

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
MARCH 31, 2023 AND 2022**

TROUT UNLIMITED, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Trout Unlimited, Inc. (TU), which comprise the statements of financial position as of March 31, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TU as of March 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TU and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about TU's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 TU's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TU's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2023, 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 that 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. That 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.



November 28, 2023

TROUT UNLIMITED, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2023 AND 2022

| ASSETS | | |
|------------------------------------------------------|----------------------|----------------------|
| | 2023 | 2022 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 11,285,698 | \$ 10,910,843 |
| Receivables, net | 18,362,547 | 23,982,682 |
| Inventory | 913,484 | 1,013,972 |
| Prepaid expenses and other assets | 486,854 | 540,467 |
| Total current assets | 31,048,583 | 36,447,964 |
| PROPERTY AND EQUIPMENT, NET | 539,580 | 190,756 |
| OTHER ASSETS | | |
| Investments | 14,380,881 | 14,902,601 |
| Right-of-use asset, net | 390,898 | - |
| Beneficial interest in charitable remainder unitrust | 54,125 | 54,125 |
| Receivables, net of current portion | 100,000 | - |
| Total other assets | 14,925,904 | 14,956,726 |
| TOTAL ASSETS | \$ 46,514,067 | \$ 51,595,446 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 5,720,034 | \$ 6,186,103 |
| Deferred membership fees | 293,753 | 317,843 |
| Refundable advances - Federal grants | 66,993 | 47,350 |
| Operating lease liability | 360,459 | - |
| Total current liabilities | 6,441,239 | 6,551,296 |
| LONG-TERM LIABILITIES | | |
| Operating lease liability, net of current portion | 30,439 | - |
| Total liabilities | 6,471,678 | 6,551,296 |
| NET ASSETS | | |
| Without donor restrictions | 3,896,165 | 11,666,421 |
| With donor restrictions | 36,146,224 | 33,377,729 |
| Total net assets | 40,042,389 | 45,044,150 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 46,514,067 | \$ 51,595,446 |

See accompanying notes to financial statements.

TROUT UNLIMITED, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2023

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------------|-------------------------------------------|------------------------------------|-----------------------------|
| REVENUE AND SUPPORT | | | |
| Grants and contributions: | | | |
| U.S. Government | \$ 20,695,794 | \$ - | \$ 20,695,794 |
| Individual contributions | 6,252,532 | 5,556,595 | 11,809,127 |
| Foundation grants | 236,458 | 9,903,448 | 10,139,906 |
| State and local grants | 8,950,728 | 102,434 | 9,053,162 |
| Other grants and contributions | 1,420,243 | 3,297,421 | 4,717,664 |
| Bequests | 444,083 | 417,581 | 861,664 |
| Membership contributions | 5,294,319 | - | 5,294,319 |
| Landowner projects | 564,117 | 39,346 | 603,463 |
| In-kind revenue | 356,842 | - | 356,842 |
| Membership fees | 317,625 | - | 317,625 |
| Other income | 222,637 | - | 222,637 |
| Investment income (loss), net | 89,347 | (534,882) | (445,535) |
| Net assets released from donor restrictions | <u>17,033,117</u> | <u>(17,033,117)</u> | <u>-</u> |
| Total revenue and support | <u>61,877,842</u> | <u>1,748,826</u> | <u>63,626,668</u> |
| EXPENSES | | | |
| Program Services: | | | |
| Conservation Operations | 46,254,113 | - | 46,254,113 |
| Volunteer Operations and Chapter Support | 3,679,004 | - | 3,679,004 |
| Communications | 2,676,064 | - | 2,676,064 |
| Government Affairs | <u>637,458</u> | <u>-</u> | <u>637,458</u> |
| Total program services | <u>53,246,639</u> | <u>-</u> | <u>53,246,639</u> |
| Supporting Services: | | | |
| Management and General | 8,210,616 | - | 8,210,616 |
| Fundraising | 2,588,500 | - | 2,588,500 |
| Membership Development | <u>4,582,674</u> | <u>-</u> | <u>4,582,674</u> |
| Total supporting services | <u>15,381,790</u> | <u>-</u> | <u>15,381,790</u> |
| Total expenses | <u>68,628,429</u> | <u>-</u> | <u>68,628,429</u> |
| Changes in net assets | (6,750,587) | 1,748,826 | (5,001,761) |
| OTHER ITEM | | | |
| Transfer of grant categories | <u>(1,019,669)</u> | <u>1,019,669</u> | <u>-</u> |
| Changes in net assets after other item | (7,770,256) | 2,768,495 | (5,001,761) |
| Net assets at beginning of year | <u>11,666,421</u> | <u>33,377,729</u> | <u>45,044,150</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 3,896,165</u> | <u>\$ 36,146,224</u> | <u>\$ 40,042,389</u> |

TROUT UNLIMITED, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2022

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------------|-------------------------------------------|------------------------------------|-----------------------------|
| REVENUE AND SUPPORT | | | |
| Grants and contributions: | | | |
| U.S. Government | \$ 19,295,244 | \$ - | \$ 19,295,244 |
| Individual contributions | 6,761,369 | 4,448,876 | 11,210,245 |
| Foundation grants | 996,868 | 9,224,579 | 10,221,447 |
| State and local grants | 10,892,823 | 164,961 | 11,057,784 |
| Other grants and contributions | 1,760,689 | 4,780,109 | 6,540,798 |
| Bequests | 5,650,418 | 36,000 | 5,686,418 |
| Membership contributions | 5,275,822 | - | 5,275,822 |
| Landowner projects | 1,344,328 | - | 1,344,328 |
| In-kind revenue | 41,325 | - | 41,325 |
| Membership fees | 334,441 | - | 334,441 |
| Other income | 282,630 | - | 282,630 |
| Investment (loss) income, net | (46,734) | 53,125 | 6,391 |
| Net assets released from donor restrictions | <u>15,610,918</u> | <u>(15,610,918)</u> | <u>-</u> |
| Total revenue and support | <u>68,200,141</u> | <u>3,096,732</u> | <u>71,296,873</u> |
| EXPENSES | | | |
| Program Services: | | | |
| Conservation Operations | 45,673,451 | - | 45,673,451 |
| Volunteer Operations and Chapter Support | 2,945,825 | - | 2,945,825 |
| Communications | 2,111,449 | - | 2,111,449 |
| Government Affairs | <u>666,510</u> | <u>-</u> | <u>666,510</u> |
| Total program services | <u>51,397,235</u> | <u>-</u> | <u>51,397,235</u> |
| Supporting Services: | | | |
| Management and General | 5,934,578 | - | 5,934,578 |
| Fundraising | 2,688,458 | - | 2,688,458 |
| Membership Development | <u>3,788,722</u> | <u>-</u> | <u>3,788,722</u> |
| Total supporting services | <u>12,411,758</u> | <u>-</u> | <u>12,411,758</u> |
| Total expenses | <u>63,808,993</u> | <u>-</u> | <u>63,808,993</u> |
| Changes in net assets before other item | 4,391,148 | 3,096,732 | 7,487,880 |
| OTHER ITEM | | | |
| Extinguishment of debt | <u>3,337,300</u> | <u>-</u> | <u>3,337,300</u> |
| Changes in net assets after other item | 7,728,448 | 3,096,732 | 10,825,180 |
| Net assets at beginning of year | <u>3,937,973</u> | <u>30,280,997</u> | <u>34,218,970</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 11,666,421</u> | <u>\$ 33,377,729</u> | <u>\$ 45,044,150</u> |

TROUT UNLIMITED, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2023

| | 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 | \$ 11,074,003 | \$ 1,517,655 | \$ 918,014 | \$ 339,481 | \$ 13,849,153 | \$ 3,825,261 | \$ 712,497 | \$ 400,691 | \$ 4,938,449 | \$ 18,787,602 |
| Employee benefits and payroll taxes | 5,443,319 | 777,010 | 480,872 | 173,942 | 6,875,143 | 1,686,351 | 368,250 | 208,104 | 2,262,705 | 9,137,848 |
| Contractors | 11,652,656 | 24,648 | - | - | 11,677,304 | - | - | - | - | 11,677,304 |
| Consulting | 8,907,891 | 152,167 | 203,777 | 41,657 | 9,305,492 | 439,288 | 15,008 | 163,456 | 617,752 | 9,923,244 |
| Water leases | 2,158,782 | 20 | - | - | 2,158,802 | - | - | - | - | 2,158,802 |
| Printing and publishing | 115,730 | 13,830 | 203,549 | 189 | 333,298 | 17,637 | 409,716 | 997,203 | 1,424,556 | 1,757,854 |
| Premiums | 9,267 | 2,528 | 3,060 | - | 14,855 | 21,869 | 616,954 | 1,006,818 | 1,645,641 | 1,660,496 |
| Travel | 1,162,206 | 235,371 | 61,183 | 13,002 | 1,471,762 | 45,554 | 117,823 | 6,383 | 169,760 | 1,641,522 |
| Grants and chapter rebates | 900,676 | 507,944 | - | - | 1,408,620 | (38,869) | - | 18,295 | (20,574) | 1,388,046 |
| Postage, shipping, and handling | 36,944 | 3,879 | 282,530 | 113 | 323,466 | 33,199 | 138,558 | 839,374 | 1,011,131 | 1,334,597 |
| Information technology | 739,982 | 109,746 | 61,381 | 22,232 | 933,341 | 266,732 | 46,660 | 26,240 | 339,632 | 1,272,973 |
| Other expenses | 217,007 | 11,714 | 4,640 | 1,716 | 235,077 | 773,656 | 8,638 | 99,088 | 881,382 | 1,116,459 |
| Small equipment and equipment lease | 1,032,993 | 15,033 | 12,106 | 3,217 | 1,063,349 | 37,103 | 6,752 | 3,797 | 47,652 | 1,111,001 |
| Materials | 1,021,388 | 5,190 | 1,380 | - | 1,027,958 | - | - | - | - | 1,027,958 |
| Supplies, maintenance, and telephony | 633,532 | 70,239 | 256,616 | 4,096 | 964,483 | 34,955 | 10,544 | 3,202 | 48,701 | 1,013,184 |
| Lease expense | 672,556 | 44,579 | 21,705 | 7,858 | 746,698 | 84,787 | 21,291 | 9,048 | 115,126 | 861,824 |
| Fulfillment, caging, and contact center | 1,428 | 961 | - | - | 2,389 | 110,731 | 25,654 | 717,131 | 853,516 | 855,905 |
| Professional fees | 72,396 | 24,958 | 774 | 286 | 98,414 | 694,668 | 601 | 338 | 695,607 | 794,021 |
| Meetings and conferences | 124,684 | 140,221 | 6,832 | 55 | 271,792 | 130,679 | 70,687 | 9 | 201,375 | 473,167 |
| Advertising and promotion | 91,575 | 4,364 | 117,876 | 88 | 213,903 | 1,923 | 184 | 1,603 | 3,710 | 217,613 |
| Dues and subscriptions | 124,116 | 6,321 | 35,313 | 27,886 | 193,636 | 18,177 | 4,530 | 203 | 22,910 | 216,546 |
| Bank and credit card fees | 7,594 | 3,309 | 30 | 3 | 10,936 | 5,398 | 10,718 | 79,759 | 95,875 | 106,811 |
| Depreciation and amortization | 53,388 | 7,317 | 4,426 | 1,637 | 66,768 | 18,442 | 3,435 | 1,932 | 23,809 | 90,577 |
| Bad debt expense | - | - | - | - | - | 3,075 | - | - | 3,075 | 3,075 |
| TOTAL | \$ 46,254,113 | \$ 3,679,004 | \$ 2,676,064 | \$ 637,458 | \$ 53,246,639 | \$ 8,210,616 | \$ 2,588,500 | \$ 4,582,674 | \$ 15,381,790 | \$ 68,628,429 |

See accompanying notes to financial statements.

TROUT UNLIMITED, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2022

| | 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 | \$ 9,620,726 | \$ 1,226,283 | \$ 750,840 | \$ 357,686 | \$ 11,955,535 | \$ 2,645,984 | \$ 581,959 | \$ 387,140 | \$ 3,615,083 | \$ 15,570,618 |
| Employee benefits and payroll taxes | 5,340,662 | 703,265 | 433,292 | 190,735 | 6,667,954 | 1,308,226 | 334,311 | 223,905 | 1,866,442 | 8,534,396 |
| Contractors | 14,729,736 | 3,769 | 23 | 11 | 14,733,539 | 81 | 18 | 12 | 111 | 14,733,650 |
| Consulting | 7,747,813 | 236,885 | 76,439 | 46,814 | 8,107,951 | 362,185 | 19,365 | 148,762 | 530,312 | 8,638,263 |
| Grants and chapter rebates | 1,206,788 | 441,671 | - | 8,986 | 1,657,445 | 122,818 | 12,265 | 16,305 | 151,388 | 1,808,833 |
| Premiums | 40,709 | 5,641 | 2,462 | - | 48,812 | 1,189 | 626,161 | 942,094 | 1,569,444 | 1,618,256 |
| Materials | 1,578,495 | 2,800 | 3,778 | - | 1,585,073 | - | - | - | - | 1,585,073 |
| Printing and publishing | 506,128 | 8,555 | 179,732 | 667 | 695,082 | 2,403 | 254,341 | 582,134 | 838,878 | 1,533,960 |
| Postage, shipping, and handling | 77,631 | 13,689 | 254,268 | 17 | 345,605 | (2,909) | 428,310 | 657,804 | 1,083,205 | 1,428,810 |
| Supplies, maintenance, and telephony | 860,673 | 35,430 | 182,250 | 4,112 | 1,082,465 | 24,598 | 9,800 | 3,826 | 38,224 | 1,120,689 |
| Water leases | 1,088,735 | 1,319 | - | - | 1,090,054 | - | - | - | - | 1,090,054 |
| Other expenses | 210,471 | 28,274 | 26,982 | 19,831 | 285,558 | 418,189 | 59,068 | 241,212 | 718,469 | 1,004,027 |
| Travel | 756,815 | 61,257 | 14,014 | 1,805 | 833,891 | 48,800 | 44,428 | 1,180 | 94,408 | 928,299 |
| Information technology | 536,601 | 72,197 | 41,147 | 19,601 | 669,546 | 149,248 | 31,892 | 21,216 | 202,356 | 871,902 |
| Lease expense | 643,814 | 39,479 | 18,571 | 9,423 | 711,287 | 70,401 | 19,949 | 9,958 | 100,308 | 811,595 |
| Fulfillment, caging, and contact center | 2,261 | (1,355) | - | - | 906 | 105 | 202,610 | 542,273 | 744,988 | 745,894 |
| Professional fees | 40,558 | 5,253 | 299 | 142 | 46,252 | 535,144 | 232 | 154 | 535,530 | 581,782 |
| Small equipment and equipment lease | 475,339 | 16,655 | 8,564 | 4,080 | 504,638 | 30,928 | 6,638 | 4,416 | 41,982 | 546,620 |
| Meetings and conferences | 77,666 | 33,847 | 959 | 7 | 112,479 | 43,191 | 52,892 | 525 | 96,608 | 209,087 |
| Advertising and promotion | 63,211 | 2,165 | 112,474 | 42 | 177,892 | 1,322 | 68 | 3,045 | 4,435 | 182,327 |
| Bad debt expense | - | - | - | - | - | 149,990 | - | - | 149,990 | 149,990 |
| Depreciation and amortization | 68,619 | 8,746 | 5,355 | 2,551 | 85,271 | 18,872 | 4,151 | 2,761 | 25,784 | 111,055 |
| Interest expense | - | - | - | - | - | 3,813 | - | - | 3,813 | 3,813 |
| TOTAL | \$ 45,673,451 | \$ 2,945,825 | \$ 2,111,449 | \$ 666,510 | \$ 51,397,235 | \$ 5,934,578 | \$ 2,688,458 | \$ 3,788,722 | \$ 12,411,758 | \$ 63,808,993 |

See accompanying notes to financial statements.

TROUT UNLIMITED, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022

| | <u>2023</u> | <u>2022</u> |
|----------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in net assets | \$ (5,001,761) | \$ 10,825,180 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 90,577 | 111,055 |
| Unrealized and realized loss on investments | 985,219 | 429,226 |
| Extinguishment of debt | - | (3,337,300) |
| Receipt of contributed securities | (685,241) | (1,066,463) |
| Proceeds from sale of contributed securities | 690,180 | 1,071,410 |
| Amortization of right-of-use asset | 351,729 | - |
| Change in allowance for doubtful accounts | 2,277 | (2,477) |
| Decrease (increase) in: | | |
| Accounts receivable | 5,517,858 | (4,667,831) |
| Inventory | 100,488 | (464,807) |
| Prepaid expenses and other assets | 53,613 | 118,558 |
| (Decrease) increase in: | | |
| Accounts payable and accrued liabilities | (466,069) | 177,850 |
| Deferred membership fees | (24,090) | (55,596) |
| Refundable advances - Federal grants | 19,643 | (262,815) |
| Operating lease liability | <u>(351,729)</u> | <u>-</u> |
| Net cash provided by operating activities | <u>1,282,694</u> | <u>2,875,990</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (439,401) | (115,477) |
| Purchase of investments | (523,600) | (5,109,446) |
| Proceeds from sale of investments | <u>55,162</u> | <u>2,132,087</u> |
| Net cash used by investing activities | <u>(907,839)</u> | <u>(3,092,836)</u> |
| Net increase (decrease) in cash and cash equivalents | 374,855 | (216,846) |
| Cash and cash equivalents at beginning of year | <u>10,910,843</u> | <u>11,127,689</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 11,285,698</u> | <u>\$ 10,910,843</u> |
| SUPPLEMENTAL INFORMATION: | | |
| Interest Paid | <u>\$ -</u> | <u>\$ 3,813</u> |
| SCHEDULE OF NONCASH TRANSACTIONS | | |
| Right-of-Use Asset in Connection with Operating Lease | <u>\$ 742,627</u> | <u>\$ -</u> |
| Operating Lease Liability | <u>\$ 742,627</u> | <u>\$ -</u> |

TROUT UNLIMITED, INC.

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2023 AND 2022

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, 2023 AND 2022

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 pronouncement adopted -

During the year ended March 31, 2023, TU adopted ASU 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. TU applied the new standard using the modified retrospective approach and adopted the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See Note 6 for further details.

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.

The total amount of cash and cash equivalents included in the investment portfolios for the years ended March 31, 2023 and 2022 were \$2,778,819 and \$2,745,646, respectively.

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 (loss) income, net of management fees in the Statements of Activities and Changes in Net Assets. TU invests in a professionally managed portfolio that contains various securities that are exposed to risks such as interest, market and credit.

TROUT UNLIMITED, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

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

Receivables -

Receivables include pledges, contributions and other receivables carried at original 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 uncollectable. Recoveries of receivables previously written off are recorded when received.

A discount is considered for receivables that are expected to be collected in future years. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. The discount on long-term receivables has not been recorded due to immateriality to the financial statements as a whole.

The provision for doubtful accounts totaled \$276,309 and \$274,032 as of March 31, 2023 and 2022, respectively.

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, 2023 and 2022 totaled \$90,577 and \$111,055, 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.

Uncertain tax positions -

For the years ended March 31, 2023 and 2022, 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, 2023 AND 2022**

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

Revenue recognition -

Contributions and grants -

The majority of TU's revenue is received through contributions 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 \$92,945,874 and \$36,129,688 in unrecognized conditional awards as of March 31, 2023 and 2022, respectively.

Funding from the United States Government received in advance of incurring the related expenses are recorded as refundable advances in the Statements of Financial Position.

Exchange transactions -

Contracts and other revenue 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 contract agreements. Contracts receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the contract agreements.

TROUT UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

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

Revenue recognition (continued) -

Funding received in advance of incurring the related expenses for non Federal sources are recorded as deferred revenue in the Statements of Financial Position. Receivables from exchange transactions, included in other accounts receivable in Note 2, totaled \$4,708,214 as of March 31, 2021.

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. Deferred membership dues revenue was \$373,439 as of March 31, 2021.

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 consists of donated software, supplies IT services and facility space. The software is recorded based upon the fair value of the licenses from the provider. The donated supplies, space and IT services are valued based on the cost for these goods and services that would be charged to the public. There are no donor restrictions on any of the donated goods and services. 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.

To properly reflect total program expenses, the following donations have been included in revenue and expense for the years ended March 31, 2023.

| | 2023 | 2022 |
|---------------------|-------------------|------------------|
| Donated Supplies | \$ 259,042 | \$ - |
| Donated IT services | 59,200 | - |
| Other donations | 38,600 | - |
| Donated software | - | 41,325 |
| TOTAL | \$ 356,842 | \$ 41,325 |

The following programs have benefited from these donated goods and services:

| | 2023 | 2022 |
|-------------------------|-------------------|------------------|
| Conservation Operations | \$ 97,800 | \$ 41,325 |
| Membership Development | 259,042 | - |
| TOTAL | \$ 356,842 | \$ 41,325 |

TROUT UNLIMITED, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

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 \$217,613 and \$182,327 for the years ended March 31, 2023 and 2022, 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.

Included in the costs of the packages that were mailed during the years ended March 31, 2023 and 2022, were joint costs in the amount of \$1,534,275 and \$1,302,912, respectively. Those joint costs are allocated as follows:

| | <u>2023</u> | <u>2022</u> |
|--------------|----------------------------|----------------------------|
| Program | \$ 455,507 | \$ 397,740 |
| Fundraising | <u>1,078,768</u> | <u>905,172</u> |
| TOTAL | <u>\$ 1,534,275</u> | <u>\$ 1,302,912</u> |

TROUT UNLIMITED, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

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

Fair value measurement -

TU adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. TU accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

In accordance with FASB ASC 820, *Fair Value Measurement*, TU has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

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

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

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

For disclosure of inputs and valuation techniques, see Note 4.

New accounting pronouncement, not yet adopted -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for TU for the year ending March 31, 2024. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

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 standard on its accompanying financial statements.

TROUT UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

2. RECEIVABLES, NET

Receivables consisted of the following as of March 31, 2023 and 2022:

| | 2023 | 2022 |
|---------------------------------------|----------------------|----------------------|
| Federal grants - billed | \$ 6,791,144 | \$ 5,514,791 |
| Federal grants - unbilled | 1,537,421 | 1,901,615 |
| State grants - billed | 4,836,812 | 4,487,599 |
| State grants - unbilled | 2,542,773 | 4,033,847 |
| Pledges receivable, current | 508,930 | 6,588,340 |
| Other | 2,421,776 | 1,730,522 |
| | 18,638,856 | 24,256,714 |
| Less: Provision for doubtful accounts | (276,309) | (274,032) |
| Total current receivables | 18,362,547 | 23,982,682 |
| Pledges receivable, long-term | 100,000 | - |
| RECEIVABLES, NET | \$ 18,462,547 | \$ 23,982,682 |

3. PROPERTY AND EQUIPMENT

Property and equipment as of March 31, 2023 is as follows:

| Asset Category | Estimated Lives | Cost | Accumulated Depreciation and Amortization | Net | Depreciation/Amortization Expense |
|-------------------------|------------------------|---------------------|--------------------------------------------------|-------------------|------------------------------------------|
| Furniture and equipment | 5-10 years | \$ 5,622,669 | \$ (5,095,858) | \$ 526,811 | \$ 89,270 |
| Leasehold improvements | 10 years | 65,566 | (60,598) | 4,968 | 1,307 |
| Land | - | 7,801 | - | 7,801 | - |
| TOTAL | | \$ 5,696,036 | \$ (5,156,456) | \$ 539,580 | \$ 90,577 |

Property and equipment as of March 31, 2022 is as follows:

| Asset Category | Estimated Lives | Cost | Accumulated Depreciation and Amortization | Net | Depreciation/Amortization Expense |
|-------------------------|------------------------|---------------------|--------------------------------------------------|-------------------|------------------------------------------|
| Furniture and equipment | 5-10 years | \$ 5,183,268 | \$ (5,006,588) | \$ 176,680 | \$ 108,058 |
| Leasehold improvements | 10 years | 65,566 | (59,291) | 6,275 | 2,997 |
| Land | - | 7,801 | - | 7,801 | - |
| TOTAL | | \$ 5,256,635 | \$ (5,065,879) | \$ 190,756 | \$ 111,055 |

TROUT UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

4. INVESTMENTS

The table below summarizes, by level within the fair value hierarchy, TU's investments as of March 31, 2023:

| Asset Class: | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------------------|-----------------------------|--------------------|----------------------------|-----------------------------|
| Cash and money market funds | \$ 2,778,819 | \$ - | \$ - | \$ 2,778,819 |
| Equity mutual funds | 6,724,070 | - | - | 6,724,070 |
| Fixed income mutual funds | 3,747,061 | - | - | 3,747,061 |
| Alternative investments | <u>-</u> | <u>-</u> | <u>1,130,931</u> | <u>1,130,931</u> |
| TOTAL | <u>\$ 13,249,950</u> | <u>\$ -</u> | <u>\$ 1,130,931</u> | <u>\$ 14,380,881</u> |

The table below summarizes, by level within the fair value hierarchy, TU's investments as of March 31, 2022:

| Asset Class: | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------------------|-----------------------------|--------------------|----------------------------|-----------------------------|
| Cash and money market funds | \$ 2,745,646 | \$ - | \$ - | \$ 2,745,646 |
| Fixed income mutual funds | 6,795,341 | - | - | 6,795,341 |
| Equity mutual funds | 4,275,674 | - | - | 4,275,674 |
| Alternative investments | <u>-</u> | <u>-</u> | <u>1,085,940</u> | <u>1,085,940</u> |
| TOTAL | <u>\$ 13,816,661</u> | <u>\$ -</u> | <u>\$ 1,085,940</u> | <u>\$ 14,902,601</u> |

The following table provides a summary of changes in fair value of TU's Level 3 financial assets for the years ended March 31, 2023 and 2022:

| | <u>Alternative Investments</u> |
|---------------------------------------|------------------------------------|
| Beginning balance as of April 1, 2021 | \$ - |
| Unrealized and realized gains | 41,926 |
| Earned income | 1,036 |
| Purchases/distributions | <u>1,042,978</u> |
| BALANCE AS OF MARCH 31, 2022 | <u>1,085,940</u> |
| Unrealized and realized gains | 32,069 |
| Earned income | <u>12,922</u> |
| BALANCE AS OF MARCH 31, 2023 | <u>\$ 1,130,931</u> |

TROUT UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

4. INVESTMENTS (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the valuation methodologies used and there were no transfers between levels in the fair value hierarchy during the year ended March 31, 2023 and 2022. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - The fair value is equal to the reported net asset value of the fund.
- *Mutual Funds* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.
- *Interests in Hedge Funds, Limited Partnerships, Private Equity Funds* - These instruments do not have a readily determinable fair value. The fair values used are generally determined by the general partner or management of the entity and are based on appraisals or other estimates that require varying degrees of judgment. Inputs used in determining fair value may include the cost and recent activity concerning the underlying investments in the funds or partnerships.

Included in the investment portfolio as of March 31, 2023 and 2022 is contributions to be invested in perpetuity in the amount of \$7,505,767. Also included in the investment portfolio are donor restricted investments in the amount of \$60,266 and \$60,073 for the North Carolina River Course Fund as well as \$427,247 and \$446,186 for the Michigan Council of Trout Unlimited as March 31, 2023 and 2022, respectively. These two donor restricted funds are included in the volunteer operations and chapter support as noted in Note 8.

Included in net investment (loss) income, as of March 31, 2023 and 2022 are the following:

| | 2023 | 2022 |
|--------------------------------------------|---------------------|-----------------|
| Interest and dividends | \$ 595,020 | \$ 490,995 |
| Unrealized and realized loss | (985,219) | (429,226) |
| Management fees | (55,336) | (55,378) |
| TOTAL INVESTMENT (LOSS) INCOME, NET | \$ (445,535) | \$ 6,391 |

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.

TROUT UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

5. BENEFICIAL INTEREST IN CHARITABLE REMAINDER UNITRUST (Continued)

The fair value as of March 31, 2023 and 2022 of the beneficial interest which is included in the accompanying Statements of Financial Position was as follows:

| | Balance at March 31, 2023 | Balance at March 31, 2022 |
|--------------------------------------|------------------------------------------|------------------------------------------|
| Charitable Remainder Unitrust | \$ <u>54,125</u> | \$ <u>54,125</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.

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. TU implemented the ASU during the year ended March 31, 2023 and elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. TU also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. TU adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. As a result, TU recorded a right-of-use asset in the amount of \$742,627. TU recorded an operating lease liability in the amount of \$742,627 by calculating the present value using the discount rate of 2.454%. The adoption of ASU 2019-01 only impacted one of TU's leases, as the others are either short-term or immaterial to the financial statements as a whole.

Lease expense for the years ended March 31, 2023 and 2022, was \$861,824 and \$811,595.

Future minimum lease payments for all leases at March 31, 2023 are as follows:

| <u>Year Ending March 31.</u> | | |
|------------------------------|-----------|-----------------------|
| 2024 | \$ | 540,393 |
| 2025 | | 111,045 |
| 2026 | | 20,045 |
| | \$ | <u>671,483</u> |

7. LINE OF CREDIT

TU has a \$5,000,000 revolving line of credit with a bank. The line matures on February 28, 2024. The line accrues interest at a variable rate equal to the Secured Overnight Financing Rate (SOFR) plus 2.00%. The rate was 6.87% at March 31, 2023 and 2.27% at March 31, 2022.

TROUT UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

7. LINE OF CREDIT (Continued)

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, 2023 and 2022. 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.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of March 31, 2023 and 2022:

| | <u>Balance at March 31, 2022</u> | <u>Additions/ Investment Income</u> | <u>Transfer of Grant Categories</u> | <u>Releases</u> | <u>Balance at March 31, 2023</u> |
|----------------------------------------------------------------|------------------------------------------|---------------------------------------------|---------------------------------------------|-------------------------------|------------------------------------------|
| Subject to expenditure for specified purpose: | | | | | |
| Conservation operations | \$ 21,021,208 | \$ 18,056,896 | \$ 1,019,669 | \$ (15,704,837) | \$ 24,392,936 |
| Volunteer operations and chapter support | 2,561,952 | 887,549 | - | (681,771) | 2,767,730 |
| Government affairs | 605,318 | 264,443 | - | (306,718) | 563,043 |
| Accumulated endowment earnings not yet authorized for spending | 1,629,359 | (426,945) | - | (339,791) | 862,623 |
| Subject to passage of time | 54,125 | - | - | - | 54,125 |
| Endowment contributions to be invested in perpetuity | <u>7,505,767</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,505,767</u> |
| TOTAL | <u>\$ 33,377,729</u> | <u>\$ 18,781,943</u> | <u>\$ 1,019,669</u> | <u>\$ (17,033,117)</u> | <u>\$ 36,146,224</u> |

| | <u>Balance at March 31, 2021</u> | <u>Additions/ Investment Income</u> | <u>Releases</u> | <u>Balance at March 31, 2022</u> |
|----------------------------------------------------------------|--------------------------------------|---------------------------------------------|-------------------------------|--------------------------------------|
| Subject to expenditure for specified purpose: | | | | |
| Conservation operations | \$ 17,690,939 | \$ 17,544,566 | \$ (14,214,297) | \$ 21,021,208 |
| Volunteer operations and chapter support | 2,493,462 | 786,096 | (717,606) | 2,561,952 |
| Government affairs | 625,051 | 342,251 | (361,984) | 605,318 |
| Accumulated endowment earnings not yet authorized for spending | 1,911,653 | 34,737 | (317,031) | 1,629,359 |
| Subject to passage of time | 54,125 | - | - | 54,125 |
| Endowment contributions to be invested in perpetuity | <u>7,505,767</u> | <u>-</u> | <u>-</u> | <u>7,505,767</u> |
| TOTAL | <u>\$ 30,280,997</u> | <u>\$ 18,707,650</u> | <u>\$ (15,610,918)</u> | <u>\$ 33,377,729</u> |

9. TRANSFER OF GRANT CATEGORIES

During the year under audit, TU determined certain grants previously included in net assets without donor restrictions were incorrectly reported and should be included with net assets with donor restrictions. The total transfer of grant categories resulted in a reduction of net assets without donor restrictions and a corresponding increase in net assets with donor restrictions of \$1,019,669.

TROUT UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

10. LIQUIDITY AND AVAILABILITY

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

| | 2023 | 2022 |
|---------------------------------------------------------------------------------------------------|---------------------|----------------------|
| Cash and cash equivalents | \$ 11,285,698 | \$ 10,910,843 |
| Investments | 14,380,881 | 14,902,601 |
| Receivables, net | 18,462,547 | 23,982,682 |
| Subtotal financial assets available within one year | 44,129,126 | 49,796,126 |
| Less: Donor restricted funds | (36,146,224) | (33,377,729) |
| FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR | \$ 7,982,902 | \$ 16,418,397 |

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 7) 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, 2023 and 2022 totaled \$1,820,082 and \$1,512,994, 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, 2023 and 2022, TU had accruals of \$179,316 and \$499,440 for health benefits payable under the Plan, which are included in accounts payable and accrued liabilities in the accompanying Statements of Financial Position.

12. CONTINGENCIES

TU receives grants from various agencies of the United States Government. For the years ended March 31, 2023 and 2022, 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 2023. 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, 2023 AND 2022**

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, 2023:

| | |
|----------------------------------------------------------------------------------------------------|----------------------------|
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | \$ 7,505,767 |
| Accumulated investment earnings: | |
| CCF | 721,143 |
| Teller | 104,539 |
| Idaho | 236,180 |
| Talcott | <u>(199,239)</u> |
| TOTAL FUNDS | <u>\$ 8,368,390</u> |

Endowment net asset composition by type of fund as of March 31, 2022:

| | |
|----------------------------------------------------------------------------------------------------|----------------------------|
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | \$ 7,505,767 |
| Accumulated investment earnings: | |
| CCF | 1,247,887 |
| Teller | 170,611 |
| Idaho | 308,667 |
| Talcott | <u>(97,806)</u> |
| TOTAL FUNDS | <u>\$ 9,135,126</u> |

TROUT UNLIMITED, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

13. ENDOWMENT (Continued)

Changes in endowment net assets for the year ended March 31, 2023:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|------------------------------------------------------|-------------------------------------------|------------------------------------|----------------------------|
| Endowment net assets as of March 31, 2022 | \$ - | \$ 9,135,126 | \$ 9,135,126 |
| Investment return: | | | |
| Investment income | - | 399,898 | 399,898 |
| Net depreciation (realized and unrealized) | <u>-</u> | <u>(826,843)</u> | <u>(826,843)</u> |
| Total investment return | <u>-</u> | <u>(426,945)</u> | <u>(426,945)</u> |
| Appropriation of endowment assets for expenditure | <u>-</u> | <u>(339,791)</u> | <u>(339,791)</u> |
| ENDOWMENT NET ASSETS AS OF MARCH 31, 2023 | <u>\$ -</u> | <u>\$ 8,368,390</u> | <u>\$ 8,368,390</u> |

Changes in endowment net assets for the year ended March 31, 2022:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|------------------------------------------------------|-------------------------------------------|------------------------------------|----------------------------|
| Endowment net assets as of March 31, 2021 | \$ - | \$ 9,417,420 | \$ 9,417,420 |
| Investment return: | | | |
| Investment income | - | 307,795 | 307,795 |
| Net depreciation (realized and unrealized) | <u>-</u> | <u>(273,058)</u> | <u>(273,058)</u> |
| Total investment return | <u>-</u> | <u>34,737</u> | <u>34,737</u> |
| Appropriation of endowment assets for expenditure | <u>-</u> | <u>(317,031)</u> | <u>(317,031)</u> |
| ENDOWMENT NET ASSETS AS OF MARCH 31, 2022 | <u>\$ -</u> | <u>\$ 9,135,126</u> | <u>\$ 9,135,126</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. Deficiencies of this nature exist in one donor-restricted endowment fund, which has an original gift value of \$2,500,000, and deficiencies of \$199,239 and \$97,806 as of March 31, 2023 and 2022, respectively. This deficiencies resulted from unfavorable market fluctuations that occurred after the investment of the donor-restricted endowment funds.

TROUT UNLIMITED, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

13. ENDOWMENT (Continued)

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 years ended March 31, 2023 and 2022.

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 \$36,663 and \$34,344 were spent during the years ending March 31, 2023 and 2022, 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 TU's perpetual endowment with the income to be used to support the general purposes of TU.

14. SUBSEQUENT EVENTS

In preparing these financial statements, TU has evaluated events and transactions for potential recognition or disclosure through November 28, 2023, the date the financial statements were issued.