

QUALITY DEER MANAGEMENT ASSOCIATION, INC.
(a Georgia non-profit corporation)

BOGART, GEORGIA

COMPARATIVE FINANCIAL STATEMENTS

With

AUDIT REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANT

For the years ended

DECEMBER 31, 2014

And

DECEMBER 31, 2013

Royals & Associates CPA PC
1551 Jennings Mill Rd
Suite 2800-D
Watkinsville GA 30677

QUALITY DEER MANAGEMENT ASSOCIATION, INC.

BOGART, GEORGIA

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DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Quality Deer Management Association, Inc.

We have audited the accompanying comparative financial statements of Quality Deer Management Association, Inc. (a non-profit organization) which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits 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 of 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these 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 significant accounting

estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that 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 Quality Deer Management Association, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink, appearing to read "Royals & Associates CPA PC".

Royals & Associates CPA PC
June 24 2015

QUALITY DEER MANAGEMENT ASSOCIATION INC
 COMPARATIVE STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2014 AND 2013

| <u>ASSETS</u> | | |
|--|---------------------|---------------------|
| | <u>Dec 31, 2014</u> | <u>Dec 31, 2013</u> |
| Current Assets | | |
| Cash and cash equivalents | \$ 458,841 | \$ 470,801 |
| Accounts receivable (Note 1) - net of allowance for doubtful accounts | 198,278 | 141,490 |
| Inventory | 504,075 | 485,738 |
| Total current assets | <u>1,161,194</u> | <u>1,098,029</u> |
| Property and Equipment (Note 2) | | |
| Building, equipment, furniture and vehicles - net of accumulated depreciation | 866,212 | 906,175 |
| Other Assets | | |
| Land | 960,000 | 960,000 |
| Investments (Note 3) | 495,660 | 468,683 |
| NDA Founders Contribution (Note 4) | 131,395 | 0 |
| Utility deposits | 325 | 325 |
| Total other assets | <u>1,587,380</u> | <u>1,429,008</u> |
| Total assets | <u>\$ 3,614,786</u> | <u>\$ 3,433,212</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities | | |
| Accounts payable | \$ 302,057 | \$ 272,865 |
| Current portion of long-term debt | 52,574 | 43,163 |
| Line of credit (Note 5) | 92,658 | 92,671 |
| State chapter funds payable | 15,808 | 23,890 |
| Due to National Deer Alliance (Note 7) | 32,541 | 0 |
| Total current liabilities | <u>495,638</u> | <u>432,589</u> |
| Long Term Debt (Note 6) | | |
| Notes payable | 972,437 | 1,009,512 |
| Less: current portion included above | (52,574) | (43,163) |
| Total long term debt | <u>919,863</u> | <u>966,349</u> |
| Total liabilities | 1,415,501 | 1,398,938 |
| Net Assets | | |
| Unrestricted net assets | 2,199,285 | 2,034,274 |
| Total liabilities and unrestricted net assets | <u>\$ 3,614,786</u> | <u>\$ 3,433,212</u> |

QUALITY DEER MANAGEMENT ASSOCIATION INC
 COMPARATIVE STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

| | <u>Dec 31, 2014</u> | <u>Dec 31, 2013</u> |
|---------------------------------------|-----------------------|---------------------|
| Support and Revenue | | |
| Program support: | | |
| Advertising and sponsorship | \$ 486,527 | \$ 395,633 |
| Commission and royalties | 15,733 | 15,756 |
| Donations | 179,368 | 159,504 |
| Fundraising | 1,260,734 | 1,103,070 |
| Member programs and services | 1,442,439 | 1,442,599 |
| Membership and magazine sales | 987,560 | 621,505 |
| Merchandise sales | 365,817 | 310,068 |
| National convention income | 241,309 | 336,936 |
| Other revenue | 1,397 | 0 |
| Grants, research and special projects | 227,107 | 262,058 |
| Whitetail Summit income | 111,001 | 29,800 |
| Investment revenue | | |
| Investment income | 26,092 | 11,710 |
| Interest income | 279 | 290 |
| Unrealized gain on investments | 885 | 11,705 |
| | <u>Total revenues</u> | <u>4,700,634</u> |
| | 5,346,248 | |
| Cost of Goods Sold | 1,631,216 | 1,346,631 |
| | <u>Gross profit</u> | <u>3,354,003</u> |
| | 3,715,032 | |
| Expenses | | |
| Accounting and legal fees | 25,410 | 15,619 |
| Advertising and promotion | 145,365 | 78,541 |
| Bank charges | 10,378 | 6,251 |
| Depreciation expense | 54,869 | 51,295 |
| Dues, subscriptions and contributions | 20,621 | 50,679 |
| Entertainment and event expenses | 42,932 | 48,544 |
| Fundraising expenses | 178,792 | 177,282 |
| Insurance | 27,883 | 31,334 |
| Interest expense | 42,455 | 75,612 |

Continued on following page

QUALITY DEER MANAGEMENT ASSOCIATION INC
 COMPARATIVE STATEMENTS OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013

| | Dec 31, 2014 | Dec 31, 2013 |
|---|--------------|--------------|
| Licenses and fees | 2,521 | 4,780 |
| Magazine expense | 346,699 | 398,911 |
| Mail postage and processing | 207,524 | 150,247 |
| Merchant account charges | 69,208 | 57,330 |
| National convention expense | 187,601 | 184,842 |
| Office and shipping supplies | 37,074 | 58,447 |
| Payroll, employee benefit and related expenses | 1,596,149 | 1,390,491 |
| Printing | 26,529 | 38,025 |
| Rent - equipment | 4,324 | 5,814 |
| Repairs & maintenance | 15,761 | 23,336 |
| Research and special project expense | 9,891 | 44,250 |
| Royalties | 9,208 | 3,209 |
| Taxes | 37,341 | 49,986 |
| Travel expense | 213,717 | 193,634 |
| Utilities | 76,470 | 72,985 |
| Web site and IT expense | 42,457 | 49,615 |
| Whitetail Summit | 118,842 | 0 |
| Total expenditures | 3,550,021 | 3,261,059 |
| Increase in net assets | 165,011 | 92,944 |
| Unrestricted net assets at December 31, 2013 and 2012 | 2,034,274 | 1,941,330 |
| Unrestricted net assets at December 31, 2014 and 2013 | \$ 2,199,285 | \$ 2,034,274 |

QUALITY DEER MANAGEMENT ASSOCIATION INC
 COMPARATIVE STATEMENTS OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013

Reconciliation of Changes in Net Assets to Net Cash
 Provided by Operating Activities

| | Dec 31, 2014 | Dec 31, 2013 |
|--|--------------|--------------|
| Change in unrestricted net assets | \$ 165,011 | \$ 92,944 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 54,869 | 51,295 |
| Unrealized gain on investments | (885) | (11,705) |
| (Increase)decrease in operating assets | | |
| Accounts receivable | (56,788) | 72,277 |
| Inventory | (18,337) | (216,557) |
| Long term investments | (26,092) | (423,415) |
| NDA Founders Contribution | (131,395) | 0 |
| Increase(decrease) in operating liabilities | | |
| Accounts payable | 29,192 | 82,820 |
| Net change in line of credit | (13) | 960 |
| Other liabilities | 24,458 | (24,200) |
| Net cash provided (used) by operating activities | 40,020 | (375,581) |
| Cash Flows From Investing Activities | | |
| Purchase of equipment | (14,906) | 0 |
| Net cash used by investing activities | (14,906) | 0 |
| Cash Flows From Financing Activities | | |
| Proceeds from borrowing | 3,303 | 0 |
| Repayment of principal | (40,377) | (50,055) |
| Net cash used by financing activities | (37,074) | (50,055) |
| Net Decrease in Cash and Cash Equivalents | (11,960) | (425,636) |
| Cash and Cash Equivalents at Beginning of Period | 470,801 | 896,437 |
| Cash and Cash Equivalents at End of Period | \$ 458,841 | \$ 470,801 |
| Supplemental information: | | |
| Interest paid | \$42,455 | \$75,612 |

See auditor's report and accompanying notes

QUALITY DEER MANAGEMENT ASSOCIATION INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Quality Deer Management Association Inc (QDMA) is a non-profit wildlife conservation organization dedicated to promoting sustainable, high quality white-tailed deer populations, wildlife habitats and ethical hunting experiences through education, research, and management in partnership with hunters, landowners, natural resource professionals and the public. The Organization is a non-profit corporation and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The Organization follows the provisions of FASB ASC 958, *Not-For-Profit Entities*, which establishes external reporting standards for not-for-profit organizations. Under ASC 958, the Organization is required to report information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

1. Unrestricted - Net assets which are free of donor imposed restrictions; all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets.
2. Temporarily Restricted - Net assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or that can be removed by actions of the Organization pursuant to such stipulations.
3. Permanently Restricted - Net assets whose use by the Organization is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled and removed by actions of the Organization.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. At times during the year, the Organization maintains cash balances in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes risk in these situations to be minimal.

QUALITY DEER MANAGEMENT ASSOCIATION INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Organization follows the provisions FASB ASC 958, *Not-For Profit Entities*, which establishes external reporting standards for not-for-profit organizations. Standards for accounting for investment securities are contained in FASB ASC 958-320, *Investments - Debt and Equity Securities*. The Organization is required to report investments with readily determinable fair values and all investments in debt securities at fair value on the financial statement date. All gains and losses, both realized and unrealized, interest and dividends are included in the statement of changes in net assets. Investments received as gifts are recorded at fair value at the date of the gift.

Fair Value Measurements

The Organization adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosure*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a hierarchy based on the quality of the inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value and enhances disclosure requirements for fair value measurements.

Investments held by the Organization are relatively short term investments with readily available determinable market values. Based on the nature of these investments, management believes the fair value of these investments approximates their cash value at December 31, 2014.

Accounts Receivable

Accounts Receivable are recorded and revenue recognized when the invoices are issued and are presented in the state of financial position net of the allowance for doubtful accounts. Receivables are written off as management determines the balances are uncollectible. The allowance for doubtful accounts is estimated based on the Organization's historical losses, existing economic conditions, and the financial stability of its customers. At December 31, 2014, the allowance for doubtful accounts reduced trade receivables by \$12,000.

Statement of Cash Flows

The statement of cash flows is intended to reflect only receipts and payment activities arising from cash transactions. The statement does not reflect immaterial non-cash investing and finance activities.

Contributions and Support

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of the donor imposed restriction.

All donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of changes in net assets as assets released from restriction. The Organization reports any donor-restricted contributions whose restrictions are not in the same accounting period as unrestricted support.

QUALITY DEER MANAGEMENT ASSOCIATION INC
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Land, buildings, vehicles, equipment and furniture are carried at cost. Expenditures for property and equipment and the fair value of donated property and equipment in excess of \$2,000 is capitalized. Depreciation is computed over the estimated useful life of the asset. Typically, the estimated useful lives range from:

Buildings - 31.5 to 39 years
 Equipment and furniture - 7 years
 Office Equipment - 5 years
 Software - 3 years

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has placed restrictions on the asset for a specific purpose. Assets donated with explicit restrictions regarding their use or contributions of cash that must be used to acquire specific assets are recorded as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Contributed Services

The Organization receives a substantial amount of services donated by individuals in carrying out the Organization's activities. No amounts have been recognized in the financial statements for these services as they do not meet the criteria for recognition under the provisions of FASB ASC 958, *Not-For-Profit Entities*.

Direct Fundraiser Cost & Special Events

During the years ended December 31, 2014 and December 31, 2013, the Organization charged \$178,792 and \$177,282 to fundraising activities respectively. Fundraising costs consists of amounts charged directly to fundraising and special events and amounts allocated by management to these activities.

NOTE 2 - PROPERTY & EQUIPMENT, NET

Property and equipment at December 31, 2014 and 2013 consists of the following:

| | 2014 | 2013 |
|--------------------------------|--------------|--------------|
| Building | \$ 1,196,594 | \$ 1,196,594 |
| Vehicles | 35,127 | 35,127 |
| Grounds & Warehouse Equip | 24,279 | 24,279 |
| Office Equipment | 25,001 | 25,001 |
| Computer Equipment | 86,618 | 84,585 |
| Software | 37,419 | 24,546 |
| Office Furniture & Fixtures | 51,176 | 51,176 |
| | 1,456,214 | 1,441,308 |
| Less: accumulated depreciation | (590,002) | (535,133) |
| Net book value of fixed assets | \$ 866,212 | \$ 906,175 |

Depreciation expense charged to program expense totaled \$51,577 and \$48,217 and depreciation charged to administrative expense totaled \$3,292 and \$3,078 for the years ended December 31, 2014 and 2013, respectively.

QUALITY DEER MANAGEMENT ASSOCIATION INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 3 - INVESTMENTS

Marketable securities as of December 31, 2014 are summarized as follows:

| | Cost Basis | Fair Market (Carrying) Value |
|---|------------|---------------------------------|
| Youth Education & Recruitment Fund-mutual funds | \$ 412,502 | \$ 459,277 |
| General Fund-equities and mutual funds | 33,000 | 36,383 |
| | \$ 445,502 | \$ 495,660 |

The following schedule summarizes the investment returns for the year ended December 31, 2014:

| | |
|--------------------------|-----------|
| Investment income | \$ 26,092 |
| Unrealized gains(losses) | 885 |
| | \$ 26,977 |

NOTE 4 - NDA FOUNDERS CONTRIBUTION

The National Deer Alliance (NDA) is an organization to be incorporated in the Commonwealth of Virginia. NDA will apply for tax-exempt status under Internal Revenue Code Section 501C(c)(4) as a non-profit advocacy organization with a mission to serve as a unified voice of the modern deer hunter and guardian of the nation's wild deer population, wildlife habitat and hunting heritage. The NDA was an outcome of the inaugural North American Whitetail Summit hosted by QDMA in March of 2014. While the official launch of the NDA took place in July of 2014 at the QDMA National Convention, the NDA was not a formal legal entity until January of 2015 with approval of the articles of incorporation and bylaws and seating of the Board of Directors. QDMA is a founding member of NDA and has two permanent seats on the NDA Board of Directors. QDMA CEO, Brian Murphy, is the Vice-chairman of NDA. It is not anticipated that QDMA will hold a controlling interest in NDA. Founding member status is conferred to non-profit organizations and private companies making contributions to NDA which will generally equal or exceed \$100,000 to be paid in three years or less.

At December 31, 2014, the contribution of QDMA was \$131,395. The contributions consist of marketing and other support expenses paid by QDMA on behalf of NDA.

NOTE 5 - LINE OF CREDIT

The Organization has a \$200,000 line of credit with Athens First Bank & Trust. The outstanding principal at December 31, 2014 is \$92,658. The line of credit has an annual interest rate of 3.8%. The line of credit is secured by an interest in a building and land at 170 Whitetail Way, Bogart, Georgia. The line of credit matures on August 21, 2015 and is renewable at the option of the institution and the Organization.

QUALITY DEER MANAGEMENT ASSOCIATION INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 6 - LONG TERM DEBT

Long term debt at December 31, 2014 consists of the following:

| | |
|--|------------|
| Mortgage payable in monthly installments of \$7,477 including interest at an annual rate of 4.49%. The mortgage is collateralized by property with a net book value of \$1,791,945 including the land. | \$ 958,558 |
| Note payable to Bank of America in monthly installments of \$428 including interest at an annual rate of 3.29%. Loan is collateralized by a vehicle with a net book value of \$19,046. | 13,879 |
| | \$ 972,437 |

Schedule of maturity of long-term debt:

| | |
|---------------------------------------|-----------|
| For the year ended December 31, 2015: | \$52,574 |
| For the year ended December 31, 2016: | 54,748 |
| For the year ended December 31, 2017: | 55,494 |
| For the year ended December 31, 2018: | 54,265 |
| For the year ended December 31, 2019: | 56,752 |
| For the years ended thereafter: | 698,604 |
| | \$972,437 |

NOTE 7 - DUE TO NATIONAL DEER ALLIANCE

The Organization maintains a separate bank account for amounts received that are designated as contributions to the National Deer Alliance. It is anticipated the funds will be transferred to NDA when it becomes operational. The balance due to NDA at December 31, 2014 consists of the following:

| | |
|--------------------------------|-----------|
| Contributions received for NDA | \$ 50,883 |
| Less: expenses paid from funds | (18,432) |
| Balance due to NDA | \$ 32,451 |

NOTE 8 - RETIREMENT CONTRIBUTION

The Organization maintains a retirement plan for eligible employees in which the employees invest in individual IRA accounts. The Organization matches contributions under provisions of the plan. Employer retirement plan contributions charged to operations are \$20,816 for the year ended December 31, 2014.

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 24, 2015, which is the date the financial statements were available to be issued. As of this date, there are no material subsequent events that require disclosure in the financial statements for the year ended December 31, 2014.