

FINANCIAL STATEMENTS

TROUT UNLIMITED, INC.



FOR THE YEAR ENDED MARCH 31, 2020

TROUT UNLIMITED, INC.

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CPAs & ADVISORS

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 March 31, 2020, and the related statements of activities and changes in net assets, functional expenses 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.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TU as of March 31, 2020, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2020, 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 & Friedman".

October 30, 2020

TROUT UNLIMITED, INC.
STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 7,095,409
Receivables, net	12,448,098
Inventory	375,577
Prepaid expenses and other assets	<u>615,357</u>
Total current assets	<u>20,534,441</u>

PROPERTY AND EQUIPMENT, NET

395,265

OTHER ASSETS

Investments	<u>9,774,858</u>
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TOTAL ASSETS

\$ 30,704,564

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 4,456,033
Deferred membership fees	333,442
Refundable advances - Federal grants	<u>181,205</u>
Total liabilities	<u>4,970,680</u>

NET ASSETS

Without donor restrictions	3,931,363
With donor restrictions	<u>21,802,521</u>
Total net assets	<u>25,733,884</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 30,704,564

TROUT UNLIMITED, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Grants and contributions:			
U.S. Government	\$ 14,060,429	\$ -	\$ 14,060,429
Non-U.S. Government	22,985,757	19,582,023	42,567,780
Membership contributions	4,569,755	-	4,569,755
Membership fees	326,138	-	326,138
Investment income (loss), net	39,062	(403,882)	(364,820)
In-kind revenue	41,325	-	41,325
Landowner projects	552,582	-	552,582
Other income	302,602	-	302,602
Net assets released from donor restrictions	<u>17,741,407</u>	<u>(17,741,407)</u>	<u>-</u>
Total revenue	<u>60,619,057</u>	<u>1,436,734</u>	<u>62,055,791</u>
EXPENSES			
Program Services:			
Conservation Operations	44,056,286	-	44,056,286
Volunteer Operations and Chapter Support	3,371,936	-	3,371,936
Communications	1,453,804	-	1,453,804
Government Affairs	<u>1,216,190</u>	<u>-</u>	<u>1,216,190</u>
Total program services	<u>50,098,216</u>	<u>-</u>	<u>50,098,216</u>
Supporting Services:			
Management and General	3,560,260	-	3,560,260
Fundraising	2,628,999	-	2,628,999
Membership Development	<u>3,178,681</u>	<u>-</u>	<u>3,178,681</u>
Total supporting services	<u>9,367,940</u>	<u>-</u>	<u>9,367,940</u>
Total expenses	<u>59,466,156</u>	<u>-</u>	<u>59,466,156</u>
Change in net assets	1,152,901	1,436,734	2,589,635
Net assets at beginning of year	<u>2,778,462</u>	<u>20,365,787</u>	<u>23,144,249</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,931,363</u>	<u>\$ 21,802,521</u>	<u>\$ 25,733,884</u>

TROUT UNLIMITED, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2020

	Program Services					Supporting Services				
	Conservation Operations	Volunteer Operations and Chapter Support	Communications	Government Affairs	Total Program Services	Management and General	Fundraising	Membership Development	Total Supporting Services	Total Expenses
Salaries	\$ 8,934,779	\$ 1,404,038	\$ 481,358	\$ 578,743	\$ 11,398,918	\$ 1,556,343	\$ 575,991	\$ 385,383	\$ 2,517,717	\$ 13,916,635
Employee benefits and payroll taxes	4,173,588	671,924	235,787	281,860	5,363,159	747,499	282,142	187,192	1,216,833	6,579,992
Contractors	17,239,807	3,544	34	41	17,243,426	109	40	4,194	4,343	17,247,769
Consulting	6,940,109	184,292	68,887	109,024	7,302,312	464,510	39,879	78,745	583,134	7,885,446
Materials	839,849	4,276	125	423	844,673	-	-	-	-	844,673
Professional fees	70,961	3,900	-	-	74,861	296,981	-	-	296,981	371,842
Advertising and promotion	76,621	5,885	92,779	78,870	254,155	4,077	122	4,082	8,281	262,436
Meetings and conferences	209,650	150,281	2,480	3,592	366,003	79,225	44,227	163	123,615	489,618
Grants and chapter rebates	619,935	312,614	-	-	932,549	7,508	55,700	15,200	78,408	1,010,957
Water leases	1,020,890	296	-	-	1,021,186	-	-	-	-	1,021,186
Information technology	415,930	81,029	21,692	26,125	544,776	79,790	25,956	17,367	123,113	667,889
Interest expense	-	-	-	-	-	6,484	-	-	6,484	6,484
Occupancy	695,369	47,880	14,382	19,902	777,533	58,760	32,669	11,514	102,943	880,476
Supplies, maintenance, and telephony	527,165	46,110	144,685	10,393	728,353	19,311	7,780	10,610	37,701	766,054
Postage, shipping ,and handling	41,018	22,725	140,982	1,514	206,239	7,883	358,868	427,946	794,697	1,000,936
Small equipment and equipment lease	456,413	55,631	6,850	5,888	524,782	15,788	5,843	3,910	25,541	550,323
Printing and publishing	374,967	12,523	192,017	1,003	580,510	11,429	368,074	565,497	945,000	1,525,510
Travel	1,133,365	272,920	27,513	68,835	1,502,633	82,316	128,944	10,805	222,065	1,724,698
Depreciation and amortization	156,900	24,655	8,453	10,163	200,171	27,330	10,115	6,768	44,213	244,384
Premiums	20,072	26,187	509	334	47,102	7,955	556,835	921,984	1,486,774	1,533,876
Fulfillment, caging, and contact center	1,901	14,154	-	-	16,055	18	77,525	395,137	472,680	488,735
Other expenses	106,997	27,072	15,271	19,480	168,820	86,944	58,289	132,184	277,417	446,237
TOTAL	\$ 44,056,286	\$ 3,371,936	\$ 1,453,804	\$ 1,216,190	\$ 50,098,216	\$ 3,560,260	\$ 2,628,999	\$ 3,178,681	\$ 9,367,940	\$ 59,466,156

See accompanying notes to financial statements.

TROUT UNLIMITED, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 2,589,635
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	244,384
Unrealized and realized loss on investments	532,779
Receipt of contributed securities	(1,783,753)
Proceeds from sale of contributed securities	1,795,953
Change in allowance for doubtful accounts	36,356
(Increase) decrease in:	
Accounts receivable	(114,671)
Inventory	29,614
Prepaid expenses and other assets	(53,234)
Increase (decrease) in:	
Accounts payable and accrued liabilities	861,695
Deferred membership fees	333,442
Refundable advances - Federal grants	<u>(41,631)</u>
Net cash provided by operating activities	<u>4,430,569</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	(105,165)
Purchase of investments	(3,487,673)
Proceeds from sale of investments	<u>2,945,611</u>
Net cash used by investing activities	<u>(647,227)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on line of credit	(2,000,000)
Draws on line of credit	<u>2,000,000</u>
Net cash used by financing activities	<u>-</u>

Net increase in cash and cash equivalents 3,783,342

Cash and cash equivalents at beginning of year 3,312,067

CASH AND CASH EQUIVALENTS AT END OF YEAR **\$ 7,095,409**

SUPPLEMENTAL INFORMATION:

Interest Paid \$ 6,484

TROUT UNLIMITED, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

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 340,000 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 and TU's Science Team which promotes science-based policies, guides where and how the organization conducts its conservation efforts, provides tools for more effective conservation planning and ground-work, and conducts original research with a host of collaborators.

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.

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.

Management and General: This supporting service category includes the functions necessary to secure the proper administrative functioning of TU's governing board, maintain an appropriate working environment, provide information technology tools and support, and manage the financial responsibilities of TU.

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

Membership Development: Membership Development manages the campaigns that solicit for prospective members and membership dues and the retention of current members. This department also provides support to membership. This support takes the form of member/chapter database maintenance, responding to member queries, providing rosters, and fulfilling premiums.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

TROUT UNLIMITED, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

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

Basis of presentation (continued) -

Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than TU's mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

New accounting pronouncements adopted -

For fiscal year ended March 31, 2020, TU early adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way TU recognized revenue; however, the presentation and disclosures of revenue have been enhanced. TU has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Also for fiscal year ended March 31, 2020, TU adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. TU adopted the ASU using a modified prospective basis.

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, 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. Interest, dividends, realized and unrealized gains and losses are included in investment income net of management fees in the Statement of Activities and Change in Net Assets.

TROUT UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020**

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

Investments (continued) -

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 -

Receivables include contributions and other receivables 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 \$276,509 at March 31, 2020. All receivables are expected to be collected within one-year and are considered to be current assets.

Inventory -

Inventory consists of merchandise and is recorded under 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.

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 year ended March 31, 2020 totaled \$244,384.

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 Statement of Activities and Change in Net Assets, to its current fair value.

Income taxes -

TU is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The organization is not a private foundation.

Uncertain tax positions -

For the year ended March 31, 2020, 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.

TROUT UNLIMITED, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

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

Revenue recognition -

The majority of TU's revenue is received through contributions as well as contracts and grants from the U.S. government, and other non federal entities. Contributions and grants are recognized in the appropriate category of net assets in the period received. TU performs an analysis of the individual contribution, grant and contract to determine if the revenue streams follow the contribution rules, or if they are considered exchange transactions, depending on whether the transaction is reciprocal or nonreciprocal.

For contributions, grants and contracts qualifying under the contribution rule, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, grants and contracts qualifying as contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions" 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 net assets with donor restrictions in the accompanying financial statements.

Grant and contract agreements qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grants and contract awards from the United States Government and other entities are for direct and indirect program costs. These transactions are nonreciprocal and are classified as conditional; accordingly, they are recognized as contributions when the revenue becomes unconditional. Typically these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, TU recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For contributions, grants and contracts treated as contributions, TU had approximately \$172,357 in unrecognized conditional awards as of March 31, 2020.

Grants and contracts classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and record revenue when the performance obligations are met. The revenue is recorded directly to without donor restrictions and the transaction price is based on expenses incurred in compliance with the criteria stipulated in the grant or contract agreements. Grants and contracts receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant and contract agreements. Funding received in advance of incurring the related expenses is recorded as deferred revenue.

Membership dues includes a contribution component and general member benefits component that is based on a series of distinct obligations. Membership contributions are recognized in full at time of payment and membership benefit fees are recognized ratably over the membership period. Revenue received from landowner projects are recorded once the project is complete. Transaction price is determined based on cost/and/or sales price.

In-kind revenue -

In-kind revenue consist of donated software. In-kind revenue is recorded at fair value as of the date of the gift. In addition, volunteers have donated significant amounts of their time to TU; these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

TROUT UNLIMITED, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

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

Risks and uncertainties -

TU invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

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 \$262,436 for the year ended March 31, 2020.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These costs include depreciation and amortization, headquarters rent, information technology, and website. Expenses directly attributed to a specific functional area of TU are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort.

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 year ended March 31, 2020, were joint costs in the amount of \$1,217,340. Those joint costs are allocated as follows:

Program	\$ 322,356
Fundraising	<u>894,984</u>
TOTAL	<u>\$ 1,217,340</u>

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.

TROUT UNLIMITED, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

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

Fair value measurement (continued) -

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 Statement 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.

New accounting pronouncement, not yet adopted -

FASB issued ASU 2019-01, *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 Statement of Financial Position and disclosing key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment. TU plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standards on its accompanying financial statements.

2. RECEIVABLES, NET

Receivables consisted of the following at March 31, 2020:

Federal grants - billed	\$ 3,681,575
Federal grants - unbilled	655,721
State grants - billed	5,105,207
State grants - unbilled	2,221,534
Other	<u>1,060,570</u>
Total	12,724,607
Less: provision for doubtful accounts	<u>(276,509)</u>
RECEIVABLES, NET	<u>\$ 12,448,098</u>

TROUT UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020**

3. PROPERTY AND EQUIPMENT

Property and equipment, accumulated depreciation, and amortization and depreciation at March 31, 2020; are as follows:

<u>Asset Category</u>	<u>Estimated Lives</u>	<u>Cost</u>	<u>Accumulated Depreciation and Amortization</u>	<u>Net</u>	<u>Depreciation/Amortization Expense</u>
Furniture and equipment	5-10 years	\$ 4,989,644	\$ (4,621,619)	\$ 368,025	\$ 232,784
Leasehold improvements	10 years	65,566	(46,127)	19,439	11,600
Land	-	<u>7,801</u>	<u>-</u>	<u>7,801</u>	<u>-</u>
TOTAL		<u>\$ 5,063,011</u>	<u>\$ (4,667,746)</u>	<u>\$ 395,265</u>	<u>\$ 244,384</u>

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 March 31, 2020 were as follows:

Asset Type:	Fair Value: Level 1
Money market funds	\$ 56,265
Fixed income mutual funds:	
Short-term bond	511,336
Tactical allocation	1,052,828
Multi-sector bond	1,303,248
Short-term government	2,789,982
Equity mutual funds:	
Large blend	1,432,004
Foreign large blend	832,235
Other	<u>1,796,960</u>
TOTAL INVESTMENTS	<u>\$ 9,774,858</u>

Included in the investment portfolio at March 31, 2020 are contributions to be invested in perpetuity in the amount of \$5,005,767. Also included in the investment portfolio are donor restricted investments in the amount of \$63,948 for the North Carolina River Course Fund as well as \$468,357 for the Michigan Council of Trout Unlimited. These two donor restricted funds are included in the volunteer operations and chapter support as noted in Note 7.

Investment loss, net, as of March 31, 2020 are the following:

Interest and dividends	\$ 180,757
Unrealized and realized loss	(532,779)
Management fees	<u>(12,798)</u>
TOTAL INVESTMENT LOSS, NET	<u>\$ (364,820)</u>

TROUT UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020**

5. LEASE COMMITMENTS

TU has commitments under operating leases for office space and equipment expiring at various times through 2025. TU has a lease for office space that will expire in April 2024. Rent expense for the year ended March 31, 2020, was \$869,885 and is included in Occupancy on the Statement of Functional Expenses.

Future minimum lease payments at March 31, 2020 are as follows:

<u>Year Ending March 31,</u>	
2021	\$ 585,801
2022	502,152
2023	453,360
2024	<u>83,251</u>
	<u>\$ 1,624,564</u>

6. LINE OF CREDIT

TU has a \$5,000,000 revolving line of credit with a bank. The line matures on January 31, 2021. The line accrues interest at a rate equal to LIBOR or applicable published rate plus 2%. The line of credit is secured by the deposits and investments of TU maintained by the bank. There was no outstanding balance at March 31, 2020. 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. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at March 31, 2020:

	Balance at March 31, 2019	Additions/ Other Gains/ Investment (Loss)	Releases	Balance at March 31, 2020
Subject to expenditure for specified purpose:				
Conservation operations	\$ 11,705,040	\$ 17,638,478	\$ (15,209,118)	\$ 14,134,400
Government affairs	544,420	702,439	(806,034)	440,825
Accumulated endowment earnings not yet authorized for spending	971,175	(373,092)	(307,952)	290,131
Volunteer operations and chapter support	2,139,385	1,210,316	(1,418,303)	1,931,398
Endowment contributions to be invested in perpetuity	<u>5,005,767</u>	<u>-</u>	<u>-</u>	<u>5,005,767</u>
TOTAL	<u>\$ 20,365,787</u>	<u>\$ 19,178,141</u>	<u>\$ (17,741,407)</u>	<u>\$ 21,802,521</u>

TROUT UNLIMITED, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

8. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 7,095,409
Investments	9,774,858
Receivables, net	<u>12,448,098</u>
Subtotal financial assets available within one year	29,318,365
Less: Donor restricted funds	<u>(21,802,521)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR
GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 7,515,844**

TU has a policy to structure its financial assets to be available and liquid as its obligations become due. As of March 31, 2020, TU has financial assets equal to approximately one month of average annual expenses. In addition, TU has a line of credit agreement (as further discussed in Note 6) which allows for additional available borrowings up to \$5,000,000.

9. 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 year ended March 31, 2020 totaled \$1,451,029.

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 March 31, 2020, TU had accruals of \$244,484 for health benefits payable under the Plan, which are included in accounts payable and accrued liabilities in the accompanying Statement of Financial Position.

10. CONTINGENCY

TU receives grants from various agencies of the United States Government. For the year ended March 31, 2020, 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 2020. 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.

Various lawsuits and other contingent liabilities arise in the ordinary course of TU's activities. While the final outcome of these legal actions cannot be determined at this time, management is of the opinion that the ultimate liability, if any, from the final resolution of these matters will not have a material effect on TU's consolidated financial statements.

TROUT UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020**

11. ENDOWMENT

TU's endowment consists of donor-restricted endowment funds and funds designated by the governing Board 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 is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net asset also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, TU considers a fund to be underwater if the fair value of the fund is less than the sum the (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. TU has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, TU considers the following factors in making a determination to appropriated 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 March 31, 2020:

Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 5,005,767
Accumulated investment earnings:	
CCF	83,805
Teller	63,387
Idaho	<u>142,939</u>
TOTAL FUNDS	<u>\$ 5,295,898</u>

Changes in endowment net assets for the year ended March 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets as of March 31, 2019	\$ -	\$ 5,976,942	\$ 5,976,942
Investment return:			
Investment income	-	121,523	121,523
Net depreciation (realized and unrealized)	<u>-</u>	<u>(494,615)</u>	<u>(494,615)</u>
Total investment return	-	(373,092)	(373,092)
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(307,952)</u>	<u>(307,952)</u>
ENDOWMENT NET ASSETS AS OF MARCH 31, 2020	<u>\$ -</u>	<u>\$ 5,295,898</u>	<u>\$ 5,295,898</u>

TROUT UNLIMITED, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

11. ENDOWMENT (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 the organization to retain as fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets without donor restrictions. For the year ended March 31, 2020, 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 the year ended March 31, 2020.

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.

Idaho Water Fund: This endowment was established in 2008 with grant funds from the Ishiyama Family Foundation. The purpose of the endowment is to fund the Idaho Water Project. A portion of the funds can be spent annually, in accordance with TU's spending policy. Funds in the amount of \$32,294 were spent during the year ending March 31, 2020.

12. SUBSEQUENT EVENTS

In preparing these financial statements, TU has evaluated events and transactions for potential recognition or disclosure through October 30, 2020, the date the financial statements were issued.

TROUT UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020**

12. SUBSEQUENT EVENTS (Continued)

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact TU's operations. The overall potential impact is unknown at this time.

On April 21, 2020, TU entered into a two-year promissory note agreement in the amount of \$3,337,300 with a 1% fixed interest rate under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part.