FINANCIAL STATEMENTS

TROUT UNLIMITED, INC.

FOR THE YEARS ENDED
SEPTEMBER 30, 2018 AND 2017

TROUT UNLIMITED, INC.

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GELMAN, ROSENBERG
& FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Trout Unlimited, Inc. (TU), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities and changes in net assets and cash flows for the years 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 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 audits 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated February 8, 2019, 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.

Gelman Rozenberg & Freedman

February 8, 2019

TROUT UNLIMITED, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2018 AND 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 4,385,831	$ 4,743,294
Accounts receivable, net	13,304,255	10,730,336
Inventory	458,319	549,601
Prepaid expenses	483,263	461,952
Total current assets	18,631,668	16,485,183
PROPERTY AND EQUIPMENT, NET	800,212	1,426,710
OTHER ASSETS		
Investments	9,731,616	9,183,529
TOTAL ASSETS	$ 29,163,496	$ 27,095,422

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 6,507,863	$ 6,469,072
Refundable advances - Federal grants	306,806	452,249
Total current liabilities	6,814,669	6,921,321
NET ASSETS		
Unrestricted	1,645,297	831,505
Temporarily restricted	15,697,763	14,336,829
Permanently restricted	5,005,767	5,005,767
Total net assets	22,348,827	20,174,101
TOTAL LIABILITIES AND NET ASSETS	$ 29,163,496	$ 27,095,422

TROUT UNLIMITED, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Grants and contributions:				
U.S. Government	$ 12,191,671	$ -	$ -	$ 12,191,671
Non-U.S. Government	20,607,343	15,923,720	-	36,531,063
Membership contributions	5,134,638	-	-	5,134,638
Investment income	8,835	585,317	-	594,152
Landowner projects	304,534	-	-	304,534
Events income	66,197	45,545	-	111,742
Other income	298,853	5,000	-	303,853
Net assets released from donor restrictions	15,198,648	(15,198,648)	-	-
Total revenue	53,810,719	1,360,934	-	55,171,653
EXPENSES				
Program Services:				
Conservation operations	38,586,828	-	-	38,586,828
Volunteer operations and chapter support	5,210,488	-	-	5,210,488
Communications	1,627,559	-	-	1,627,559
Government affairs	698,143	-	-	698,143
Total program services	46,123,018	-	-	46,123,018
Supporting Services:				
Fundraising	3,463,015	-	-	3,463,015
Administration	3,410,894	-	-	3,410,894
Total supporting services	6,873,909	-	-	6,873,909
Total expenses	52,996,927	-	-	52,996,927
Changes in net assets	813,792	1,360,934	-	2,174,726
Net assets at beginning of year	831,505	14,336,829	5,005,767	20,174,101
NET ASSETS AT END OF YEAR	$ 1,645,297	$ 15,697,763	$ 5,005,767	$ 22,348,827

See accompanying notes to financial statements.

TROUT UNLIMITED, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2017			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
REVENUE				
Grants and contributions:				
U.S. Government	$ 10,874,361	$ -	$ -	$ 10,874,361
Non-U.S. Government	15,561,057	14,205,418	-	29,766,475
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	242,011	-	-	242,011
Net assets released from donor restrictions	13,994,652	(13,994,652)	-	-
Total revenue	46,321,329	1,064,743	-	47,386,072
EXPENSES				
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	633,615	-	-	633,615
Total program services	39,722,733	-	-	39,722,733
Supporting Services:				
Fundraising	3,554,756	-	-	3,554,756
Administration	2,360,480	-	-	2,360,480
Total supporting services	5,915,236	-	-	5,915,236
Total expenses	45,637,969	-	-	45,637,969
Changes in net assets	683,360	1,064,743	-	1,748,103
Net assets at beginning of year	148,145	13,272,086	5,005,767	18,425,998
NET ASSETS AT END OF YEAR	**$ 831,505**	**$ 14,336,829**	**$ 5,005,767**	**$ 20,174,101**

TROUT UNLIMITED, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 2,174,726	$ 1,748,103
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	637,748	725,935
Unrealized and realized gains on investments, net	(373,061)	(681,188)
Change in allowance for doubtful accounts	16,960	(7,950)
(Increase) decrease in:		
Accounts receivable	(2,590,879)	(2,116,446)
Inventory	91,282	123,474
Prepaid expenses	(21,311)	(86,261)
Increase (decrease) in:		
Accounts payable and accrued liabilities	38,791	1,340,701
Refundable advances - Federal grants	(145,443)	210,891
Net cash (used) provided by operating activities	(171,187)	1,257,259
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(11,250)	(6,731)
Purchase of investments	(530,492)	(5,414,050)
Proceeds from sale of investments	355,466	8,278,740
Net cash (used) provided by investing activities	(186,276)	2,857,959
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on line of credit	(600,000)	(2,077,000)
Draws on line of credit	600,000	2,077,000
Net cash used by financing activities	-	-
Net (decrease) increase in cash and cash equivalents	(357,463)	4,115,218
Cash and cash equivalents at beginning of year	4,743,294	628,076
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 4,385,831**	**$ 4,743,294**
SUPPLEMENTAL INFORMATION:		
Interest Paid	**$ 9,865**	**$ 14,205**

See accompanying notes to financial statements.

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 U.S. Government grants that are subject to audit by its oversight agency (largest U.S. 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 managing 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.

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

Cash and cash equivalents (continued) -

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, TU maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

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.

Accounts receivable -

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 previously written off are recorded when received.

The provision for doubtful accounts totaled $284,699 and $267,739 at September 30, 2018 and 2017, respectively. All receivables are expected to be collected within one-year and are considered to be current assets.

Property and equipment -

Property and equipment in excess of $2,500 are capitalized and stated at cost. Property and equipment 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, 2018 and 2017 totaled $637,748 and $725,935, 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.

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, 2018 and 2017, 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. For the year ended September 30, 2018, TU adopted FASB ASU 2015-11 *Simplifying the Measurement of Inventory*, and as such, inventory is measured at the lower of cost and net realizable value using the average cost method. The ASU is applied prospectively.

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 general operations of TU.
- **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 recognition -

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 revenue 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 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 when the expenses are incurred.

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

Revenue recognition (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 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 $155,833 and $213,152 for the years ended September 30, 2018 and 2017, 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, 2018 and 2017, respectively were joint costs in the amount of $782,901 and $827,143. Those joint costs are allocated as follows:

	2018	2017
Program	$ 219,798	$ 258,859
Fundraising	563,103	568,284
	$ 782,901	**$ 827,143**

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

Fair value measurement -

TU adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, 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 4.

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.

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

New accounting pronouncements, not yet adopted (continued) -

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made,* which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. TU has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018

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 requiring recognition of 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

Accounts receivable consisted of the following at September 30, 2018 and 2017:

	2018	2017
Federal grants - billed	$ 3,829,158	$ 1,591,595
Federal grants - unbilled	2,717,983	4,469,149
State grants- billed	2,157,716	1,289,194
State grants - unbilled	3,476,243	2,154,091
Other	1,407,854	1,494,046
Total	13,588,954	10,998,075
Less: provision for doubtful accounts	(284,699)	(267,739)
ACCOUNTS RECEIVABLE, NET	**$ 13,304,255**	**$ 10,730,336**

3. PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation and amortization at September 30, 2018 and 2017; and depreciation/amortization expense for the years ended September 30, 2018 and 2017, are as follows:

		2018			
Asset Category	Estimated Lives	Cost	Accumulated Depreciation and Amortization	Net	Depreciation/ Amortization Expense
Furniture and equipment	5-10 years	$ 5,115,504	$ (4,358,260)	$ 757,244	$ 629,492
Leasehold improvements	10 years	65,566	(30,399)	35,167	8,256
Land	-	7,801	-	7,801	-
		$ 5,188,871	$ (4,388,659)	$ 800,212	$ 637,748

		2017			
Asset Category	Estimated Lives	Cost	Accumulated Depreciation and Amortization	Net	Depreciation/ Amortization Expense
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	-
		$ 5,177,621	$ (3,750,911)	$ 1,426,710	$ 725,935

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, 2018 and 2017 were as follows:

	2018 Fair Value: Level 1	2017 Fair Value: Level 1
Asset Type:		
Money market funds	$ 1,335,135	$ 757,329
Fixed income mutual funds:		
Short-term bond	2,258,564	2,092,504
Tactical allocation	822,291	1,022,500
Multi-sector bond	664,583	912,021
Short-term government	142,542	102,704
Equity mutual funds:		
Large blend	3,575,896	3,423,160
Foreign large blend	923,040	862,041
Other	9,565	11,270
	$ 9,731,616	$ 9,183,529

4. INVESTMENTS (Continued)

Included in investment income as of September 30, 2018 and 2017 are the following :

	2018	2017
Interest and dividends	$ 221,091	$ 230,928
Unrealized (loss) gain	(158,838)	414,104
Realized gain	531,899	267,084
TOTAL INVESTMENT INCOME	**$ 594,152**	**$ 912,116**

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, 2018 and 2017, was $816,626 and $808,792, respectively. Future minimum lease payments at September 30, 2018 are as follows:

Year Ending September 30,	
2019	$ 571,424
2020	406,530
2021	404,597
2022	376,459
2023	365,268
Thereafter	213,073
	$ 2,337,351

6. LINE OF CREDIT

TU has a $3,000,000 revolving line of credit with a bank. The line expires on June 28, 2019. The line accrues interest at a rate of 4.0106 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, 2018 and 2017, respectively. There are no financial covenants related to the line of credit. The agreement requires certain financial reporting to be made within 180 days after fiscal year-end.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30, 2018 and 2017:

	Balance at September 30, 2017	Additions/ Other Gains/ Investment Earnings	Releases	Balance at September 30, 2018
Conservation operations	$ 10,794,641	$ 12,524,035	$ (11,384,319)	$ 11,934,357
Government affairs	696,424	998,619	(1,134,838)	560,205
Accumulated endowment earnings not yet authorized for spending	1,093,844	486,817	(343,197)	1,237,464
Volunteer operations and chapter support	1,751,920	2,550,111	(2,336,294)	1,965,737
TOTAL	**$ 14,336,829**	**$ 16,559,582**	**$ (15,198,648)**	**$ 15,697,763**

7. TEMPORARILY RESTRICTED NET ASSETS (Continued)

	Balance at September 30, 2016	Additions/ Other Gains/ Investment Earnings	Releases	Balance at September 30, 2017
Conservation operations	$ 9,961,986	$ 12,152,989	$ (11,320,334)	$ 10,794,641
Government affairs	699,506	576,080	(579,162)	696,424
Accumulated endowment earnings not yet authorized for spending	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
TOTAL	**$ 13,272,086**	**$ 15,059,395**	**$ (13,994,652)**	**$ 14,336,829**

8. EMPLOYEE RETIREMENT PLAN 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, 2018 and 2017 totaled $513,540 and $485,576, 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, 2018 and 2017, TU had accruals of $210,022 and $134,252, respectively, for health benefits payable under the Plan, which are included in accounts payable and accrued liabilities in the accompanying Statements of Financial Position.

9. CONCENTRATION OF REVENUE

Approximately 21 and 23 percent of TU's revenue for the years ended September 30, 2018 and 2017, respectively was derived from grants awarded by agencies of the Unites 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, 2018 and 2017, 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 2018. 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.

11. ENDOWMENT

TU's endowment consists of donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Trustees 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:

	2018	2017
CCF Endowment	$ 4,586,250	$ 4,586,250
E.T. Teller Endowment	413,717	413,717
Restricted Property	5,800	5,800
TOTAL FUNDS	**$ 5,005,767**	**$ 5,005,767**

Changes in endowment net assets for the year ended September 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets as of September 30, 2017	$ -	$ 1,093,844	$ 5,005,767	$ 6,099,611
Investment return:				
Investment income	-	175,117	-	175,117
Net appreciation (realized and unrealized)	-	311,700	-	311,700
Total investment return	-	486,817	-	486,817
Appropriation of endowment assets for expenditure	-	(343,197)	-	(343,197)
ENDOWMENT NET ASSETS AS OF SEPTEMBER 30, 2018	**$ -**	**$ 1,237,464**	**$ 5,005,767**	**$ 6,243,231**

11. ENDOWMENT (Continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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)
ENDOWMENT NET ASSETS AS OF SEPTEMBER 30, 2017	**$ -**	**$ 1,093,844**	**$ 5,005,767**	**$ 6,099,611**

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, 2018 and 2017, 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 rate of 4.5% was set for fiscal years ended September 30, 2018 and 2017.

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.

12. SUBSEQUENT EVENTS

In preparing these financial statements, TU has evaluated events and transactions for potential recognition or disclosure through February 8, 2019, the date the financial statements were issued.