$360,397 and \$196,146 in the years ended June 30, 2019 and 2018, 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, 2019 and 2018, the building had accumulated depreciation of \$403,177 and \$370,923, 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, 2019 AND 2018**

**NOTE 13 LEASES (CONTINUED)**

The Organization leases 45% of the building space to two different tenants. One lease expired on May 31, 2019 and the lessee did not extend. As a result, the space was vacant at the end of the fiscal year. The Organization entered into a new lease agreement for the vacated space on August 7, 2019. The term of the new lease is 64 months beginning on September 1, 2019 and ending December 31, 2024. The other tenant extended their lease to October 31, 2020. 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>
2020	\$ 54,069
2021	64,562
2022	55,639
2023	57,065
2024	58,507
2025	29,855
Total	<u>\$ 319,697</u>

For the years ended June 30, 2019 and 2018, the Organization recorded rental income associated with these leases of \$120,711 and \$131,347, respectively. For the years ended June 30, 2019 and 2018, the Organization had associated expenses related to an allocable portion of real estate taxes and maintenance of \$27,940 and \$26,971, 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 \$717,765 and \$703,836 for the years ended June 30, 2019 and 2018, 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~~ A 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.

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 16 ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT**

For the year ended June 30, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented, when required. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

**NOTE 17 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

Financial assets available for general expenditure without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following:

	2019	2018
Cash	\$ 10,005,987	\$ 10,776,895
Investments - Short Term	11,167,355	12,038,681
Accounts Receivable	8,393,274	8,886,664
Pledges Receivable	740,136	450,320
Total financial assets available	<u>\$ 30,306,752</u>	<u>\$ 32,152,560</u>
Less amounts restricted by donor with time or purpose restrictions	(2,759,089)	(2,948,640)
Less board designated operating reserve	<u>(1,766,256)</u>	<u>(1,706,657)</u>
Financial assets available to meet cash flow needs for general expenditures within one year	<u><u>\$ 25,781,407</u></u>	<u><u>\$ 27,497,263</u></u>

The Organization's endowment funds consist of donor restricted endowments and funds designated by the board as restricted. Income from donor restricted endowments is restricted for specific purposes. Donor restricted endowment funds are not available for general expenditures.

The board designated endowment in the amount of \$792,455 is subject to an annual spending rate of 5%. The board designated Forever Stewardship Fund in the amount of \$398,238 is not subject to an annual spending plan. Although the Organization does not intend to spend from these board designated funds, other than amounts approved and appropriated per the spending policy, these amounts could be made available if necessary.

As part of the Organization's liquidity management plan, cash in excess of monthly requirements is invested in short-term investments, including mutual funds, and money market accounts. The Organization also maintains a \$2,500,000 line of credit with a bank that can be drawn upon as needed to manage cash flow needs.



**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, 2019 and 2018 and our report dated November 21, 2019, 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 & Barenscheer PLLP*

**Boyum & Barenscheer PLLP**

Minneapolis, Minnesota  
November 21, 2019

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**CONSOLIDATING BALANCE SHEET - UNAUDITED**  
**JUNE 30, 2019**

	Pheasants Forever, Inc.	Habitat Forever, LLC	The Forever Land Trust, LLC	Eliminations	Total
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalent	\$ 9,988,419	\$ (20,515)	\$ 38,083	\$ -	\$ 10,005,987
Investments	11,758,301	-	-	(590,946)	11,167,355
Accounts Receivable (Net)	8,267,796	1,262,296	-	(1,136,818)	8,393,274
Pledges Receivable	740,136	-	-	-	740,136
Inventories	2,152,380	-	-	-	2,152,380
Land Held for Resale & Conservation	1,121,532	-	-	-	1,121,532
Prepaid Expenses	512,408	238,149	-	-	750,557
Total Current Assets	<u>34,540,972</u>	<u>1,479,930</u>	<u>38,083</u>	<u>(1,727,764)</u>	<u>34,331,221</u>
<b>PROPERTY AND EQUIPMENT</b>	4,573,040	1,486,031	-	-	6,059,071
Less: Accumulated Depreciation	2,510,271	1,348,506	-	-	3,858,777
Total Property and Equipment	<u>2,062,769</u>	<u>137,525</u>	<u>-</u>	<u>-</u>	<u>2,200,294</u>
<b>OTHER ASSETS</b>					
Investments - Endowments	2,710,159	-	-	-	2,710,159
Land Held for Resale & Conservation	5,109,143	-	220,687	-	5,329,830
Pledges Receivable - Long Term	758,222	-	-	-	758,222
Beneficial Interest in Trust	1,100,790	-	-	-	1,100,790
Cash Surrender Value of Life Insurance	634,912	-	-	-	634,912
Total Other Assets	<u>10,313,226</u>	<u>-</u>	<u>220,687</u>	<u>-</u>	<u>10,533,913</u>
Total Assets	<u>\$ 46,916,967</u>	<u>\$ 1,617,455</u>	<u>\$ 258,770</u>	<u>\$ (1,727,764)</u>	<u>\$ 47,065,428</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts Payable	\$ 3,339,979	\$ 1,479,414	\$ -	\$ (1,136,818)	\$ 3,682,575
Accrued Employee Benefits, Withholdings and Other Liabilities	1,341,062	68,745	-	-	1,409,807
Current Maturities of Long-Term Debt	8,378	-	-	-	8,378
Land Purchase Installment Payable	513,778	-	-	-	513,778
Grant Advances	3,592,431	302,600	-	-	3,895,031
Deferred Revenues	521,636	-	-	-	521,636
Liability Under Annuity Agreement	18,303	-	-	-	18,303
Line of Credit	4,475	-	-	-	4,475
Total Current Liabilities	<u>9,340,042</u>	<u>1,850,759</u>	<u>-</u>	<u>(1,136,818)</u>	<u>10,053,983</u>
<b>LONG-TERM LIABILITIES</b>					
Liability Under Annuity Agreement	152,805	-	-	-	152,805
Long-Term Debt, Net of Current Maturities	10,472	-	-	-	10,472
Total Long-Term Liabilities	<u>163,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,277</u>
Total Liabilities	9,503,319	1,850,759	-	(1,136,818)	10,217,260
<b>NET ASSETS</b>					
Without Donor Restrictions	28,237,061	(233,304)	258,770	(590,946)	27,671,581
With Donor Restrictions	9,176,587	-	-	-	9,176,587
Total Net Assets	<u>37,413,648</u>	<u>(233,304)</u>	<u>258,770</u>	<u>(590,946)</u>	<u>36,848,168</u>
Total Liabilities and Net Assets	<u>\$ 46,916,967</u>	<u>\$ 1,617,455</u>	<u>\$ 258,770</u>	<u>\$ (1,727,764)</u>	<u>\$ 47,065,428</u>

**PHEASANTS FOREVER, INC. AND SUBSIDIARIES**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES - UNAUDITED**  
**YEAR ENDED JUNE 30, 2019**

	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)	\$ 21,036,243	\$ 27,429			\$ 21,063,672
Banquet and Event Revenues	23,182,978	-	-	-	23,182,978
Direct Expenses of Banquets and Events	(15,153,294)	-	-	-	(15,153,294)
Net Support from Banquets and Events	8,029,684	-	-	-	8,029,684
Membership Dues	5,248,733	-	-	-	5,248,733
Total Support	34,314,660	27,429	-	-	34,342,089
Revenue:					
Sales of Merchandise	529,051	-	-	-	529,051
Cost of Merchandise Sold	(310,380)	-	-	-	(310,380)
Gross Profit on Merchandise Sales	218,671	-	-	-	218,671
Program Service Revenue	5,542,026	991,127	1,349	(115,277)	6,419,225
Government Program Grants	29,962,184	3,265,472	-	-	33,227,656
Advertising Revenues	1,150,730	-	-	-	1,150,730
Investment Income	397,514	-	-	-	397,514
Other Income	416,206	79,616	-	(113,160)	382,662
Total Revenue	37,687,331	4,336,215	1,349	(228,437)	41,796,458
Net Assets Released from Restrictions	1,112,568	-	-	-	1,112,568
Total Support and Revenue	73,114,559	4,363,644	1,349	(228,437)	77,251,115
<b>EXPENSES</b>					
Program Services	62,104,911	4,247,537	1,893	(192,437)	66,161,904
Supporting Services:					
Administrative Expenses	2,387,778	44,314	750	(36,000)	2,396,842
Fundraising Expenses	7,636,185	-	-	-	7,636,185
Total Supporting Services	10,023,963	44,314	750	(36,000)	10,033,027
Total Expenses	72,128,874	4,291,851	2,643	(228,437)	76,194,931
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>	985,685	71,793	(1,294)	-	1,056,184
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>					
Time and Purpose Restricted Contributions	1,905,472	-	-	-	1,905,472
Investment Income	68,035	-	-	-	68,035
Net Assets Released from Restrictions	(1,112,568)	-	-	-	(1,112,568)
Changes in Temporarily Restricted Net Assets	860,939	-	-	-	860,939
<b>PERMANENTLY RESTRICTED CONTRIBUTIONS</b>	2,500	-	-	-	2,500
<b>CHANGES IN NET ASSETS</b>	1,849,124	71,793	(1,294)	-	1,919,623
Net Assets - Beginning of the Year	35,564,524	(305,097)	260,064	(590,946)	34,928,545
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 37,413,648</b>	<b>\$ (233,304)</b>	<b>\$ 258,770</b>	<b>\$ (590,946)</b>	<b>\$ 36,848,168</b>