

Trout Unlimited, Inc.

Financial Report
September 30, 2009

McGladrey & Pullen
Certified Public Accountants

Contents

Independent Auditor's Report	1
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Financial Statements	
Balance Sheets	2
Statements Of Activities	3
Statements Of Changes In Net Assets	4
Statements Of Cash Flows	5
Notes To Financial Statements	6 – 18

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Trustees
Trout Unlimited, Inc.
Arlington, Virginia

We have audited the accompanying balance sheets of Trout Unlimited, Inc. (TU) as of September 30, 2009 and 2008, and the related statements of activities, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of TU's management. Our responsibility is to express an opinion on these 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 audit 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TU as of September 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 29, 2010 and February 10, 2009, on our consideration of TU's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports 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 internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

McGladrey & Pullen, LLP

Vienna, Virginia
March 29, 2010

Trout Unlimited, Inc.

Balance Sheets
September 30, 2009 And 2008

Assets	2009	2008
Current Assets		
Cash – Operating (Note 1)	\$ 3,811,587	\$ 2,267,714
Cash – The Stewardship Fund (Note 1)	897,066	848,242
Receivables, net (Note 2)	3,079,265	1,887,325
Promises to give, net (Note 1)	989,484	287,326
Prepaid and other assets	858,649	854,334
Total current assets	9,636,051	6,144,941
Investments (Notes 3 And 4)	8,064,388	8,163,180
Property And Equipment, net (Note 5)	415,962	464,314
	\$ 18,116,401	\$ 14,772,435
Liabilities And Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,416,511	\$ 1,558,364
Refundable advances – federal grants	185,155	241,695
Total current liabilities	1,601,666	1,800,059
Commitments And Contingencies (Notes 7 And 11)		
Net Assets		
Unrestricted (Note 1)	1,180,321	1,754,242
Temporarily restricted (Note 8)	9,244,568	5,238,788
Permanently restricted (Note 9)	6,089,846	5,979,346
	16,514,735	12,972,376
	\$ 18,116,401	\$ 14,772,435

See Notes To Financial Statements.

Trout Unlimited, Inc.

Statements Of Activities
Years Ended September 30, 2009 And 2008

	2009	2008
Change in unrestricted net assets:		
Support and revenue:		
Grants and other contributions	\$ 6,978,850	\$ 6,390,654
Membership contributions	4,862,046	4,148,267
Events income	612,981	647,969
Investment losses	(23,305)	(139,083)
Other income	156,621	186,337
Net assets released from restrictions	9,943,227	9,571,559
Total support and revenue	22,530,420	20,805,703
Expenses:		
Program services:		
Conservation operations	13,312,404	12,383,150
Volunteer operations and chapter support	3,613,510	3,342,104
Communications	1,821,718	1,489,907
Government affairs	434,348	386,271
Total program services	19,181,980	17,601,432
Supporting services:		
Fundraising	2,800,025	2,511,269
Administration	876,906	875,911
Total supporting services	3,676,931	3,387,180
Total expenses	22,858,911	20,988,612
Change in unrestricted net assets before endowment losses	(328,491)	(182,909)
Unrealized losses on endowments	(245,430)	(435,307)
Change in unrestricted net assets	(573,921)	(618,216)
Change in temporarily restricted net assets:		
Contributions	13,799,227	9,524,527
Investment losses	(95,650)	(785,950)
Net assets released from restrictions	(9,943,227)	(9,571,559)
Change in temporarily restricted net assets before endowment losses	3,760,350	(832,982)
Unrealized losses on endowments	245,430	435,307
Change in temporarily restricted net assets	4,005,780	(397,675)
Change in permanently restricted net assets:		
Contributions	110,500	210,192
Change in net assets	3,542,359	(805,699)
Net assets:		
Beginning	12,972,376	13,778,075
Ending	\$ 16,514,735	\$ 12,972,376

See Notes To Financial Statements.

Trout Unlimited, Inc.

Statements Of Changes In Net Assets
Years Ended September 30, 2009 And 2008

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Undesignated	Designated	Total			
Net assets, September 30, 2007	\$ 362,019	\$ 2,010,439	\$ 2,372,458	\$ 5,636,463	\$ 5,769,154	\$ 13,778,075
Change in net assets	(618,216)	-	(618,216)	(397,675)	210,192	(805,699)
Net assets, September 30, 2008	(256,197)	2,010,439	1,754,242	5,238,788	5,979,346	12,972,376
Change in net assets	(573,921)	-	(573,921)	4,005,780	110,500	3,542,359
Net assets, September 30, 2009	<u>\$ (830,118)</u>	<u>\$ 2,010,439</u>	<u>\$ 1,180,321</u>	<u>\$ 9,244,568</u>	<u>\$ 6,089,846</u>	<u>\$ 16,514,735</u>

See Notes To Financial Statements.

Trout Unlimited, Inc.

Statements Of Cash Flows
Years Ended September 30, 2009 And 2008

	2009	2008
Cash Flows From Operating Activities		
Change in net assets	\$ 3,542,359	\$ (805,699)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	157,763	104,152
Donated stock	(146,515)	(158,917)
Unrealized and realized losses on investments, net	234,849	1,427,270
Contributions restricted for permanent endowment	(110,500)	(210,192)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(1,191,940)	(228,457)
Promises to give	(702,158)	177,555
Prepaid and other assets	(4,315)	(36,583)
Increase (decrease) in:		
Accounts payable and accrued expenses	(141,853)	218,301
Refundable advances – federal grants	(56,540)	(43,677)
Net cash provided by operating activities	1,581,150	443,753
Cash Flows From Investing Activities		
Proceeds from sale of investments	1,393,944	738,319
Purchases of investments	(1,383,486)	(1,114,723)
Purchases of property and equipment	(109,411)	(143,090)
Net cash used in investing activities	(98,953)	(519,494)
Cash Flows From Financing Activities		
Contributions restricted for permanent endowment	110,500	210,192
Net increase in cash	1,592,697	134,451
Cash – Total Operating And The Stewardship Fund		
Beginning	3,115,956	2,981,505
Ending (Note 1)	\$ 4,708,653	\$ 3,115,956
Supplemental Schedule Of Noncash Investing And Financing Activities		
Receipt of donated stock	\$ 146,515	\$ 158,917

See Notes To Financial Statements.

Trout Unlimited, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: Trout Unlimited (TU) protects, reconnects and restores North America's trout and salmon and their watersheds. TU is a not-for-profit organization with approximately 140,000 members and supporters in over 400 chapters and councils nationwide. TU also receives government grants that are subject to audit by its oversight agency (largest government funder), the U.S. Department of Interior.

The following program and supporting services are included in the accompanying statements of activities:

Conservation operations: Conservation operations include TU's network of regional offices that conduct regionally-based conservation initiatives. The top five programs in terms of total expenditures for the years ended September 30, 2009 and 2008, are as follows:

- Western Water – Strives to ensure that coldwater streams in the west have flows sufficient for the survival of trout and other wildlife. Total expenditures: \$2,155,630 and \$1,773,376, respectively.
- Sportsman's Conservation Project – Organizes the 50 million Americans who hunt and fish to conserve, protect, and restore America's publicly-owned landscapes. Total expenditures: \$1,784,580 and \$2,081,330, respectively.
- Alaska Project – Organizes the public around the protection of Bristol Bay from the development of a possible goldmine. Total expenditures: \$994,262 and \$658,614, respectively.

Volunteer operations and chapter support: Volunteer operations is the department responsible for coordinating the activities of chapter operations; providing leadership training and guidance to state councils; and identifying, assessing, and responding to the needs of the various states' volunteer conservation efforts.

This department also provides support to the individual members and chapters. This support takes the form of member/chapter database maintenance, providing mailing labels, providing rosters, fulfilling premiums, and supporting chapter and council leaders in performing their duties.

Communications: The communications department is responsible for educating the public on the importance of trout and salmon watershed conservation. It publishes the quarterly *TROUT* magazine, the monthly *Lines to Leaders* newsletter, and TU's annual report. The communications department is also responsible for other publications, maintaining TU's website, generating press releases, conducting press conferences, and other public relations.

Government affairs: Government affairs deals with legislative and regulatory affairs on both the federal and state levels. During 2009, efforts to safeguard trout and salmon from climate change impacts and reduce the negative effects of energy development on trout habitat were areas of focus for the government affairs department. The department also worked to build support for the National Fish Habitat Action Plan and appropriations for trout and salmon programs.

Fundraising: This supporting service category includes expenditures that provide the structure necessary to encourage and secure private financial support.

Administration: This supporting service category includes the functions necessary to secure the proper administrative functioning of TU's governing board, maintain an appropriate working environment, and manage the financial responsibilities of TU.

Trout Unlimited, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

A summary of TU's significant accounting policies follows:

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: TU 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.

The Stewardship Fund: The Stewardship Fund consists of cash donated by a third-party to use on watershed restoration projects. This fund had a balance of \$897,066 and \$848,242 at September 30, 2009 and 2008, respectively.

Financial risk: TU maintains its cash in bank accounts which, at times, may exceed federally insured limits. TU has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash.

Receivables: Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a quarterly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using the historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Provision for doubtful accounts was \$2,282 at September 30, 2009 and 2008.

Promises to give: Unconditional promises to give are recognized as revenue or gains in the period acknowledged. Conditional promises to give are only recognized when the conditions on which they depend are substantially met. Unconditional promises to give are carried at fair value less an estimate made for doubtful promises based on a review of all outstanding promises on a quarterly basis. Management determines the allowance for doubtful promises by using the historical experience applied to an aging of promises. Promises are written off when deemed uncollectible. There was no provision for doubtful promises based on management's evaluation of the collection of promises at September 30, 2009 and 2008. All promises are expected to be collected in the year ending September 30, 2010.

Investments: Investments are reflected at fair value, which is based on quoted market rates. To adjust the carrying value of investments, unrealized and realized gains and losses are included in the statements of activities as part of investment income.

TU invests in a professionally managed portfolio that contains equities and mutual funds, which invest in stocks and bonds. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Property and equipment: Property and equipment is recorded at cost or at estimated fair value at the date of gift. Donated property is reported as unrestricted support, unless the donor has restricted the donated asset to a specific purpose. Property and equipment purchases greater than \$2,500 are capitalized and depreciated on a straight-line basis over their estimated useful lives.

Trout Unlimited, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Net assets: Net assets at September 30, 2009 and 2008, are as follows:

- *Unrestricted net assets* – Represents unrestricted resources that are available for the support of general operating activities. At September 30, 2009 and 2008, \$2,010,439 was considered board designated for use as a future reserve to assist in covering program costs for the watershed restoration projects.
- *Temporarily restricted net assets* – Represents resources unavailable for use in the current period because of the existence of time and/or purpose restrictions that remain unsatisfied at year-end.
- *Permanently restricted net assets* – Represents resources whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of TU. Earnings on the endowment funds are either temporarily restricted for program and fundraising purposes or are available for operations as specified by the donor.

Restricted and unrestricted support and revenue: Membership contributions and other contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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 purpose of restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Unconditional promises to give are recognized as support or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Grant revenue is recognized as costs qualified under the grants are incurred. Grant funds received in excess of costs incurred are recorded as refundable advances until earned. Reimbursable grant costs incurred in excess of funds received are recorded as receivables.

Functional allocation of expenses: The costs of providing TU's various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Joint cost allocation: TU regularly communicates to the public and TU members via mailings key issues critical to conserving, protecting, and restoring coldwater fishery habitats. These mailings also include requests for contributions. Included in the costs of the packages that were mailed during the years ended September 30, 2009 and 2008, were \$893,525 and \$947,863, respectively, of joint costs that are not directly attributable to either the program component or the fundraising component of the mailing. Those joint costs are allocated as follows:

	2009	2008
Program	\$ 258,567	\$ 387,334
Fundraising	634,958	560,529
	<u>\$ 893,525</u>	<u>\$ 947,863</u>

Trout Unlimited, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Income taxes: TU is generally exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, TU qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. TU had no unrelated business income tax liability for the years ended September 30, 2009 and 2008, since TU did not have significant unrelated business income.

Use of estimates: The preparation of the financial statements requires management to make estimates and assumptions that affect certain 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain items in the September 30, 2008 financial statements have been reclassified to conform to the September 30, 2009 financial statement presentation. These reclassifications had no effect on the previously reported change in net assets.

Recent accounting pronouncements: The Income Tax Topic of the Financial Accounting Standards Board (FASB) Codification (the Codification) prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return, including positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income. If there are changes in net assets as a result of the application of the provisions of the Codification, these will be accounted for as an adjustment to the opening balance of net assets. Additional disclosures about the amounts of such liabilities will also be required. TU presently recognizes or discloses income tax positions based on management's estimate of whether it is probable and reasonably possible that a liability has been incurred for unrecognized income tax benefits by applying the provisions of the Contingency Topic of the FASB Codification. TU has elected to defer the application of the uncertainty in income tax provisions of the Income Tax Topic of the FASB codification and will be required to adopt these provisions in its 2010 annual financial statements.

During the year ended September 30, 2009, TU adopted the Fair Value Measurements disclosures as outlined in the FASB Accounting Standards Codification, which defines the fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and sets out a fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under this standard as assumptions market participants would use in pricing an asset or liability. TU has added the required disclosures in Note 4 of the financial statements.

During the year ended September 30, 2009, TU adopted the guidance on the net asset classification of donor-restricted endowment funds as outlined in the FASB Accounting Standards Codification, which provides guidance for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission (ULC, formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guideline for states to use in enacting legislation. The FSP also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA. The Virginia version of the Uniform Prudent Management of Institutional Funds Act (VA UPMIFA) was recently enacted into law with an effective date of March 19, 2009. TU has added the required disclosures in Note 9 of the financial statements.

Trout Unlimited, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Subsequent events: TU evaluated subsequent events for potential required disclosures through March 29, 2010, which is the date the financial statements were available to be issued.

Note 2. Receivables

Receivables at September 30, 2009 and 2008, are as follows:

	2009	2008
State grants	\$ 1,394,480	\$ 794,396
Federal grants	1,268,448	890,825
Other	418,619	204,386
	<u>3,081,547</u>	<u>1,889,607</u>
Less provision for doubtful accounts	2,282	2,282
	<u>\$ 3,079,265</u>	<u>\$ 1,887,325</u>

Note 3. Investments

Investments at September 30, 2009 and 2008, are as follows:

	2009	2008
Mutual funds – equity	\$ 3,596,967	\$ 4,368,885
Mutual funds – bond	3,632,976	3,026,546
Money market funds	834,445	767,749
	<u>\$ 8,064,388</u>	<u>\$ 8,163,180</u>

Investment income for the years ended September 30, 2009 and 2008, is as follows:

	2009	2008
Interest and dividend income	\$ 115,894	\$ 502,237
Unrealized and realized losses on investments, net	(234,849)	(1,427,270)
	<u>\$ (118,955)</u>	<u>\$ (925,033)</u>

Trout Unlimited, Inc.

Notes To Financial Statements

Note 4. Fair Value Measurements

During the year ended September 30, 2009, TU adopted the required Fair Value Measurements disclosures as outlined in the FASB Codification with no material impact on the financial statements. This statement establishes a single authoritative definition of fair value sets out a framework for measuring fair value in accordance with Generally Accepted Accounting Principles (GAAP) and expands disclosures about Fair Value Measurements. The Fair Value Measurements disclosures apply to all assets and liabilities that are being measured and reported on a fair value basis. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, TU performs a detailed analysis of the assets and liabilities that are subject to fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by TU at September 30, 2009.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy.

	Total	Level 1	Level 2	Level 3
Mutual funds – bonds	\$ 3,632,976	\$ 3,632,976	\$ -	\$ -
Mutual funds – equities	3,596,967	3,596,967	-	-
Money market funds	834,445	-	834,445	-
	<u>\$ 8,064,388</u>	<u>\$ 7,229,943</u>	<u>\$ 834,445</u>	<u>\$ -</u>

TU's mutual funds are publicly traded on the New York Stock Exchange and are considered Level 1 items. TU's money market funds are priced based on their stated interest rates and quality ratings. The interest and quality ratings are observable at commonly quoted intervals for the full term of the instruments and are, therefore, considered Level 2 items.

Notes To Financial Statements

Note 5. Property And Equipment

Property and equipment and accumulated depreciation at September 30, 2009 and 2008, and depreciation expense for the years ended September 30, 2009 and 2008, are as follows:

Asset Category	Estimated Lives	2009			
		Cost	Accumulated Depreciation	Net	Depreciation Expense
Furniture and equipment	5 – 10 years	\$ 757,380	\$ 365,287	\$ 392,093	\$ 154,260
Leasehold improvements	3 – 10 years	35,029	18,961	16,068	3,503
Land	–	7,801	-	7,801	-
		<u>\$ 800,210</u>	<u>\$ 384,248</u>	<u>\$ 415,962</u>	<u>\$ 157,763</u>

Asset Category	Estimated Lives	2008			
		Cost	Accumulated Depreciation	Net	Depreciation Expense
Furniture and equipment	5 – 10 years	\$ 657,554	\$ 220,612	\$ 436,942	\$ 100,649
Leasehold improvements	3 – 10 years	35,029	15,458	19,571	3,503
Land	–	7,801	-	7,801	-
		<u>\$ 700,384</u>	<u>\$ 236,070</u>	<u>\$ 464,314</u>	<u>\$ 104,152</u>

Note 6. Line Of Credit

TU maintains a \$500,000, revolving line-of-credit with a bank with interest based on London Inter-Bank Offered Rate (LIBOR) plus 1.25%. The line is due on demand and expires March 31, 2010. The line of credit is secured by the cash and investments of TU. There were no outstanding balances at September 30, 2009 and 2008.

Note 7. Operating Leases

TU has commitments under operating leases for office space and equipment expiring at various times through 2014.

Rent expense relating to the office operating leases at September 30, 2009 and 2008, was \$645,575 and \$550,579, respectively.

Future minimum rental payments by year and in the aggregate under the operating leases, are as follows:

2010	\$ 336,339
2011	238,904
2012	243,506
2013	249,576
2014	126,325
	<u>\$ 1,194,650</u>

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets include donor restricted and other funds which are only available for program activities or general support designated for future years. Temporarily restricted net assets of \$9,943,227 and \$9,571,559 were released from restrictions during the years ended September 30, 2009 and 2008, respectively, due to either time restrictions ending or the purpose restrictions being accomplished.

Trout Unlimited, Inc.

Notes To Financial Statements

Note 8. Temporarily Restricted Net Assets (Continued)

Temporarily restricted net assets at September 30, 2009 and 2008, are available for the following programs:

	2009			Balance September 30, 2009
	Balance September 30, 2008	Additions	Releases	
Sportsman's Conservation Project	\$ 921,005	\$ 3,928,875	\$ 1,784,580	\$ 3,065,300
Western Water Project	1,514,949	2,907,050	2,155,630	2,266,369
Alaska Initiative	295,290	1,397,737	994,262	698,765
Chapter Activity	688,095	129,029	178,940	638,184
West Branch of Susquehanna Restoration	547,664	337,350	298,720	586,294
California – Salmon 2040	100,356	435,266	73,087	462,535
Eastern Land Protection	125,010	201,080	90,144	235,946
Upper Green River	-	275,000	41,767	233,233
Youth Education	-	329,695	170,138	159,557
Acid Mine Remediation	187,914	230,809	260,717	158,006
Upper Connecticut River	15,650	132,530	23,135	125,045
Embrace-a-Stream	178,757	209,337	312,536	75,558
Conservation Success Index	211,805	536,245	682,518	65,532
South Fork of the Snake and Garden Creek	40,610	252,629	233,327	59,912
Endowment Investment Activity	56,194	(127)	600	55,467
Cub Stream Restoration	2,110	84,890	42,472	44,528
Deschutes River Restoration	-	75,000	35,369	39,631
California Roadless Initiative	104,515	110,900	182,178	33,237
Maine Forest Practices	8,011	25,000	600	32,411
Eastern Energy Project	-	30,000	-	30,000
Salmon Conservation	305	109,255	82,150	27,410
Musconetcong Restoration	11,250	54,890	40,752	25,388
Potomac Headwaters	31	217,555	194,486	23,100
Battenkill Restoration	-	20,325	-	20,325
California Golden Trout	21,563	6,586	8,652	19,497
Eastern Water Project	57,476	102,450	141,133	18,793
Kettle Creek	15,852	93,286	96,265	12,873
Nash Stream	87,642	-	76,009	11,633
Whirling Disease	22,696	73,330	87,364	8,662
Bear River Project	3,668	20,785	19,403	5,050
California Water Project	15,237	440,925	452,003	4,159
Climate Change	-	15,601	13,433	2,168
Public Outreach	3,534	263,447	266,981	-
Brook Trout	1,599	7,213	8,812	-
North Coast Coho Restoration	-	537,686	537,686	-
Driftless Area Project	-	224,099	224,099	-
Penobscot River	-	68,469	68,469	-
Jefferson River Project	-	59,810	59,810	-
Shenandoah Restoration	-	5,000	5,000	-
	<u>\$ 5,238,788</u>	<u>\$ 13,949,007</u>	<u>\$ 9,943,227</u>	<u>\$ 9,244,568</u>

Trout Unlimited, Inc.

Notes To Financial Statements

Note 8. Temporarily Restricted Net Assets (Continued)

	2008			Balance September 30, 2008
	Balance September 30, 2007	Additions	Releases	
Western Water Project	\$ 1,199,807	\$ 2,088,518	\$ 1,773,376	\$ 1,514,949
Sportsman's Conservation Project	949,635	2,052,700	2,081,330	921,005
Chapter Activity	824,199	4,055	140,159	688,095
Kettle Creek	279,436	530,282	246,202	563,516
Alaska Initiative	622,832	331,072	658,614	295,290
Conservation Success Index	-	670,880	459,075	211,805
Acid Mine Remediation	239,225	187,775	239,086	187,914
Embrace-a-Stream	118,282	358,748	298,273	178,757
Eastern Land Protection	40,469	133,750	49,209	125,010
California Roadless Initiative	154,741	156,700	206,926	104,515
California – Salmon 2040	114,030	11,000	24,674	100,356
Nash Stream	174,240	-	86,598	87,642
Eastern Water Project	52,170	173,799	168,493	57,476
Endowment Investment Activity	622,858	(566,064)	600	56,194
South Fork of the Snake and Garden Creek	21,739	105,300	86,429	40,610
Whirling Disease	-	169,338	146,642	22,696
California Golden Trout	17,636	290,486	286,559	21,563
Upper Connecticut River	-	20,000	4,350	15,650
California Water Project	-	274,043	258,806	15,237
Musconetcong Restoration	-	30,000	18,750	11,250
Atlantic Salmon	8,011	-	-	8,011
Bear River Project	46,377	26,667	69,376	3,668
Public Outreach	-	277,106	273,572	3,534
Clark Fork Project	-	5,967	4,132	1,835
Brook Trout	2,262	25,737	26,400	1,599
Salmon Conservation	-	243,557	243,252	305
Cutthroat Trout Research	-	4,875	4,600	275
Potomac Headwaters	-	97,808	97,777	31
North Coast Coho Restoration	22,321	681,229	703,550	-
Linville River Restoration	-	500,000	500,000	-
St. Joe's Basin Forest Conservation Project	95,000	-	95,000	-
Youth Education	-	90,490	90,490	-
Driftless Area Project	11,893	73,295	85,188	-
Penobscot River	-	69,006	69,006	-
Jefferson River Project	-	29,260	29,260	-
Rapid River Brook Trout Project	14,013	4,000	18,013	-
Climate Change	-	15,167	15,167	-
Clean Water Act	-	7,338	7,338	-
West Slope Cutthroat Trout	3,038	-	3,038	-
Great Lakes Coaster Brook Trout	2,249	-	2,249	-
	<u>\$ 5,636,463</u>	<u>\$ 9,173,884</u>	<u>\$ 9,571,559</u>	<u>\$ 5,238,788</u>

Notes To Financial Statements

Note 9. Endowments

Interpretation of relevant law: The Board of Trustees of TU has interpreted the Michigan enacted version of UPMIFA 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. As a result of this interpretation, TU 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 TU in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, TU considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Return objective and risk parameters: TU's objective is to earn a respectable, long-term, risk-adjusted total rate of return to support the designated programs. TU recognizes and accepts that pursuing a respectable rate of return involves risk and potential volatility. Over complete market cycles, TU's assets should generate a return, net of fees, greater than the benchmark index consisting of a combination of appropriate capital market indexes weighted in the same proportions as TU's asset allocation. To minimize the administrative costs and burdens, TU is currently only invested in publicly traded mutual funds.

Spending policies:

CCF Endowment – This endowment is expected by the donors to produce annual investment income that is to be spent to cover the salaries, benefits, and operating budget for TU's Senior Scientist and CCF Director. Given that these expenses exceed a reasonable earnings rate for the size of this endowment, the spending rate of 4% was set for fiscal years ended September 30, 2009 and 2008.

Other Endowments – The earnings from these endowments are available in support of the general operations of TU. The Board of Trustees determines annually the spending rate for these endowments. Due to the current market conditions, the Board of Trustees authorized a 0% spending rate for the fiscal years ended September 30, 2009 and 2008.

Trout Unlimited, Inc.

Notes To Financial Statements

Note 9. Endowments (Continued)

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 UPMIFA requires TU to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles (GAAP), deficiencies of this nature that are reported in unrestricted net assets were \$680,737 and \$435,307 as of September 30, 2009 and 2008.

TU's endowment funds consist of the following at September 30, 2009 and 2008:

	2009		
	Balance September 30, 2008	Additions	Balance September 30, 2009
CCF Endowment	\$ 4,543,162	\$ 110,500	\$ 4,653,662
Russell Endowment	569,375	-	569,375
Living Brightwater Endowment	447,292	-	447,292
E.T. Teller Endowment	413,717	-	413,717
Restricted Property	5,800	-	5,800
	<u>\$ 5,979,346</u>	<u>\$ 110,500</u>	<u>\$ 6,089,846</u>
	2008		
	Balance September 30, 2007	Additions	Balance September 30, 2008
CCF Endowment	\$ 4,332,970	\$ 210,192	\$ 4,543,162
Russell Endowment	569,375	-	569,375
Living Brightwater Endowment	447,292	-	447,292
E.T. Teller Endowment	413,717	-	413,717
Restricted Property	5,800	-	5,800
	<u>\$ 5,769,154</u>	<u>\$ 210,192</u>	<u>\$ 5,979,346</u>

Trout Unlimited, Inc.

Notes To Financial Statements

Note 9. Endowments (Continued)

Endowment fund activity for the years ended September 30, 2009 and 2008, consists of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, as of September 30, 2007	\$ -	\$ 551,105	\$ 5,769,154	\$ 6,320,259
Investment return:				
Investment income	-	271,740	-	271,740
Net depreciation (realized and unrealized)	(435,307)	(574,658)	-	(1,009,965)
Total investment return	(435,307)	(302,918)	-	(738,225)
Contributions	-	-	210,192	210,192
Appropriation of endowment assets for expenditure	-	(191,241)	-	(191,241)
Endowment net assets, as of September 30, 2008	(435,307)	56,946	5,979,346	5,600,985
Investment return:				
Investment income	-	162,649	-	162,649
Net depreciation (realized and unrealized)	(245,430)	(19,569)	-	(264,999)
Total investment return	(245,430)	143,080	-	(102,350)
Contributions	-	-	110,500	110,500
Appropriation of endowment assets for expenditure	-	(138,275)	-	(138,275)
Endowment net assets, as of September 30, 2009	\$ (680,737)	\$ 61,751	\$ 6,089,846	\$ 5,470,860

Note 10. Employee Retirement Plans

TU maintains a 403(b) annuity plan (the Plan) for eligible employees. All employees with at least one year of service are eligible for the Plan. TU is required to contribute 4% of each eligible employee's gross salary to the Plan. TU's pension expense was \$259,408 and \$192,104 at September 30, 2009 and 2008, respectively.

TU entered into a 457 supplemental benefit plan, which provides for life insurance benefits for certain executives. At September 30, 2009 and 2008, TU had recorded a receivable of \$107,057 and \$68,980, respectively, which represents the premiums to be reimbursed discounted to present value using a 5% discount rate.

The supplemental benefit plans are funded with endorsement split-dollar insurance policies. In endorsement insurance arrangements, the employer purchases a life insurance policy to insure the life of an employee. The employer enters into a separate agreement with the employee that splits the policy's premium and/or policy benefits between the employer and the employee. The employer owns the insurance policy, controls all rights of ownership, and may terminate the benefits promised to the employee if the employee departs from TU prior to the vesting period of five years.

Trout Unlimited, Inc.

Notes To Financial Statements

Note 11. Contingencies

Federal awards: TU participates in a number of federally-assisted grant programs, which are subject to financial and compliance audits by the federal agencies or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such an audit. Management does not anticipate any significant adjustments as a result of such an audit.

Note 12. Concentration Of Revenue

During the years ended September 30, 2009 and 2008, 11% and 13% of TU's revenue was derived from grants from the U.S. Government.