

DALLAS ECOLOGICAL FOUNDATION

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2014

Dallas Ecological Foundation
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SALMON SIMS THOMAS

Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Dallas Ecological Foundation

We have audited the accompanying financial statements of Dallas Ecological Foundation which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Dallas Ecological Foundation's management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Dallas Ecological Foundation as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Salmon Sims Thomas & Associates

Salmon Sims Thomas & Associates
A Professional Limited Liability Company

January 20, 2015

**Dallas Ecological Foundation
Statement of Financial Position
June 30, 2014**

ASSETS

Cash	\$ 253,907
Restricted cash	451,462
Certificate of deposit	106,954
Contributions receivable	64,378
Restricted investments	25,014
Inventory	17,066
Prepaid insurance	3,351
Property and equipment, net	<u>1,982</u>
 TOTAL ASSETS	 <u><u>\$ 924,114</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 26,907
Accrued expenses	4,193
Total Liabilities	<u>31,100</u>

Net Assets

Unrestricted	425,148
Temporarily restricted	9,043
Permanently restricted	<u>458,823</u>
Total Net Assets	<u>893,014</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 924,114</u></u>
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The accompanying notes are an integral part of this financial statement.

Dallas Ecological Foundation
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and Support				
Contributions	\$ 85,281	\$ 23,585	\$ -	\$ 108,866
Grants	209,000	-	-	209,000
Special events	20,985	-	-	20,985
Interest income	691	-	-	691
Investment income	7	-	3	10
Net assets released from restriction	70,425	(57,135)	(13,290)	-
Total Revenues and Support	<u>386,389</u>	<u>(33,550)</u>	<u>(13,287)</u>	<u>339,552</u>
Expenses				
Program	118,703	-	-	118,703
Supporting	152,222	-	-	152,222
Fundraising	19,683	-	-	19,683
Total Expenses	<u>290,608</u>	<u>-</u>	<u>-</u>	<u>290,608</u>
Increase (Decrease) in Net Assets	95,781	(33,550)	(13,287)	48,944
Net Assets, beginning of year	<u>329,367</u>	<u>42,593</u>	<u>472,110</u>	<u>844,070</u>
Net Assets, end of year	<u>\$ 425,148</u>	<u>\$ 9,043</u>	<u>\$ 458,823</u>	<u>\$ 893,014</u>

The accompanying notes are an integral part of this financial statement.

Dallas Ecological Foundation
Statement of Functional Expenses
For the Year Ended June 30, 2014

	<u>Program</u>	<u>Supporting</u>	<u>Fundraising</u>	<u>Total</u>
Youth programs	\$ 94,775	\$ -	\$ -	\$ 94,775
Wildlife conservative	11,856	-	-	11,856
Blaser activities	-	-	13,843	13,843
Awards	-	-	1,750	1,750
Curriculum	3,406	-	-	3,406
Depreciation	-	1,910	-	1,910
General and administrative	1,467	3,721	2,838	8,026
Grants	4,191	-	-	4,191
Insurance	-	3,178	-	3,178
Management fees	-	66,195	-	66,195
Marketing	-	10,023	-	10,023
Professional fees	-	64,379	-	64,379
Training	1,431	-	-	1,431
Vehicle	1,577	274	-	1,851
Website	-	2,542	-	2,542
Other	-	-	1,252	1,252
	<u>\$ 118,703</u>	<u>\$ 152,222</u>	<u>\$ 19,683</u>	<u>\$ 290,608</u>

The accompanying notes are an integral part of this financial statement.

Dallas Ecological Foundation
Statement of Cash Flows
For the Year Ended June 30, 2014

Cash Flows From Operating Activities	
Increase in Net Assets	\$ 48,944
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,910
Reinvested dividends	(10)
Reinvested interest	(587)
Decrease (Increase) in assets	
Inventory	11,223
Contributions receivable	(45,335)
Prepaid expenses	1,112
Increase in liabilities:	
Accounts payable	2,876
Accrued expenses	2,828
Net Cash Provided by Operating Activities	22,961
 Cash Flows From Investing Activities	
Change in restricted cash	54,407
Purchase of property, plant and equipment	(1,139)
Net Cash Provided by Investing Activities	53,268
Net Increase in Cash	76,229
 Cash, beginning of year	177,678
 Cash, end of year	\$ 253,907

The accompanying notes are an integral part of this financial statement.

Dallas Ecological Foundation
Notes to Financial Statements
June 30, 2014

NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

The summary of significant accounting policies of Dallas Ecological Foundation (Foundation) is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Foundation's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (US GAAP) and have been consistently applied in the preparation of the financial statements.

Organization - Dallas Ecological Foundation ("the Foundation"), a 501(c)(3) nonprofit corporation, is incorporated under the laws of Texas for the purpose of serving as a grant and funding medium for public and youth education and for wildlife and habitat conservation programs worldwide. Formed under the auspices of the Dallas Safari Club ("DSC") and located in Dallas, Texas, the Foundation funds scientific and biological studies benefiting both game and nongame species throughout the world and promotes conservation education and outdoor skills primarily for youth by conducting and supporting a wide range of educational initiatives.

The Foundation's governing body is the Board of Trustees. The Foundation's Articles of Incorporation stipulate that all trustees shall be members of DSC. The existing Board of Trustees and the Board of Directors of DSC each elect one-half of the Foundation's trustees. The Articles of Incorporation further state that no part of the net earnings of the Foundation shall ever inure to the benefit of any trustee, officer or private individual. In the event of the dissolution of the Foundation, the remaining assets shall be distributed to one or more tax exempt organizations whose purposes are similar or related to those of the Foundation.

DSC provides management services to the Foundation pursuant to the terms of a management services agreement, which requires, among other things, for DSC to provide the Foundation with (1) office facilities to conduct its daily business and operational activities; and (2) personnel to develop, promote and perform the youth programs sponsored by the Foundation.

Use of Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in recording depreciation. It is at least reasonably possible that the significant estimates used will change within the next year. Actual results could vary from estimates.

Cash and Cash Equivalents - The Foundation considers all short-term investments with an original maturity of ninety days or less to be cash equivalents. The Foundation places cash and marketable securities, which at times may exceed federally-insured limits, with high-credit quality financial institutions. The Foundation has not experienced any losses on such assets.

Dallas Ecological Foundation
Notes to Financial Statements
June 30, 2014

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation - Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently. Generally the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporarily restricted net assets (*i.e.*, the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions of assets other than cash are recorded at their estimated fair value.

Income Taxes - The Foundation is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) of 1986, as amended, as an organization described in Section 501(c)(3) of the IRC. The Foundation has been classified as an organization that is not a private foundation under IRC Section 509(a)(2), and as such, contributions to the Foundation qualify for deductions as charitable contributions. However, income generated from activities unrelated to the Foundation's exempt purpose is subject to tax under IRC Section 511.

Accounting for Uncertainty in Income Taxes - Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) Topic 740-10, *Accounting for Income Taxes*, would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the operating statement or accrued in the statement of financial position. Federal and state tax returns of the Foundation are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

Functional Allocation of Expenses - The costs of providing the various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs, supporting services, and fundraising benefited.

Dallas Ecological Foundation
Notes to Financial Statements
June 30, 2014

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory consists principally of donated taxidermy, artifacts and other assets, which are initially recorded at the fair market value at the time of the donation.

Property, Equipment, Depreciation

Property and equipment are stated at cost when purchased or fair value at the date the equipment is donated, less accumulated depreciation. Major expenditures and those that substantially increase useful lives are capitalized. All equipment purchases in excess of \$500 and having a useful life of one year or more are capitalized. Maintenance, repairs, and replacements, which do not improve or extend the lives of the respective assets, are charged to operations when incurred. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation is removed, and any gain or loss is included in operations. Depreciation has been computed using the straight-line method over the useful lives of the assets as follows:

Computer equipment	5 years
Equipment	3-7 years

Investments – Investments in mutual funds, which are held for sale, are recorded at their current fair values. Securities that have been donated are recorded at the fair value as of the date of the gift.

Fair Value Measurements – FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used at June 30, 2014.

Mmutual funds: Valued at the closing price reported in an active market in which the security is traded.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Dallas Ecological Foundation
Notes to Financial Statements
June 30, 2014

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

The provisions of Topic ASC 820 did not have an impact on the Foundation's nonfinancial assets and nonfinancial liabilities that are not permitted or required to be measured at fair value on a recurring basis.

Contribution Receivables and Promise to Give - Contributions are recognized when a donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires or is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional promises to give that are due more than one year beyond the statement of financial position date are discounted to a net present value using an estimated discount factor for risk-free borrowing.

Contributions receivable are considered past due when payments are not made under the terms of the contribution agreement. There were no past due contributions receivable at June 30, 2014 and no provision was made for uncollectible receivables as of that date. Contributions receivable are considered uncollectible and written off to uncollectible pledges when the donor withdraws the contribution commitment or fails to provide a reasonable revised schedule of contributions.

Date of Management's Review – Subsequent events have been evaluated for potential recognition or disclosure through January 20, 2015, which is the date the financial statements were available to be issued.

NOTE 2: ENDOWMENTS

The Foundation has two endowments that were established by donors to support the mission of the Foundation. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Foundation Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

One of the Foundation's endowments received in June 2011 in the amount of \$400,000 permits the distribution to unrestricted net assets of up to 5% each year for youth to attend the annual Midway USA Youth Wildlife Conservation Experience.

The annual maximum distribution is computed by applying the 5% rate to undistributed principal plus cumulative investment earnings. This formula ensures that some portion of the endowment will always be maintained permanently.

Dallas Ecological Foundation
Notes to Financial Statements
June 30, 2014

NOTE 2: ENDOWMENTS (CONTINUED)

US GAAP prescribes that investment earnings on permanently restricted net assets be accumulated generally with temporarily restricted net assets and that permanently restricted net assets never be released from restriction directly to unrestricted net assets. However, because of the unique nature of the forgoing terms, the Foundation has deemed that the presentation of the financial statements would be more understandable and meaningful to (1) include investment earnings with permanently restricted net assets and (2) to include the annual distribution as a release of restrictions directly from permanently restricted net assets to unrestricted net assets.

The Foundation Board of Directors has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor restrictions to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in 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 prescribed by TUPMIFA.

In accordance with TUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets,				
June 30, 2013	\$ -	\$ -	\$ 472,110	\$ 472,110
Investment return	-	-	3	3
Releases	<u>-</u>	<u>-</u>	<u>(13,290)</u>	<u>(13,290)</u>
 Endowment net assets,				
June 30, 2014	\$ <u>-</u>	\$ <u>-</u>	\$ <u>458,823</u>	\$ <u>458,823</u>

Dallas Ecological Foundation
Notes to Financial Statements
June 30, 2014

NOTE 2: ENDOWMENTS (CONTINUED)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to protect the related assets and provide a reasonable return until authorized use. The Foundation's investment philosophy is to invest in secure vehicles, obtain adequate return on investment and invest in vehicles which are compatible with purposes of the Foundation

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives, the Foundation relies on a strategy of asset diversification through professional investment managers. On longer-term investments, the funds are normally placed with the Foundation in the investment pool except when the donor instrument defines another custodian.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or TUPMIFA requires the Organization to retain as a fund of perpetual duration. An aggregate deficiency did not exist at June 30, 2014.

NOTE 3: CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of various promises to give by individuals giving to the Foundation's mission. The Foundation anticipates the outstanding balance of \$64,378 to be received in year ending June 30, 2015.

NOTE 4: INVESTMENTS

Investments at June 30, 2014 consisted of mutual funds in the amount of \$25,014. Investment return for the year ended June 30, 2014 included Interest and Dividends of \$10.

NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2014:

<u>Fair Value Measurements at Reporting Date Using:</u>				
	<u>Fair Value</u>	Quoted Prices in Active markets for Identical Assets/Liabilities <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Mutual funds	\$ 25,014	\$ 25,014	\$ -	\$ -

Dallas Ecological Foundation
Notes to Financial Statements
June 30, 2014

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2014 is summarized as follows:

Camping equipment	\$ 23,248
Computer equipment	1,135
	<hr/>
	24,383
Less accumulated depreciation	(22,401)
	<hr/>
	\$ 1,982
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NOTE 7: RELATED PARTY TRANSACTIONS

The Foundation received grants from DSC totaling \$209,000 during the year. Management fees paid by the Foundation to DSC totaled \$66,195 during the year ended June 30, 2014.

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2014 consisted of the following:

Youth	\$ 9,043
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Release of temporarily restricted net assets during fiscal year 2014 consisted of the following:

Youth	\$ 57,135
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NOTE 9: PERMANENTLY RESTRICTED NET ASSETS

Permanent restrictions on net assets represent endowment gifts from two donors as summarized above in Note 2.