

**FINANCIAL STATEMENTS**

**TROUT UNLIMITED, INC.**



**FOR THE YEARS ENDED  
SEPTEMBER 30, 2017 AND 2016**

**TROUT UNLIMITED, INC.**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of Trout Unlimited, Inc. (TU), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and change in net assets 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 audit 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 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 auditor's 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 TU as of September 30, 2017, and the change 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.

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### **Report on Prior Year Comparative Statements**

The financial statements of TU for the year ended September 30, 2016, were audited by other auditors, whose report dated March 27, 2017, expressed an unmodified opinion on those statements.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated February 8, 2018, 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 this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TU's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TU's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

February 8, 2018

## TROUT UNLIMITED, INC.

STATEMENTS OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2017 AND 2016

## ASSETS

	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,743,294	\$ 628,076
Accounts receivable, net	9,432,202	7,189,189
Promises to give	1,298,134	1,416,751
Inventory	549,601	673,075
Prepaid expenses	<u>461,952</u>	<u>375,691</u>
Total current assets	<u>16,485,183</u>	<u>10,282,782</u>
<b>FIXED ASSETS</b>		
Furniture and equipment, net of accumulated depreciation and amortization of \$3,750,911 and \$3,024,976 for 2017 and 2016, respectively	<u>1,426,710</u>	<u>2,145,914</u>
<b>OTHER ASSETS</b>		
Investments	<u>9,183,529</u>	<u>11,367,031</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 27,095,422</u></b>	<b><u>\$ 23,795,727</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 6,469,072	\$ 5,128,371
Refundable advances - Federal grants	<u>452,249</u>	<u>241,358</u>
Total current liabilities	<u>6,921,321</u>	<u>5,369,729</u>
<b>NET ASSETS</b>		
Unrestricted	831,505	148,145
Temporarily restricted	14,336,829	13,272,086
Permanently restricted	<u>5,005,767</u>	<u>5,005,767</u>
Total net assets	<u>20,174,101</u>	<u>18,425,998</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 27,095,422</u></b>	<b><u>\$ 23,795,727</u></b>

**TROUT UNLIMITED, INC.**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUE</b>				
Grants and other contributions	\$ 26,433,091	\$ 14,205,418	\$ -	\$ 40,638,509
Membership contributions	4,764,543	-	-	4,764,543
Investment income	58,139	853,977	-	912,116
Landowner projects	731,566	-	-	731,566
Events income	95,000	-	-	95,000
Other income	244,338	-	-	244,338
Net assets released from donor restrictions	<u>13,994,652</u>	<u>(13,994,652)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>46,321,329</u>	<u>1,064,743</u>	<u>-</u>	<u>47,386,072</u>
<b>EXPENSES</b>				
Program Services:				
Conservation Operations	32,252,322	-	-	32,252,322
Volunteer Operations and Chapter Support	4,846,445	-	-	4,846,445
Communications	1,990,351	-	-	1,990,351
Government Affairs	<u>633,615</u>	<u>-</u>	<u>-</u>	<u>633,615</u>
Total program services	<u>39,722,733</u>	<u>-</u>	<u>-</u>	<u>39,722,733</u>
Supporting Services:				
Fundraising	3,554,756	-	-	3,554,756
Administration	<u>2,360,480</u>	<u>-</u>	<u>-</u>	<u>2,360,480</u>
Total supporting services	<u>5,915,236</u>	<u>-</u>	<u>-</u>	<u>5,915,236</u>
Total expenses	<u>45,637,969</u>	<u>-</u>	<u>-</u>	<u>45,637,969</u>
Changes in net assets	683,360	1,064,743	-	1,748,103
Net assets at beginning of year	<u>148,145</u>	<u>13,272,086</u>	<u>5,005,767</u>	<u>18,425,998</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 831,505</u></b>	<b><u>\$ 14,336,829</u></b>	<b><u>\$ 5,005,767</u></b>	<b><u>\$ 20,174,101</u></b>

See accompanying notes to financial statements.

<b>2016</b>			
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
\$ 24,256,813	\$ 14,901,373	\$ -	\$ 39,158,186
4,467,789	-	-	4,467,789
160,944	871,418	-	1,032,362
-	645,036	-	645,036
535,475	30,110	-	565,585
284,257	-	-	284,257
<u>16,993,840</u>	<u>(15,924,579)</u>	<u>(1,069,261)</u>	<u>-</u>
<u>46,699,118</u>	<u>523,358</u>	<u>(1,069,261)</u>	<u>46,153,215</u>
33,658,176	-	-	33,658,176
4,678,000	-	-	4,678,000
2,002,300	-	-	2,002,300
<u>727,049</u>	<u>-</u>	<u>-</u>	<u>727,049</u>
<u>41,065,525</u>	<u>-</u>	<u>-</u>	<u>41,065,525</u>
3,519,636	-	-	3,519,636
<u>2,318,033</u>	<u>-</u>	<u>-</u>	<u>2,318,033</u>
<u>5,837,669</u>	<u>-</u>	<u>-</u>	<u>5,837,669</u>
<u>46,903,194</u>	<u>-</u>	<u>-</u>	<u>46,903,194</u>
(204,076)	523,358	(1,069,261)	(749,979)
<u>352,221</u>	<u>12,748,728</u>	<u>6,075,028</u>	<u>19,175,977</u>
<b><u>\$ 148,145</u></b>	<b><u>\$ 13,272,086</u></b>	<b><u>\$ 5,005,767</u></b>	<b><u>\$ 18,425,998</u></b>

## TROUT UNLIMITED, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 1,748,103	\$ (749,979)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	725,935	763,259
Unrealized and realized gains on investments, net	(681,188)	(788,959)
Bad debt expense	-	317,090
(Increase) decrease in:		
Accounts receivable, net	(2,243,013)	114,813
Promises to give	118,617	735,559
Inventory	123,474	-
Prepaid expenses	(86,261)	(79,354)
Increase (decrease) in:		
Accounts payable and accrued liabilities	1,340,701	(996,362)
Refundable advances - Federal grants	<u>210,891</u>	<u>120,700</u>
Net cash provided (used) by operating activities	<u>1,257,259</u>	<u>(563,233)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	(6,731)	(38,030)
Purchase of investments	(5,414,050)	(3,526,477)
Proceeds from sale of investments	<u>8,278,740</u>	<u>5,033,640</u>
Net cash provided by investing activities	<u>2,857,959</u>	<u>1,469,133</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on line of credit	(2,077,000)	(2,000,000)
Draws on line of credit	<u>2,077,000</u>	<u>-</u>
Net cash used by financing activities	<u>-</u>	<u>(2,000,000)</u>
Net increase (decrease) in cash and cash equivalents	4,115,218	(1,094,100)
Cash and cash equivalents at beginning of year	<u>628,076</u>	<u>1,722,176</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 4,743,294</u></b>	<b><u>\$ 628,076</u></b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest Paid	<b><u>\$ 14,205</u></b>	<b><u>\$ 31,336</u></b>



TROUT UNLIMITED, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Trout Unlimited, Inc., (TU) conserves, protects, and restores North America's coldwater fisheries and their watersheds. TU is a not-for-profit organization with approximately 150,000 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 programs 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.

**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 directly relating to the mission of Trout Unlimited, Inc. on both the federal and state levels.

**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.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

TU considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents with the exception of cash held in the investment portfolio.

TU maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year the TU maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

**TROUT UNLIMITED, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Statements of Activities and Changes in Net Assets.

TU invests in a professionally managed portfolio that contains various securities that are exposed to risks such as interest, 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.

Receivables and promises to give -

Receivables are carried at original invoice amount less an estimate for doubtful accounts based on a review of all outstanding amounts on a quarterly basis which approximates fair value. 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 allowed for and recorded as bad debt expense when deemed doubtful of collection, and written off when deemed uncollectible. Recoveries of receivables previous written off are recorded when received.

Unconditional promises to give are recognized as support 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 initially recorded 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.

Provision for doubtful accounts totaled \$267,739 and \$275,689 at September 30, 2017 and 2016, respectively. All receivables are expected to be collected within one year and are considered to be a current asset.

Fixed assets -

Fixed assets in excess of \$2,500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five to ten years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the years ended September 30, 2017 and 2016 totaled \$725,935 and \$763,259, respectively.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to Statements of Activities and Changes in Net Assets, to its current fair value. Income that is no related to exempt purposes are subject to unrelated business income tax. There were no liabilities for years ended September 30, 2017 and 2016.

TROUT UNLIMITED, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
(Continued)

Income taxes -

TU is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. TU is not a private foundation.

Uncertain tax positions -

For the years ended September 30, 2017 and 2016, TU documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Inventory -

Inventory consists of merchandise, which are recorded at the lower of cost or market value using the first-in, first-out method of inventory. Inventory for the years ended September 30, 2017 and 2016 totaled \$549,601 and \$673,075, respectively.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of TU and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of TU and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in perpetuity by 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.

Revenue and support -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Unconditional promises to give are recognized as support or gains in the period received.. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions for landowner projects are recognized as support when the expenses are incurred.

TROUT UNLIMITED, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)

Revenue and support (continued) -

TU receives funding under grants and contracts from the U.S. and state Governments and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements and contracts.

Grants and support receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

Events revenue is recognized when the events take place. Funds received in advance of events are deferred until the event occurs. Restricted events revenue stem from commitments to support future events where the funds have not yet been received.

Membership contributions are recorded as unrestricted revenue when received.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Advertising -

TU expenses advertising costs as incurred. Advertising expense was \$213,152 and \$185,307 for the years ended September 30, 2017 and 2016, respectively.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. 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 regarding 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, 2017 and 2016, respectively were joint cost in the amount of \$827,143 and \$1,255,797. Those joint costs are allocated as follows:

	<u>2017</u>	<u>2016</u>
Program	\$ 258,859	\$ 280,222
Fundraising	<u>568,284</u>	<u>975,575</u>
	<u>\$ 827,143</u>	<u>\$ 1,255,797</u>

TROUT UNLIMITED, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)

Fair value measurement -

TU follows the Codification topic, *Fair Value Measurement*. The topic applies to all assets and liabilities that are being measured and reported on a fair value basis. The topic establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of 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. TU accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

In accordance with FASB ASC 820, *Fair Value Measurement*, TU has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level 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 the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market TU has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

For disclosure of inputs and valuation techniques, see Note 2.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

New accounting pronouncements, not yet adopted -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of TU's financial statements, it is not expected to alter TU's reported financial position.

**TROUT UNLIMITED, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

New accounting pronouncements, not yet adopted (continued) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted. TU has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

TU plans to adopt the new ASUs at the respective required implementation dates.

**2. ACCOUNTS RECEIVABLE, NET**

Accounts receivable, net at September 30, 2017 and 2016 are as follows:

	<b>2017</b>	<b>2016</b>
Federal grants	\$ 6,060,744	\$ 3,602,035
State grants	3,443,285	3,505,490
Other	195,912	357,353
Total	9,699,941	7,464,878
Less: provision for doubtful accounts	(267,739)	(275,689)
<b>ACCOUNTS RECEIVABLE, NET</b>	<b>\$ 9,432,202</b>	<b>\$ 7,189,189</b>

**3. FIXED ASSETS**

Property and equipment and accumulated depreciation and amortization at September 30, 2017 and 2016; and depreciation/amortization expense for the years ended September 30, 2017 and 2016, are as follows:

		<b>2017</b>			
<b>Asset Category</b>	<b>Estimated Lives</b>	<b>Cost</b>	<b>Accumulated Depreciation and Amortization</b>	<b>Net</b>	<b>Depreciation/Amortization Expense</b>
Furniture and equipment	5-10 years	\$ 5,104,254	\$ (3,728,768)	\$ 1,375,486	\$ 719,513
Leasehold improvements	10 years	65,566	(22,143)	43,423	6,422
Land	-	7,801	-	7,801	-
		<b>\$ 5,177,621</b>	<b>\$ (3,750,911)</b>	<b>\$ 1,426,710</b>	<b>\$ 725,935</b>

**TROUT UNLIMITED, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**3. FIXED ASSETS (Continued)**

2016					
Asset Category	Estimated Lives	Cost	Accumulated Depreciation and Amortization	Net	Depreciation/Amortization Expense
Furniture and equipment	5-10 years	\$ 5,097,523	\$ (3,009,255)	\$ 2,088,268	\$ 756,475
Leasehold improvements	10 years	65,566	(15,721)	49,845	6,784
Land	-	7,801	-	7,801	-
		<b>\$ 5,170,890</b>	<b>\$ (3,024,976)</b>	<b>\$ 2,145,914</b>	<b>\$ 763,259</b>

Fixed assets consisted of the following at September 30, 2017 and 2016:

	2017	2016
Land	\$ 7,801	\$ 7,801
Furniture and equipment	5,104,254	5,097,523
Leasehold improvements	65,566	65,566
Total Fixed assets	5,177,621	5,170,890
Less: Accumulated depreciation and amortization	(3,750,911)	(3,024,976)
<b>NET FIXED ASSETS</b>	<b>\$ 1,426,710</b>	<b>\$ 2,145,914</b>

Deprecation and amortization expense for the year ended September 30, 2017 and 2016, was \$725,935 and \$763,259, respectively.

**4. INVESTMENTS**

The table below presents the balances of the investments measured at fair value on a recurring basis by level within the hierarchy. TU's money market funds and all mutual funds are classified as Level 1 instruments as they are valued at the published net asset value of the fund, which is the price at which additional shares can be obtained in an active market. There were no changes in the valuation methodology from the prior year. TU's investments as of September 30, 2017 and 2016 were as follows:

	2017	2016
<b>Asset Type:</b>	<b>Fair Value: Level 1</b>	<b>Fair Value: Level 1</b>
Money market funds	\$ 757,329	\$ 1,557,306
Fixed income mutual funds:		
Short-term bond	2,092,504	2,552,369
Tactical allocation	1,022,500	1,349,277
Multi-sector bond	912,021	1,122,261
Short-term government	102,704	102,591
Intermediate-term bond	-	84,780
Equity mutual funds:		
Large blend	3,423,160	3,859,662
Foreign large blend	862,041	722,786
Other	11,270	15,999
	<b>\$ 9,183,529</b>	<b>\$ 11,367,031</b>

**TROUT UNLIMITED, INC.**

**NOTES TO FINANCIAL STATEMENTS  
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**4. INVESTMENTS (Continued)**

Included in investment income as of September 30, 2017 and 2016 are the following :

	<b>2017</b>	<b>2016</b>
Interest and dividends	\$ 230,928	\$ 284,756
Unrealized gain	414,104	344,241
Realized gain	267,084	403,365
<b>TOTAL INVESTMENT INCOME</b>	<b>\$ 912,116</b>	<b>\$ 1,032,362</b>

**5. LEASE COMMITMENTS**

TU has commitments under operating leases for office space and equipment expiring at various times through 2024. TU has a lease for office space that will expire in April 2024. Rent expense for the years ended September 30, 2017 and 2016, was \$808,792 and \$820,560, respectively. Future minimum lease payments at September 30, 2017 are as follows:

**Year Ending December 31.**

2018	\$ 655,639
2019	500,941
2020	404,879
2021	404,597
2022	376,459
Thereafter	578,341
	<b>\$ 2,920,856</b>

**6. LINE OF CREDIT**

TU has a \$3,000,000 revolving line of credit with a bank. The line expires on June 29, 2018. The line accrues interest at a rate of 2.9872 percent. The line of credit is secured by the deposits and investments of TU maintained by the bank. There were no outstanding balances at September 30, 2017 and 2016, respectively. There are no financial covenants related to the line of credit. The agreement calls for financial reporting requirements 180 days after fiscal year-end.

**7. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at September 30, 2017 and 2016:

	<b>Balance at September 30, 2016</b>	<b>Additions/ Other Gains/ Investment Earnings</b>	<b>Releases</b>	<b>Balance at September 30, 2017</b>
Conservation Operations	\$ 9,961,986	\$ 12,152,989	\$ (11,320,334)	\$ 10,794,641
Government Affairs	699,506	576,080	(579,162)	696,424
Endowment	750,692	731,178	(388,026)	1,093,844
Volunteer Operations and Chapter Support	1,859,902	1,599,148	(1,707,130)	1,751,920
<b>TOTAL</b>	<b>\$ 13,272,086</b>	<b>\$ 15,059,395</b>	<b>\$ (13,994,652)</b>	<b>\$ 14,336,829</b>



**TROUT UNLIMITED, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**7. TEMPORARILY RESTRICTED NET ASSETS (Continued)**

	<u>Balance at September 30, 2015</u>	<u>Additions/ Other Gains/ Investment Earnings</u>	<u>Releases</u>	<u>Balance at September 30, 2016</u>
Conservation Operations	\$ 10,452,754	\$ 13,469,781	\$ (13,960,549)	\$ 9,961,986
Government Affairs and Outreach	73,615	714,000	(88,109)	699,506
Endowment	381,546	785,688	(416,542)	750,692
Volunteer Operations and Chapter Support	<u>1,840,813</u>	<u>1,478,468</u>	<u>(1,459,379)</u>	<u>1,859,902</u>
<b>TOTAL</b>	<b><u>\$ 12,748,728</u></b>	<b><u>\$ 16,447,937</u></b>	<b><u>\$ (15,924,579)</u></b>	<b><u>\$ 13,272,086</u></b>

**8. EMPLOYEE RETIREMENT PLANS and SELF-INSURANCE PLAN**

TU maintains a 403(b) 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 for the years ended September 30, 2017 and 2016 totaled \$485,576 and \$468,154, respectively.

TU has a self-insured health benefit plan for its employees. Under the plan, TU has a coverage maximum of \$50,000 per diagnosis. TU is insured for claims in excess of that coverage. At September 30, 2017 and 2016, TU had accruals of \$134,252 and \$96,894, respectively, for health benefits payable under the plan, which are included in accounts payable and accrued expenses on the Statements of Financial Position.

**9. CONCENTRATION OF REVENUE**

Approximately 22% and 24% of TU's revenue for the years ended September 30, 2017 and 2016 was derived from grants awarded by agencies of the United States Government. TU has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect TU's ability to finance ongoing operations.

**10. CONTINGENCY**

TU receives grants from various agencies of the United States Government. For fiscal years ended September 30, 2017 and 2016, such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2017. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

**TROUT UNLIMITED, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**11. ENDOWMENT**

TU's endowment consists of donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (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 the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of September 30:

	<b>2017</b>	<b>2016</b>
CCF Endowment	\$ 4,586,250	4,586,250
E.T. Teller Endowment	413,717	413,717
Restricted Property	5,800	5,800
<b>TOTAL FUNDS</b>	<b>\$ 5,005,767</b>	<b>\$ 5,005,767</b>

Changes in endowment net assets for the year ended September 30, 2017:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets as of September 30, 2016	\$ -	750,692	5,005,767	5,756,459
Investment return:				
Investment income	-	178,004	-	178,004
Net appreciation (realized and unrealized)	-	553,174	-	553,174
Total investment return	-	731,178	-	731,178
Appropriation of endowment assets for expenditure	-	(388,026)	-	(388,026)
<b>ENDOWMENT NET ASSETS AS OF SEPTEMBER 30, 2017</b>	<b>\$ -</b>	<b>\$ 1,093,844</b>	<b>\$ 5,005,767</b>	<b>\$ 6,099,611</b>

**TROUT UNLIMITED, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**11. ENDOWMENT (Continued)**

Changes in endowment net assets for the year ended September 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets as of September 30, 2015	\$ <u>-</u>	\$ <u>381,546</u>	\$ <u>6,075,028</u>	\$ <u>6,456,574</u>
Investment return:				
Investment income	-	240,335	-	240,335
Net appreciation (realized and unrealized)	<u>-</u>	<u>545,353</u>	<u>-</u>	<u>545,353</u>
Total investment return	-	785,688	-	785,688
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(416,542)</u>	<u>(1,069,261)</u>	<u>(1,485,803)</u>
<b>ENDOWMENT NET ASSETS AS OF SEPTEMBER 30, 2016</b>	<b>\$ <u>-</u></b>	<b>\$ <u>750,692</u></b>	<b>\$ <u>5,005,767</u></b>	<b>\$ <u>5,756,459</u></b>

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 the organization to retain as fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. For the years ended September 30, 2017 and 2016, there were no deficiencies.

Return Objectives 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, the goal is to have TU's assets 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 fixed income and equity mutual funds and money market funds.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, TU relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). TU targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

**CCF Endowment:** The fund was developed to support the scientific resource work of TU and was funded through the Russell Memorial Fund (\$569,375) and other individual contributions. Up to 15% of the original contribution revenue was allocated to be spent on overhead and administrative costs associated with the Coldwater Conservation Fund program. The remaining portion of the overhead and administrative allocation was spent in fiscal year 2016. A portion of the current investment income from the Endowment's funds are to be spent annually, in accordance with TU's spending policy. Spending rates of 4.5% and 4.5% were set for fiscal years ended September 30, 2017 and 2016.

**TROUT UNLIMITED, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**11. ENDOWMENT (Continued)**

Spending Policy and How the Investment Objectives Relate to Spending Policy (continued) -

***E.T. Teller Endowment:*** This fund was established in 1995 by the Teller family. Per request by the donor, up to 50% of the annual earnings are available for general operations of TU. The other 50% should be reinvested in the fund.

***Living Brightwater Endowment:*** Per a Board resolution passed on June 28, 2016, it was resolved to release the permanent restriction on the fund in its entirety because the original purpose and restricted classification of the donor funds, which were received over a period 30 years ago, was varied or unspecified and several of the targeted programs are no longer implemented.

**12. SUBSEQUENT EVENTS**

In preparing these financial statements, TU has evaluated events and transactions for potential recognition or disclosure through February 8, 2018, the date the financial statements were issued.