

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
MARCH 31, 2021 AND 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, 2021 and 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 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.

4550 MONTGOMERY AVENUE · SUITE 800 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · WWW.GRFCPA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
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, 2021 and 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 September 27, 2021, 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".

September 27, 2021

TROUT UNLIMITED, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,127,689	\$ 7,095,409
Receivables, net	19,312,374	12,448,098
Inventory	549,165	375,577
Prepaid expenses and other assets	<u>659,025</u>	<u>615,357</u>
Total current assets	<u>31,648,253</u>	<u>20,534,441</u>
PROPERTY AND EQUIPMENT, NET	<u>186,334</u>	<u>395,265</u>
OTHER ASSETS		
Investments	12,359,415	9,774,858
Beneficial interest in charitable remainder unitrust	<u>54,125</u>	<u>-</u>
Total other assets	<u>12,413,540</u>	<u>9,774,858</u>
TOTAL ASSETS	<u>\$ 44,248,127</u>	<u>\$ 30,704,564</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Loan payable	\$ 3,337,300	\$ -
Accounts payable and accrued liabilities	6,008,253	4,456,033
Deferred membership fees	373,439	333,442
Refundable advances - Federal grants	<u>310,165</u>	<u>181,205</u>
Total liabilities	<u>10,029,157</u>	<u>4,970,680</u>
NET ASSETS		
Without donor restrictions	3,937,973	3,931,363
With donor restrictions	<u>30,280,997</u>	<u>21,802,521</u>
Total net assets	<u>34,218,970</u>	<u>25,733,884</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 44,248,127</u>	<u>\$ 30,704,564</u>

TROUT UNLIMITED, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Grants and contributions:			
U.S. Government	\$ 17,930,957	\$ -	\$ 17,930,957
State and local grants	16,356,430	360,935	16,717,365
Foundation grants	231,316	10,513,752	10,745,068
Individual contributions	6,455,608	4,208,835	10,664,443
Other grants and contributions	1,179,258	3,089,379	4,268,637
Bequests	1,115,005	2,842,359	3,957,364
Membership contributions	5,951,157	-	5,951,157
Membership fees	348,193	-	348,193
Investment income, net	2,086	2,312,047	2,314,133
In-kind revenue	66,528	-	66,528
Landowner projects	774,684	-	774,684
Other income	266,555	-	266,555
Net assets released from donor restrictions	<u>14,848,831</u>	<u>(14,848,831)</u>	<u>-</u>
Total revenue	<u>65,526,608</u>	<u>8,478,476</u>	<u>74,005,084</u>
EXPENSES			
Program Services:			
Conservation Operations	48,754,252	-	48,754,252
Volunteer Operations and Chapter Support	3,734,433	-	3,734,433
Communications	1,877,428	-	1,877,428
Government Affairs	<u>947,933</u>	<u>-</u>	<u>947,933</u>
Total program services	<u>55,314,046</u>	<u>-</u>	<u>55,314,046</u>
Supporting Services:			
Management and General	4,250,558	-	4,250,558
Fundraising	2,507,474	-	2,507,474
Membership Development	<u>3,447,920</u>	<u>-</u>	<u>3,447,920</u>
Total supporting services	<u>10,205,952</u>	<u>-</u>	<u>10,205,952</u>
Total expenses	<u>65,519,998</u>	<u>-</u>	<u>65,519,998</u>
Changes in net assets	6,610	8,478,476	8,485,086
Net assets at beginning of year	<u>3,931,363</u>	<u>21,802,521</u>	<u>25,733,884</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,937,973</u>	<u>\$ 30,280,997</u>	<u>\$ 34,218,970</u>

TROUT UNLIMITED, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Grants and contributions:			
U.S. Government	\$ 14,060,429	\$ -	\$ 14,060,429
State and local grants	15,165,398	-	15,165,398
Foundation grants	132,755	11,799,997	11,932,752
Individual contributions	5,460,550	4,104,652	9,565,202
Other grants and contributions	1,767,214	3,037,099	4,804,313
Bequests	459,840	640,275	1,100,115
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>
Changes 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, 2021

	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	\$ 9,287,540	\$ 1,441,243	\$ 708,200	\$ 477,040	\$ 11,914,023	\$ 1,908,948	\$ 636,150	\$ 404,810	\$ 2,949,908	\$ 14,863,931
Employee benefits and payroll taxes	4,570,239	721,344	361,075	241,006	5,893,664	1,001,148	321,164	204,264	1,526,576	7,420,240
Contractors	16,562,868	13,782	-	-	16,576,650	-	-	3,902	3,902	16,580,552
Consulting	10,756,450	181,558	102,490	119,754	11,160,252	305,604	22,959	117,858	446,421	11,606,673
Water leases	2,453,675	400,098	-	-	2,853,773	-	-	-	-	2,853,773
Premiums	3,396	97,925	3,822	-	105,143	429	623,595	955,960	1,579,984	1,685,127
Printing and publishing	277,550	67,564	221,032	415	566,561	2,144	251,127	474,148	727,419	1,293,980
Materials	1,090,036	15,922	515	346	1,106,819	90	-	-	90	1,106,909
Supplies, maintenance, and telephony	774,336	74,499	172,958	10,566	1,032,359	20,702	8,456	2,938	32,096	1,064,455
Postage, shipping ,and handling	36,764	54,647	181,147	851	273,409	4,292	247,650	538,275	790,217	1,063,626
Grants and chapter rebates	413,714	416,292	-	-	830,006	1,000	51,875	37,350	90,225	920,231
Occupancy	660,586	58,622	19,880	19,880	758,968	66,747	31,386	11,878	110,011	868,979
Other expenses	67,967	27,007	7,272	19,330	121,576	432,894	57,788	161,192	651,874	773,450
Information technology	424,074	73,240	32,132	21,823	551,269	98,739	28,863	18,617	146,219	697,488
Fulfillment, caging, and contact center	2,772	11,598	-	-	14,370	150	151,453	487,346	638,949	653,319
Small equipment and equipment lease	486,251	22,703	8,278	6,226	523,458	22,312	7,435	21,029	50,776	574,234
Travel	479,150	8,702	7,413	1,069	496,334	16,248	18,729	-	34,977	531,311
Professional fees	83,500	5,870	115	713	90,198	225,086	4,950	66	230,102	320,300
Depreciation and amortization	182,317	28,292	13,902	9,364	233,875	37,474	12,488	7,947	57,909	291,784
Advertising and promotion	117,228	4,639	36,876	19,187	177,930	4,676	535	340	5,551	183,481
Bad debt expense	-	-	-	-	-	85,875	-	-	85,875	85,875
Meetings and conferences	23,839	8,886	321	363	33,409	2,373	30,871	-	33,244	66,653
Interest expense	-	-	-	-	-	13,627	-	-	13,627	13,627
TOTAL	\$ 48,754,252	\$ 3,734,433	\$ 1,877,428	\$ 947,933	\$ 55,314,046	\$ 4,250,558	\$ 2,507,474	\$ 3,447,920	\$ 10,205,952	\$ 65,519,998

See accompanying notes to financial statements.

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
Travel	1,133,365	272,920	27,513	68,835	1,502,633	82,316	128,944	10,805	222,065	1,724,698
Premiums	20,072	26,187	509	334	47,102	7,955	556,835	921,984	1,486,774	1,533,876
Printing and publishing	374,967	12,523	192,017	1,003	580,510	11,429	368,074	565,497	945,000	1,525,510
Water leases	1,020,890	296	-	-	1,021,186	-	-	-	-	1,021,186
Grants and chapter rebates	619,935	312,614	-	-	932,549	7,508	55,700	15,200	78,408	1,010,957
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
Occupancy	695,369	47,880	14,382	19,902	777,533	58,760	32,669	11,514	102,943	880,476
Materials	839,849	4,276	125	423	844,673	-	-	-	-	844,673
Supplies, maintenance, and telephony	527,165	46,110	144,685	10,393	728,353	19,311	7,780	10,610	37,701	766,054
Information technology	415,930	81,029	21,692	26,125	544,776	79,790	25,956	17,367	123,113	667,889
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
Meetings and conferences	209,650	150,281	2,480	3,592	366,003	79,225	44,227	163	123,615	489,618
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
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
Depreciation and amortization	156,900	24,655	8,453	10,163	200,171	27,330	10,115	6,768	44,213	244,384
Interest expense	-	-	-	-	-	6,484	-	-	6,484	6,484
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.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 8,485,086	\$ 2,589,635
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	291,784	244,384
Unrealized and realized (gain) loss on investments	(2,062,367)	532,779
Receipt of contributed securities	(858,162)	(1,783,753)
Proceeds from sale of contributed securities	863,649	1,795,953
Gain on sale of contributed securities	(5,487)	-
Change in allowance for doubtful accounts	-	36,356
(Increase) decrease in:		
Accounts receivable	(6,864,276)	(114,671)
Inventory	(173,588)	29,614
Prepaid expenses and other assets	(43,668)	(53,234)
Beneficial interest in charitable remainder unitrust	(54,125)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	1,552,220	861,695
Deferred membership fees	39,997	333,442
Refundable advances - Federal grants	<u>128,960</u>	<u>(41,631)</u>
Net cash provided by operating activities	<u>1,300,023</u>	<u>4,430,569</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(82,853)	(105,165)
Purchase of investments	(1,751,153)	(3,487,673)
Proceeds from sale of investments	<u>1,228,963</u>	<u>2,945,611</u>
Net cash used by investing activities	<u>(605,043)</u>	<u>(647,227)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on line of credit	-	(2,000,000)
Draws on line of credit	-	2,000,000
Proceeds from loan payable	<u>3,337,300</u>	<u>-</u>
Net cash provided by financing activities	<u>3,337,300</u>	<u>-</u>
Net increase in cash and cash equivalents	4,032,280	3,783,342
Cash and cash equivalents at beginning of year	<u>7,095,409</u>	<u>3,312,067</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 11,127,689</u>	<u>\$ 7,095,409</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 13,627</u>	<u>\$ 6,484</u>

See accompanying notes to financial statements.

TROUT UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Trout Unlimited, Inc., (TU) brings together diverse interests to care for and recover rivers and streams, so our children can experience the joy of wild and native trout and salmon. 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, 2021 AND 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 -

During the 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 a modified retrospective approach for implementation.

Also, during the 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 (loss) net of management fees in the Statements of Activities and Changes in Net Assets.

TROUT UNLIMITED, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 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 as of March 31, 2021 and 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 years ended March 31, 2021 and 2020 totaled \$291,784 and \$244,384, 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 taxes -

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

TROUT UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020**

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

Uncertain tax positions -

For the years ended March 31, 2021 and 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.

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 under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For contributions and grants 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 and grants 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. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grants and contributions qualifying as conditional contributions contain a right of return from obligation provision that limits TU on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. Most grant 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 and are therefore recognized as contributions when the revenue becomes unconditional. 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 and grants treated as contributions, TU had approximately \$57,681,718 and \$57,010,551 in unrecognized conditional awards as of March 31, 2021 and 2020, respectively.

Grants and contracts classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and are recorded as revenue at a point in time when the performance obligations are met. TU has elected to opt out of all (or certain) disclosures not required for nonpublic entities. 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 for non federal sources are recorded as deferred revenue and those amounts from the United States Government are classified as refundable advances in the Statement of Financial Position.

TROUT UNLIMITED, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

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

Revenue recognition (continued) -

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.

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 \$183,481 and \$262,436 for the years ended March 31, 2021 and 2020, 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. 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.

TROUT UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020**

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

Joint cost allocation (continued) -

Included in the costs of the packages that were mailed during the year ended March 31, 2021 and 2020, were joint costs in the amount of \$856,802 and \$1,217,340, respectively. Those joint costs are allocated as follows:

	2021	2020
Program	\$ 257,919	\$ 322,356
Fundraising	598,883	894,984
TOTAL	\$ 856,802	\$ 1,217,340

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.

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.

TROUT UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020**

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

New accounting pronouncement, not yet adopted (continued) -

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.

Economic uncertainties -

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.

2. RECEIVABLES, NET

Receivables consisted of the following as of March 31, 2021 and 2020:

	2021	2020
Federal grants - billed	\$ 4,178,697	\$ 3,681,575
Federal grants - unbilled	1,284,685	655,721
State grants - billed	6,853,418	5,105,207
State grants - unbilled	2,563,869	2,221,534
Other	4,708,214	1,060,570
Total	19,588,883	12,724,607
Less: provision for doubtful accounts	(276,509)	(276,509)
RECEIVABLES, NET	\$ 19,312,374	\$ 12,448,098

3. PROPERTY AND EQUIPMENT

Property and equipment, accumulated depreciation, and amortization and depreciation at March 31, 2021 are as follows:

		2021			
Asset Category	Estimated Lives	Cost	Accumulated Depreciation and Amortization	Net	Depreciation/Amortization Expense
Furniture and equipment	5-10 years	\$ 5,067,791	\$ (4,898,530)	\$ 169,261	\$ 281,617
Leasehold improvements	10 years	65,566	(56,294)	9,272	10,167
Land	-	7,801	-	7,801	-
TOTAL		\$ 5,141,158	\$ (4,954,824)	\$ 186,334	\$ 291,784

TROUT UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020**

3. PROPERTY AND EQUIPMENT (Continued)

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>2020</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>
		<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, 2021 and 2020 were as follows:

<u>Asset Type:</u>	<u>2021</u>	<u>2020</u>
	<u>Fair Value: Level 1</u>	<u>Fair Value: Level 1</u>
Cash and money market funds	\$ 2,984,479	\$ 2,417,882
Equity mutual funds	5,631,165	4,061,198
Fixed income mutual funds	<u>3,743,771</u>	<u>3,295,778</u>
TOTAL INVESTMENTS	<u>\$ 12,359,415</u>	<u>\$ 9,774,858</u>

Included in the investment portfolio as of March 31, 2021 and 2020 are contributions to be invested in perpetuity in the amount of \$5,005,767. The remaining \$2,500,000 of endowment contributions are included with receivables at year end and will be invested in the portfolio when received. Also included in the investment portfolio are donor restricted investments in the amount of \$61,579 and \$63,948 for the North Carolina River Course Fund as well as \$472,791 and 468,357 for the Michigan Council of Trout Unlimited as March 31, 2021 and 2020, respectively. These two donor restricted funds are included in the volunteer operations and chapter support as noted in Note 9.

Investment income (loss), net, as of March 31, 2021 and 2020 are the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 291,804	\$ 180,757
Unrealized and realized gain (loss)	2,062,367	(532,779)
Management fees	<u>(40,038)</u>	<u>(12,798)</u>
TOTAL INVESTMENT INCOME (LOSS), NET	<u>\$ 2,314,133</u>	<u>\$ (364,820)</u>

TROUT UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020**

5. BENEFICIAL INTEREST IN CHARITABLE REMAINDER UNITRUST

During fiscal year 2021, TU became the beneficiary of a charitable remainder unitrust created by a donor, the assets of which are not in the possession of TU. TU has legally enforceable rights and claims to such assets, including the sole right to income therefrom. TU is a remainder beneficiary of 5% of the trust assets and there is a lifetime income distribution of 5% to a designated beneficiary. At the date TU received notice of a beneficial interest, a contribution with donor restrictions was recorded in the accompanying Statements of Activities and Changes in Net Assets, and a beneficial interest in charitable remainder unitrust was recorded in the Statements of Financial Position at the fair value of the underlying trust assets. Thereafter, the beneficial interest in the trust is reported at the fair value of the trust's assets in the Statements of Financial Position, with trust distributions recognized as investment income and changes in fair value recognized as unrealized gains (losses) related to the beneficial interest. Both are reported as changes net assets with donor restrictions based on explicit donor stipulations. The fair value as of March 31, 2021 and 2020 of the beneficial interest which is included in the accompanying Statements of Financial Position was as follows:

	2021	2020
Charitable Remainder Unitrust	\$ <u>54,125</u>	\$ <u>-</u>

6. 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 years ended March 31, 2021 and 2020, was \$868,941 and \$869,885 and is included in occupancy expense in the accompanying Statements of Functional Expenses.

Future minimum lease payments at March 31, 2021 are as follows:

Year Ending March 31,	
2022	\$ 502,152
2023	453,360
2024	83,251
	\$ 1,038,763

7. LOAN PAYABLE

On April 21, 2020, TU received loan proceeds in the amount of \$3,337,300 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. 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. TU intends to use the proceeds for purposes consistent with the Paycheck Protection Program and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. TU applied and received forgiveness of the entire amount of the loan payable subsequent to year-end. TU will record revenue from debt extinguishment during the period that forgiveness is approved.

TROUT UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020**

8. LINE OF CREDIT

TU has a \$5,000,000 revolving line of credit with a bank. The line matures on November 30, 2021. The line accrues interest at a rate equal to LIBOR or applicable published rate plus 0.15%. 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, 2021. 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.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of March 31, 2021 and 2020:

	Balance at March 31, 2020	Additions/ Investment Income	Releases	Balance at March 31, 2021
Subject to expenditure for specified purpose:				
Conservation operations	\$ 14,134,400	\$ 16,850,806	\$ (13,294,267)	\$ 17,690,939
Government affairs	440,825	487,897	(303,671)	625,051
Accumulated endowment earnings not yet authorized for spending	290,131	1,946,850	(325,328)	1,911,653
Volunteer operations and chapter support	1,931,398	1,487,629	(925,565)	2,493,462
Subject to passage of time	-	54,125	-	54,125
Endowment contributions to be invested in perpetuity	<u>5,005,767</u>	<u>2,500,000</u>	<u>-</u>	<u>7,505,767</u>
TOTAL	<u>\$ 21,802,521</u>	<u>\$ 23,327,307</u>	<u>\$ (14,848,831)</u>	<u>\$ 30,280,997</u>
	Balance at March 31, 2019	Additions/ Investment Income	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, 2021 AND 2020**

10. LIQUIDITY AND AVAILABILITY

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

	2021	2020
Cash and cash equivalents	\$ 11,127,689	\$ 7,095,409
Investments	12,359,415	9,774,858
Receivables, net	19,312,374	12,448,098
Subtotal financial assets available within one year	42,799,478	29,318,365
Less: Donor restricted funds	(30,280,997)	(21,802,521)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 12,518,481	\$ 7,515,844

TU has a policy to structure its financial assets to be available and liquid as its obligations become due. In addition, TU has a line of credit agreement (as further discussed in Note 8) which allows for additional available borrowings up to \$5,000,000.

11. 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 March 31, 2021 and 2020 totaled \$1,608,179 and \$1,451,029, 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. As of March 31, 2021 and 2020, TU had accruals of \$358,682 and \$244,484 for health benefits payable under the Plan, which are included in accounts payable and accrued liabilities in the accompanying Statements of Financial Position.

12. CONTINGENCY

TU receives grants from various agencies of the United States Government. For the years ended March 31, 2021 and 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 2021. 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 financial statements.

TROUT UNLIMITED, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

13. 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, 2021:

Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 7,505,767
Accumulated investment earnings:	
CCF	1,403,238
Teller	187,187
Idaho	<u>321,228</u>
TOTAL FUNDS	<u>\$ 9,417,420</u>

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>

TROUT UNLIMITED, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

13. ENDOWMENT (Continued)

Changes in endowment net assets for the year ended March 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets as of March 31, 2020	\$ -	\$ 5,295,898	\$ 5,295,898
Investment return:			
Investment income	-	210,069	210,069
Net depreciation (realized and unrealized)	<u>-</u>	<u>1,736,781</u>	<u>1,736,781</u>
Total investment return	<u>-</u>	<u>1,946,850</u>	<u>1,946,850</u>
Contributions	-	2,500,000	2,500,000
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(325,328)</u>	<u>(325,328)</u>
ENDOWMENT NET ASSETS AS OF MARCH 31, 2021	<u>\$ -</u>	<u>\$ 9,417,420</u>	<u>\$ 9,417,420</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	<u>-</u>	<u>(373,092)</u>	<u>(373,092)</u>
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>

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 years ended March 31, 2021 and 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.

TROUT UNLIMITED, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

13. ENDOWMENT (Continued)

Return Objectives and Risk Parameters (continued) -

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 years ended March 31, 2021 and 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 \$38,859 and \$32,294 were spent during the year ending March 31, 2021 and 2020, respectively.

Talcott Endowment: The Talcott endowment was established in 2021 with a bequest in the amount of \$2,500,000 from Thayer Talcott, Jr. The funds were restricted to the TU's perpetual endowment with the income to be used to support the general purposes of TU. The funds had not been received as of March 31, 2021 and the bequest was recorded as a receivable within the accompanying Statements of Financial Position as of March 31, 2021. The funds were subsequently received in June 2021 and are being invested in accordance with TU's investment policy for endowments and will be spent in accordance with TU's spending policy.

14. SUBSEQUENT EVENTS

In preparing these financial statements, TU has evaluated events and transactions for potential recognition or disclosure through September 27, 2021, the date the financial statements were issued.