

Dallas Ecological Foundation

Financial Statements

June 30, 2012 and 2011

and

Independent Auditor's Report

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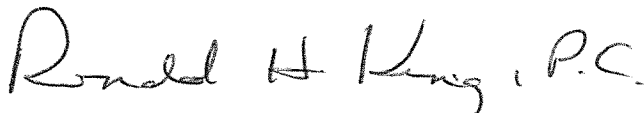
Independent Auditor's Report

To the Board of Trustees
Dallas Ecological Foundation
Dallas, Texas

I have audited the accompanying statements of financial position of Dallas Ecological Foundation as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dallas Ecological Foundation as of June 30, 2012 and 2011, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



October 22, 2012

Dallas Ecological Foundation
Financial Statements
June 30, 2012 and 2011

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Dallas Ecological Foundation
Statements of Financial Position
June 30, 2012 and 2011

	2012				2011
	Unrestricted	Restricted		Total	Total
	Temporary	Permanent			
Assets					
Cash and cash equivalents	\$ 10,041	\$ 106,350	\$ 458,143	\$ 574,534	\$ 534,819
Certificates of deposit	202,893	-	-	202,893	238,951
Receivables:					
Pledges receivable	2,450	-	-	2,450	50,000
Dallas Safari Club	-	5,000	-	5,000	-
Other	-	13,887	-	13,887	6,644
Total receivables	2,450	18,887	-	21,337	56,644
Inventory	35,635	-	-	35,635	36,262
Prepaid expenses and other	8,385	-	-	8,385	8,611
Marketable securities, restricted for endowment	-	9	25,000	25,009	25,006
Equipment, net of accumulated depreciation of \$19,087 and \$15,467	6,086	-	-	6,086	10,279
Total assets	\$ 265,490	\$ 125,246	\$ 483,143	\$ 873,879	\$ 910,572
Liabilities and Net Assets					
Liabilities:					
Accounts payable:					
Trade	\$ 8,743	\$ 3,661	\$ 253	\$ 12,657	\$ 40,605
Other	-	35,901	-	35,901	37,665
Total accounts payable	8,743	39,562	253	48,558	78,270
Grants payable	-	-	-	-	1,000
Total liabilities	8,743	39,562	253	48,558	79,270
Net assets:					
Unrestricted	256,747	-	-	256,747	287,028
Temporarily restricted	-	85,684	-	85,684	44,274
Permanently restricted	-	-	482,890	482,890	500,000
Total net assets	256,747	85,684	482,890	825,321	831,302
Total liabilities and net assets	\$ 265,490	\$ 125,246	\$ 483,143	\$ 873,879	\$ 910,572

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

Dallas Ecological Foundation

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

	2012			2011			
	Unrestricted	Restricted		Unrestricted	Restricted		Total
		Temporary	Permanent		Temporary	Permanent	
Operating revenues and support:							
Contributions:							
Youth programs	\$ -	\$ 80,588	\$ -	\$ -	\$ 475,000	\$ 539,652	
General and other	55,494	-	-	-	-	4,788	
Grants	60,000	13,076	-	-	-	60,000	
Investment income	1,617	11	72	61	-	4,363	
Net assets released from restrictions	117,111	93,675	72	64,713	475,000	608,803	
Total operating revenues and support	186,558	41,410	(17,110)	(5,335)	475,000	608,803	
Operating expenses:							
Program costs:							
Youth programs	116,608	-	-	-	-	109,934	
Taxidermy and other	7,722	-	-	-	-	8,186	
Grants paid	9,002	-	-	-	-	17,921	
Total program costs	133,332	-	-	-	-	136,041	
Management and general	83,507	-	-	-	-	101,067	
Fund raising expenses	-	-	-	-	-	190	
Total operating expenses	216,839	-	-	-	-	237,298	
Change in net assets	(30,281)	41,410	(17,110)	(5,335)	475,000	371,505	
Net assets - beginning of year	287,028	44,274	500,000	49,609	25,000	459,797	
Net assets - end of year	\$ 256,747	\$ 85,684	\$ 482,890	\$ 44,274	\$ 500,000	\$ 831,302	

Operating revenues and support:

Contributions:

 Youth programs

 General and other

 Grants

 Investment income

 Net assets released from restrictions

 Total operating revenues and support

Operating expenses:

Program costs:

 Youth programs

 Taxidermy and other

 Grants paid

 Total program costs

 Management and general

 Fund raising expenses

 Total operating expenses

Change in net assets

Net assets - beginning of year

Net assets - end of year

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

Dallas Ecological Foundation
 Statements of Cash Flows
 For the Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ (5,981)	\$ 371,505
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,193	4,340
Proceeds from contributions restricted for endowment	-	(475,000)
Net unrealized and realized gains on marketable securities	-	(27)
(Increase) decrease in:		
Receivables	35,307	(21,854)
Inventory	627	5,065
Prepaid expenses	226	3,889
Increase (decrease) in:		
Accounts payable	(29,712)	57,857
Grants payable	(1,000)	1,000
<i>Net cash provided by operating activities</i>	3,660	(53,225)
Cash flows from investing activities:		
Proceeds from redemption of certificate deposit	37,572	-
Purchase of certificates of deposits	(1,514)	(3,560)
Purchase of marketable securities	(3)	(5)
Proceeds from sale of marketable securities	-	15,826
Purchase of equipment	-	(695)
<i>Net cash provided by investing activities</i>	36,055	11,566
Cash flows from investing activities:		
Proceeds from contributions restricted for endowment	-	475,000
	-	475,000
<i>Net increase in cash and cash equivalents</i>	39,715	433,341
Cash and cash equivalents:		
Beginning of year	534,819	101,478
End of year	\$ 574,534	\$ 534,819

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

Dallas Ecological Foundation

Notes to Financial Statements

June 30, 2012 and 2011

1. Organization and Management

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. In consideration for these services, the Foundation paid management fees to DSC totaling \$56,723 and \$55,460 during the years ended June 30, 2012 and 2011, respectively.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method of accounting, revenue is recognized when amounts are earned and when the amount and timing of the revenue can be reasonably estimated. Expenses are recognized when they are incurred.

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets, 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 and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations. They may be designated for specific purposes by action of the Board of Trustees.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that will be met by the occurrence of a specific event or passage of time.

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

Dallas Ecological Foundation
Notes to Financial Statements
June 30, 2012 and 2011

2. Summary of Significant Accounting Policies (continued)

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence and/or nature of any donor restrictions. Time-restricted contributions are reported as temporarily restricted support and are then reclassified to be unrestricted net assets upon expiration of the time restriction. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Conditional promises to give are not recorded as contributions until they become unconditional, whereby the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of their contribution.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporarily restricted net assets (i.e. the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents consist of checking accounts and money market funds.

These cash equivalents are instruments that potentially subject the Foundation to concentrations of credit risk. The Foundation places its cash with high-credit-quality financial institutions and periodically maintains deposits that exceed FDIC insurance coverage. Management believes the risk of incurring material losses related to this credit risk is remote.

Receivables

Pledges receivable are stated at the present value of estimated future cash flows. Other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. At June 30, 2012 and 2011, no valuation allowance was considered necessary by management.

Inventory

Inventory consists principally of donated taxidermy and other artifacts, which is initially recorded at the fair market value at the time of the donation and carried at the lower of cost or estimated fair market value.

Marketable Securities

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Realized gains and losses on dispositions are based on the net proceeds and the adjusted book value of the securities sold, using the specific identification method of accounting. Unrealized gains and losses on investment securities available for sale are based on the difference between book value and fair value of each security.

Dallas Ecological Foundation
Notes to Financial Statements
June 30, 2012 and 2011

2. Summary of Significant Accounting Policies (continued)

Equipment

Equipment is stated at cost and is depreciated using the straight-line method over the estimated useful lives of the assets (five years). All equipment purchases in excess of \$500 and having a useful life of one year or more are capitalized. The costs of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts, and the resulting gain or loss is reflected in the period of their retirement. Maintenance and repair expenses are charged to operations when incurred.

Management reviews long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable in accordance with accounting standards. If a review of the long-lived assets indicates that the carrying value of certain assets is more than the estimated fair market value, an impairment charge is made to adjust the carrying value. Management believes that no impairment charge is required as of June 30, 2012 and 2011.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

Development and Marketing

Development and marketing expenses are charged to expense as incurred. Development and marketing expenses totaled \$6,137 and \$17,804 during of the years ended June 30, 2012 and 2011, respectively.

Contributed Services and Materials

A number of unpaid volunteers have made significant contributions of their time to the Foundation. The value of this time is not reflected in the financial statements since it is not subject to measurement or valuation.

Functional Allocation of Expenses

The costs of providing programs, management and general, and fund raising expenses have been summarized on a functional basis. Accordingly, certain expenses have been allocated among the activities benefited.

Income Taxes

The Foundation is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and files an annual Form 990, Return of Organization Exempt from Income Tax. As a tax-exempt organization, the Foundation is subject to federal excise tax and unrelated business income tax.

Dallas Ecological Foundation
Notes to Financial Statements
June 30, 2012 and 2011

2. Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

Accounting standards provide guidance for how uncertain income tax positions should be recognized, measured, presented and disclosed in the financial statements. The Foundation has concluded that it does not have any unrecognized tax benefits resulting from current or prior period tax positions. There are no outstanding penalties and/or interest, and none have been recorded in the statements of activities and changes in net assets for the years ended June 30, 2012 and 2011. Accordingly, no additional disclosures have been made in the financial statements.

Tax years after June 30, 2008 are open to examination by the Internal Revenue Service.

3. Marketable Securities

Marketable securities consisted of the following at June 30, 2012 and 2011:

	June 30, 2012		June 30, 2011	
	Cost	Fair Market Value	Cost	Fair Market Value
<i>Restricted for Endowment</i>				
Mutual Fund:				
Fidelity U.S. Government Reserves	<u>\$ 25,000</u>	<u>\$ 25,009</u>	<u>\$ 25,000</u>	<u>\$ 25,006</u>

Investment income consisted of the following during the years ended June 30, 2012 and 2011:

	Unrestricted	Restricted		Total
		Temporary	Permanent	
<u>Year Ended June 30, 2012</u>				
Interest and dividend income:				
Cash and cash equivalents	\$ 39	\$ 8	\$ 72	\$ 119
Certificates of deposit	1,578	-	-	1,578
Marketable securities	-	3	-	3
Total investment income	<u>\$ 1,617</u>	<u>\$ 11</u>	<u>\$ 72</u>	<u>\$ 1,700</u>
<u>Year Ended June 30, 2011</u>				
Interest and dividend income:				
Cash and cash equivalents	\$ 20	\$ 56	\$ -	\$ 76
Certificates of deposit	3,560	-	-	3,560
Marketable securities	695	5	-	700
Net realized and unrealized gains	27	-	-	27
Total investment income	<u>\$ 4,302</u>	<u>\$ 61</u>	<u>\$ -</u>	<u>\$ 4,363</u>

Dallas Ecological Foundation
Notes to Financial Statements
June 30, 2012 and 2011

4. Endowments

The Foundation has two endowments that were established by donors to support the mission of the Foundation. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

One of the Foundation's endowments received during the year ended June 30, 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.

Generally accepted accounting principles prescribe 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.

Interpretation of Relevant Law

The Foundation's Board of Trustees 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 stipulations to the contrary. Accordingly, the Foundation classifies the original value of all endowment gifts as permanently restricted net assets. Accumulated net earnings on endowment funds are generally classified as temporarily restricted net assets, except as discussed above, until those amounts are appropriated for expenditure in accordance with any applicable donor designations and 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 funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Foundation 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 Foundation;
- (7) The investment policies of the Foundation.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies that attempt to provide a secure stream of funding to programs supported by the endowment. The endowment assets are invested in a manner to produce a moderate return assuming a very conservative investment risk.

Dallas Ecological Foundation
Notes to Financial Statements
June 30, 2012 and 2011

4. Endowments (continued)

Endowment net assets consisted of the following at June 30, 2012 and 2011:

	<u>Unrestricted</u>	<u>Restricted</u>		<u>Total</u>
		<u>Temporary</u>	<u>Permanent</u>	
<u>June 30, 2012</u>				
Assets:				
Cash and cash equivalents	\$ -	\$ 10	\$458,143	\$458,153
Marketable securities	<u>-</u>	<u>9</u>	<u>25,000</u>	<u>25,009</u>
	-	19	483,143	483,162
Liabilities:				
Accounts payable – trade	<u>-</u>	<u>-</u>	<u>253</u>	<u>253</u>
Total endowment net assets	<u>\$ -</u>	<u>\$ 19</u>	<u>\$482,890</u>	<u>\$482,909</u>
<u>June 30, 2011</u>	<u>Unrestricted</u>	<u>Restricted</u>		<u>Total</u>
		<u>Temporary</u>	<u>Permanent</u>	
Assets:				
Cash and cash equivalents	\$ -	\$ 1	\$425,000	\$425,001
Pledges receivable	-	-	50,000	50,000
Marketable securities	<u>-</u>	<u>6</u>	<u>25,000</u>	<u>25,006</u>
Total endowment net assets	<u>\$ -</u>	<u>\$ 7</u>	<u>\$500,000</u>	<u>\$500,007</u>

Changes to endowment net assets consisted of the following for the years ended June 30, 2012 and 2011:

	<u>Unrestricted</u>	<u>Restricted</u>		<u>Total</u>
		<u>Temporary</u>	<u>Permanent</u>	
Endowment net assets at July 1, 2010	\$ -	\$ 1	\$ 25,000	\$ 25,001
Contributions	-	-	475,000	475,000
Investment returns:				
Interest and dividend income	<u>-</u>	<u>6</u>	<u>-</u>	<u>6</u>
Endowment net assets at June 30, 2011	-	7	500,000	500,007
Investment returns:				
Interest and dividend income	-	12	72	84
Release of restrictions	<u>-</u>	<u>-</u>	<u>(17,182)</u>	<u>(17,182)</u>
Endowment net assets at June 30, 2012	<u>\$ -</u>	<u>\$ 19</u>	<u>\$482,890</u>	<u>\$482,909</u>

5. Pledges Receivable

Pledges receivable consist of unconditional promises to give and totaled \$2,450 and \$50,000 at June 30, 2012 and 2011, respectively. One donor comprised the total receivable balance of \$50,000 at June 30, 2011.

The accounts comprising pledges receivable of \$2,450 at June 30, 2012 mature in full during the year ended June 30, 2013.

Dallas Ecological Foundation
Notes to Financial Statements
June 30, 2012 and 2011

6. Restricted Net Assets

Temporary restrictions on net assets represent donor-imposed contributions to be used for the Foundation's youth programs.

Permanent restrictions on net assets represent endowment gifts from two donors as summarized above in Note 4.

7. Fair Value Measurements

Accounting standards require disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included in level 1 for the asset or liability, either directly or indirectly through market-corroborated inputs. Level 3 inputs are unobservable inputs for the asset or liability used to measure fair value to the extent that relevant observable inputs are not available requiring significant management judgment or estimation.

A summary of assets and liabilities measured under the level inputs 1, 2 and 3 is as follows:

<u>Description</u>	<u>Total</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>June 30, 2012</u>				
Assets:				
Marketable securities	\$ 25,009	\$ 25,009	\$ -	\$ -
<u>June 30, 2011</u>				
Assets:				
Marketable securities	\$ 25,006	\$ 25,006	\$ -	\$ -

The carrying amount for certain assets and liabilities approximates fair value because of the short-term maturity of these financial assets, which include cash and cash equivalents, accounts receivable, inventory, accounts payable and grants payable.

8. Related Party Transactions

Contributions from two members of the Foundation's Board of Trustees totaled \$60,000 during the year ended June 30, 2012.

The Foundation received grants from DSC totaling \$73,076 and \$60,000 during the years ended June 30, 2012 and 2011, respectively. Management fees paid by the Foundation to DSC totaled \$56,723 and \$55,460 during the years ended June 30, 2012 and 2011, respectively.

Dallas Ecological Foundation
Notes to Financial Statements
June 30, 2012 and 2011

9. Subsequent Events

The Foundation has evaluated all subsequent events and transactions through October 22, 2012, the date the financial statements were available to be issued, and has determined there are no subsequent events that require recognition or disclosure in the financial statements.