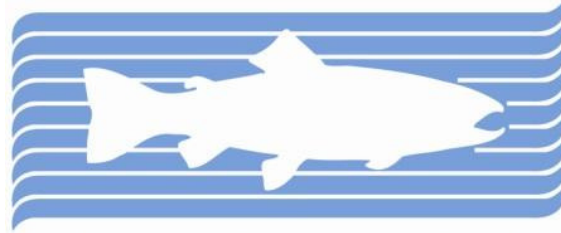


CALIFORNIA TROUT



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**CALIFORNIA
TROUT, INC.**

**Combined Financial
Statements**

For the Eighteen Months Ended

June 30, 2011

With Independent Auditor's Report Thereon

CALIFORNIA TROUT

(A California Not-For-Profit Corporation)
June 30, 2011

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CALIFORNIA TROUT CORPORATION AND FOUNDATION

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REGALIA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
California Trout Corporation and Foundation

We have audited the combined statements of financial position of the California Trout Corporation and California Trout Foundation (nonprofit California corporations) as of June 30, 2011 and December 31, 2009 and the related statements of activities and changes in net assets, functional expenses and cash flows for the eighteen months ended June 30, 2011 and the twelve months ended December 31, 2009. These combined financial statements are the responsibility of California Trout's management. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the California Trout Corporation and California Trout Foundation as of June 30, 2011 and December 31, 2009 and the changes in its net assets and its cash flows for the eighteen months ended June 30, 2011 and the twelve months ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

Regalia & Associates

Danville, California
December 12, 2011

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Combined Statement of Financial Position June 30, 2011

Assets

	Corporation		Total Corporation	Foundation	Total June 30 2011
	Unrestricted	Temporarily Restricted		Unrestricted	
Current Assets:					
Cash and cash equivalents	\$ 111,957	1,298,633	1,410,590	-	1,410,590
Grants and pledges receivable	987,448	-	987,448	-	987,448
Prepaid expenses	16,191	-	16,191	-	16,191
Total current assets	1,115,596	1,298,633	2,414,229	-	2,414,229
Noncurrent Assets:					
Property and equipment, net	37,175	-	37,175	208,503	245,678
Other assets	10,631	-	10,631	-	10,631
Due from (to) Foundation (Corporation)	92,059	-	92,059	(92,059)	-
Total noncurrent assets	139,865	-	139,865	116,444	256,309
Total assets	\$ 1,255,461	1,298,633	2,554,094	116,444	2,670,538

Liabilities and Net Assets

Current Liabilities:					
Accounts payable / accrued liabilities	\$ 135,351	-	135,351	-	135,351
Accrued payroll liabilities	28,373	-	28,373	-	28,373
Total current liabilities	163,724	-	163,724	-	163,724
Net Assets:					
Unrestricted	1,091,737	-	1,091,737	116,444	1,208,181
Temporarily restricted	-	1,298,633	1,298,633	-	1,298,633
Total net assets	1,091,737	1,298,633	2,390,370	116,444	2,506,814
Total liabilities and net assets	\$ 1,255,461	1,298,633	2,554,094	116,444	2,670,538
	1,255,461.00	1,298,633.00	2,554,094.00	116,444.00	2,670,538.00

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Combined Statement of Financial Position December 31, 2009

Assets

	Corporation		Total Corporation	Foundation	
	Unrestricted	Temporarily Restricted		Unrestricted	Total 2009
Current Assets:					
Cash and cash equivalents	\$ 706,598	685,826	1,392,424	-	1,392,424
Grants and pledges receivable	187,162	-	187,162	-	187,162
Prepaid expenses	21,669	-	21,669	-	21,669
Total current assets	915,429	685,826	1,601,255	-	1,601,255
Noncurrent Assets:					
Property and equipment, net	35,514	-	35,514	208,503	244,017
Other assets	10,631	-	10,631	-	10,631
Due from (to) Foundation (Corporation)	88,176	-	88,176	(88,176)	-
Total noncurrent assets	134,321	-	134,321	120,327	254,648
Total assets	\$ 1,049,750	685,826	1,735,576	120,327	1,855,903

Liabilities and Net Assets

Current Liabilities:					
Accounts payable / accrued liabilities	\$ 74,752	-	74,752	-	74,752
Accrued payroll liabilities	42,372	-	42,372	-	42,372
Total current liabilities	117,124	-	117,124	-	117,124
Net Assets:					
Unrestricted	932,626	-	932,626	120,327	1,052,953
Temporarily restricted	-	685,826	685,826	-	685,826
Total net assets	932,626	685,826	1,618,452	120,327	1,738,779
Total liabilities and net assets	\$ 1,049,750	685,826	1,735,576	120,327	1,855,903

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Combined Statement of Activities and Changes in Net Assets For the Eighteen Months Ended June 30, 2011

	Corporation		Total Corporation	Foundation	Total June 30 2011
	Temporarily			Unrestricted	
	Unrestricted	Restricted			
Revenue and support:					
<i>Contributed income:</i>					
Grants	\$ 40,000	1,497,660	1,537,660	-	1,537,660
Donations and fundraising	1,798,140	267,250	2,065,390	-	2,065,390
Total contributed income	1,838,140	1,764,910	3,603,050	-	3,603,050
<i>Earned revenue:</i>					
Product sales	839	-	839	-	839
Other income	45,084	-	45,084	-	45,084
Investment income	7,167	-	7,167	-	7,167
Total earned revenue	53,090	-	53,090	-	53,090
<i>Net assets released from restrictions:</i>					
Satisfaction of program restrictions	1,152,103	(1,152,103)	-	-	-
Total revenue and support	3,043,333	612,807	3,656,140	-	3,656,140
Expenses:					
Program	1,835,882	-	1,835,882	-	1,835,882
General and administrative	200,933	-	200,933	-	200,933
Development	597,534	-	597,534	-	597,534
Membership and marketing	229,686	-	229,686	-	229,686
Foundation	-	-	-	3,883	3,883
Depreciation	20,187	-	20,187	-	20,187
Total expenses	2,884,222	-	2,884,222	3,883	2,888,105
Increase (decrease) in net assets	159,111	612,807	771,918	(3,883)	768,035
Net assets at beginning of period	932,626	685,826	1,618,452	120,327	1,738,779
Net assets at end of period	\$ 1,091,737	1,298,633	2,390,370	116,444	2,506,814

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Combined Statement of Activities and Changes in Net Assets For the Twelve Months Ended December 31, 2009

	Corporation		Total Corporation	Foundation	
	Unrestricted	Temporarily Restricted		Unrestricted	Total 2009
Revenue and support:					
<i>Contributed income:</i>					
Grants	\$ 225,035	533,916	758,951	-	758,951
Donations and fundraising	1,293,157	154,825	1,447,982	-	1,447,982
Total contributed income	1,518,192	688,741	2,206,933	-	2,206,933
<i>Earned revenue:</i>					
Product sales	592	-	592	-	592
Other income	698,787	-	698,787	-	698,787
Investment income	1,121	-	1,121	-	1,121
Total earned revenue	700,500	-	700,500	-	700,500
<i>Net assets released from restrictions:</i>					
Satisfaction of program restrictions	601,810	(601,810)	-	-	-
Total revenue and support	2,820,502	86,931	2,907,433	-	2,907,433
Expenses:					
Program	1,290,701	-	1,290,701	-	1,290,701
General and administrative	145,612	-	145,612	-	145,612
Development	363,620	-	363,620	-	363,620
Membership and marketing	96,846	-	96,846	-	96,846
Foundation	-	-	-	3,045	3,045
Depreciation	13,171	-	13,171	-	13,171
Total expenses	1,909,950	-	1,909,950	3,045	1,912,995
Increase (decrease) in net assets	910,552	86,931	997,483	(3,045)	994,438
Net assets at beginning of year	22,074	598,895	620,969	123,372	744,341
Net assets at end of year	\$ 932,626	685,826	1,618,452	120,327	1,738,779

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Combined Statements of Cash Flows

For the Eighteen Months Ended June 30, 2011 and Twelve Months Ended December 31, 2009

	2011	2009
<i>Cash flows from operating activities:</i>		
Increase in net assets	\$ 768,035	994,438
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	20,187	13,171
Changes in:		
Accounts receivable	-	2,668
Grants and pledges receivable	(800,286)	(146,665)
Prepaid expenses	5,478	(12,949)
Other assets	-	(560)
Accounts payable / accrued liabilities	60,599	(182,981)
Accrued payroll liabilities	(13,999)	(7,887)
Net cash provided by operating activities	40,014	659,235
 <i>Cash flows from investing activities:</i>		
Acquisition of property and equipment	(21,848)	(1,089)
Net cash used for investing activities	(21,848)	(1,089)
 Increase in cash and cash equivalents	 18,166	 658,146
Cash and cash equivalents at beginning of period	1,392,424	734,278
 Cash and cash equivalents at end of period	 \$ 1,410,590	 1,392,424
 <i>Supplemental Disclosures:</i>		
 Interest expense	 \$ -	 -
 Taxes paid	 \$ 150	 150

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Combined Statement of Functional Expenses For the Eighteen Months Ended June 30, 2011

		General and Adminis- trative Programs	Devel- opment	Member- ship and Mark- eting	Total Corporation	Foun- dation	Total 18 Months Ended June 30 2011	
Advertising, marketing, publicity	\$	4,527	150	4,923	-	9,600	-	9,600
Bank charges and fees		646	7,815	11,578	2,740	22,779	-	22,779
Consulting and outside services		343,456	-	238,560	29,018	611,034	-	611,034
Design consulting		15,223	-	28,865	22,670	66,758	-	66,758
Entertainment and hospitality		5,647	137	129,171	10	134,965	-	134,965
Insurance		8,815	588	1,176	1,176	11,755	-	11,755
Legal and accounting		50,358	11,327	-	-	61,685	-	61,685
Meetings and conferences		16,444	4,947	1,010	15	22,416	-	22,416
Miscellaneous		368	135	21,352	148	22,003	279	22,282
Occupancy (rent and utilities)		164,929	6,881	13,762	13,762	199,334	-	199,334
Postage and shipping		4,984	3,485	7,963	18,418	34,850	-	34,850
Printing and copying		6,418	12,208	19,530	83,924	122,080	-	122,080
Publications and subscriptions		7,173	2,032	103	6,393	15,701	-	15,701
Repairs and maintenance		25,028	-	-	4,792	29,820	3,604	33,424
Salaries, wages and related payroll costs		955,321	148,367	77,543	21,318	1,202,549	-	1,202,549
Supplies		25,723	952	29,850	12,892	69,417	-	69,417
Technology consulting		30,253	356	803	1,440	32,852	-	32,852
Telephone and internet		41,922	1,553	1,479	10,630	55,584	-	55,584
Travel and lodging		128,647	-	9,866	340	138,853	-	138,853
Total expenses before depreciation		1,835,882	200,933	597,534	229,686	2,864,035	3,883	2,867,918
Depreciation		20,187	-	-	-	20,187	-	20,187
Total expenses	\$	1,856,069	200,933	597,534	229,686	2,884,222	3,883	2,888,105

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Combined Statement of Functional Expenses For the Twelve Months Ended December 31, 2009

		General and Adminis- trative	Devel- opment	Member- ship and Mark- eting	Total Corporation	Foun- dation	Total 12 Months Ended Dec 31 2009
Advertising, marketing, publicity	\$ 205	1,074	3	-	1,282	-	1,282
Bank charges and fees	1,052	7,359	5,608	654	14,673	-	14,673
Consulting and outside services	152,088	-	90,588	4,050	246,726	-	246,726
Design consulting	42,039	-	9,180	13,364	64,583	-	64,583
Entertainment and hospitality	3,730	230	68,255	45	72,260	-	72,260
Insurance	8,848	-	-	-	8,848	-	8,848
Legal and accounting	121,720	9,160	-	-	130,880	-	130,880
Meetings and conferences	8,894	3,348	3,338	88	15,668	-	15,668
Miscellaneous	356	1,108	18,680	-	20,144	347	20,491
Occupancy (rent and utilities)	128,225	1,646	-	-	129,871	-	129,871
Postage and shipping	11,183	4,418	2,618	14,365	32,584	-	32,584
Printing and copying	37,632	8	8,111	34,558	80,309	-	80,309
Publications and subscriptions	2,058	141	444	2,500	5,143	-	5,143
Repairs and maintenance	14,006	-	126	180	14,312	2,698	17,010
Salaries, wages and related payroll costs	622,925	116,275	139,335	13,759	892,294	-	892,294
Supplies	13,933	58	1,255	4,442	19,688	-	19,688
Technology consulting	30,757	-	3,995	8,563	43,315	-	43,315
Telephone and internet	30,146	-	1,523	180	31,849	-	31,849
Travel and lodging	60,904	787	10,561	98	72,350	-	72,350
Total expenses before depreciation	1,290,701	145,612	363,620	96,846	1,896,779	3,045	1,899,824
Depreciation	13,171	-	-	-	13,171	-	13,171
Total expenses	\$ 1,303,872	145,612	363,620	96,846	1,909,950	3,045	1,912,995

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Notes to Combined Financial Statements June 30, 2011

1. Organization

California Trout Corporation and California Trout Foundation are California tax-exempt, non-profit corporations and are collectively referred to as "California Trout."

California Trout was established in 1971 for the purpose of undertaking programs and activities to protect and restore wild trout, steelhead, salmon and their waters throughout California. Additionally, California Trout gathers funds to finance charitable, scientific and educational research projects, and to preserve and rehabilitate public trout and steelhead fisheries in California.

2. Summary of Significant Accounting Policies

Basis of Accounting and Combination

The combined financial statements of California Trout have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. The combined financial statements include the accounts of California Trout Corporation and California Trout Foundation, which have common management and share common board members. All significant balances and transactions between California Trout's accounts have been eliminated.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, California Trout is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no permanently restricted net assets as of June 30, 2011.

Revenue Recognition

California Trout records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Use of Estimates

The preparation of combined 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 and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

Notes to Combined Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Cash and Cash Equivalents

Cash and cash equivalents include savings, cash deposits and money market accounts with maturity dates of three months or less. California Trout may occasionally be the recipient of donated securities. Investments or securities received by gift are recorded at market value at the date of contribution in accordance with ASC 958.320, *Investments – Debt and Equity Securities of Not For Profit Organizations*. California Trout converts such securities to liquid assets, and any realized gains or losses are separately stated on the combined statements of activities and changes in net assets. California Trout maintains its cash balances in high quality financial institutions, which at times may exceed federally insured limits. California Trout has not experienced any losses in such accounts.

Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments, none of which are held for trading purposes, approximate carrying values of such amounts.

Property, Equipment, and Improvements

Property and equipment are valued at cost or, if donated, at fair market value on the date of donation. Depreciation is provided by use of the straight-line method over the estimated useful lives of the assets. The cost of property and equipment which benefit future periods is capitalized and depreciated over the estimated useful life of each class of depreciable asset.

Net Assets

In accordance with accounting principles generally accepted in the United States of America, financial statements must present classes of net assets based on the following categories: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Grants and contributions are classified in the appropriate net asset category based on the absence or existence of donor-imposed restrictions that limit the use of the donated assets if they are designated as support for future periods or future projects when they are received.

California Trout reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor's intended purpose is met or a time restriction expires, the temporarily restricted net asset is transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions where restrictions are met in the same reporting period in which they are contributed are reported as unrestricted support.

Unrestricted net assets include all of those donated assets that have no restrictions or limitations imposed on their use. The Board of Directors may elect certain unrestricted funds to be set aside as Board designated funds, which may not be spent without approval by the Board. No such funds were set-aside during the eighteen months ended June 30, 2011 and the twelve months ended December 31, 2009.

Notes to Combined Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in unrestricted net assets. California Trout reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor's intended purpose is met or a time restriction expires, the temporarily restricted net asset is transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions in which the donor restrictions are never relieved are recorded as permanently restricted support. Donor-restricted contributions where restrictions are met in the same reporting period in which they are contributed are reported as unrestricted support.

Donated property is recorded at the estimated fair value at the date of receipt. California Trout reports gifts of property as unrestricted support unless explicit donor stipulations specify how the donated assets are to be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, California Trout reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed Services and Costs

Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Income Taxes

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, California Trout is required to report information regarding its exposure to various tax positions taken by California Trout and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that California Trout has adequately evaluated its current tax positions and has concluded that as of June 30, 2011, California Trout does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

California Trout has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. This exemption is subject to periodic review by the federal and state taxing authorities and management is confident that the organization continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. California Trout may periodically receive unrelated business income requiring the organization to file separate tax returns under federal and state statutes. Under such conditions, California Trout calculates and accrues the applicable taxes payable.

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Notes to Combined Financial Statements

3. Cash and Cash Equivalents

Cash and cash equivalents include all funds in banks (checking, savings, and certificates of deposit) at the time of purchase that have a maturity date of 90 days or less. The components of cash and cash equivalents are as follows at June 30, 2011 and December 31, 2009:

	<u>2011</u>	<u>2009</u>
Checking accounts	\$ 20,188	\$ 243,320
Merrill Lynch - EMA Cash Account	49,564	54,013
Merrill Lynch - Restricted Fund Cash Account	1,340,838	1,095,091
Total cash and cash equivalents	<u>\$ 1,410,590</u>	<u>\$ 1,392,424</u>

California Trout attempts to limit its credit risk associated with cash equivalents by utilizing highly rated financial institutions.

4. Grants and Pledges Receivable

Grants and pledges receivable of \$987,448 and \$187,162 at June 30, 2011 and December 31, 2009, respectively, represent amounts which were committed by various individuals, corporations and foundations which, in management's opinion, are fully collectible.

5. Property and Equipment

The following is a summary of property and equipment (including improvements) at June 30, 2011 and December 31, 2009:

	<u>2011</u>	<u>2009</u>
Land Fall River Property	\$ 21,360	\$ 21,360
Trout Camp Property	187,143	187,143
Office Equipment	143,481	130,590
Furniture and fixtures	24,781	24,781
Project improvements	29,214	20,257
Subtotal	<u>405,979</u>	<u>384,131</u>
Less accumulated depreciation	<u>(160,301)</u>	<u>(140,114)</u>
Total property, equipment and improvements (net)	<u>\$ 245,678</u>	<u>\$ 244,017</u>

Total depreciation expense amounted to \$20,187 and \$13,171 for the eighteen months ended June 30, 2011 and the twelve months ended December 31, 2009, respectively, and is reported on the combined statement of functional expenses.

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Notes to Combined Financial Statements

6. Lease Commitments

California Trout leases its corporate office space in San Francisco under a multi-year operating lease which runs through January 31, 2012. As of June 30, 2011, the lease requires a monthly rental payment of \$7,663 and California Trout is responsible for its proportionate share of building, maintenance and operating expenses which includes property taxes, insurance and utilities. As of December 12, 2011 (the date of the independent auditor's report), California Trout is in the process of either negotiating an extension to the current lease or looking for a new corporate office location. California Trout also separately leases various satellite office locations in Northern and Southern California generally under month-to-month operating lease agreements.

California Trout leases certain office equipment under short-term operating lease arrangements which require fixed monthly/quarterly rental payments. Total rental expense for offices and equipment amounted to \$211,176 and \$136,331 for the eighteen months ended June 30, 2011 and the twelve months ended December 31, 2009, respectively. Minimum future lease payments for all operating leases with terms of one year or more are as follows at June 30, 2011:

<u>Year Ending</u>		<u>Offices</u>	<u>Equipment</u>	<u>Total</u>
June 30, 2012	\$	63,241	4,912	68,153
June 30, 2013		4,800	4,912	9,712

7. Temporarily Restricted Net Assets

California Trout recognizes support from temporarily restricted net assets when the restrictions imposed by the donors have been satisfied or expired. Temporarily restricted net assets consist of the following at June 30, 2011 and December 31, 2009:

	<u>2011</u>	<u>2009</u>
Blue Ribbon Waters Initiative	\$ 57,817	\$ -
Central Valley Steelhead Project	-	20,100
Coho program	11,025	-
Eastern Sierra Programs	707,239	-
Flood Plain Advocacy - Sacramento	254,463	-
Groundwater Reform Campaign	-	118,550
Hydro-Power Reform	2,441	16,928
Klamath Project - Dam Removal Work	-	8,817
Lake Merced and Lake Tahoe Programs	38,564	113,753
McCloud River, Groundwater and Lakin Dam Projects	9,920	19,594
North Coast - Eel River	64,809	124,047
Recovery Express Evaluation Tool	4,080	-
Salmon Stronghold Partnership	-	28,654
Shasta Region, River and Groundwater Projects	87,603	188,972
Southern California Programs (BYW/Steelhead/Coastal Watersheds)	47,937	19,632
Others	12,735	26,779
Total temporarily restricted net assets	\$ 1,298,633	\$ 685,826

During the eighteen months ended June 30, 2011 and the twelve months ended December 31, 2009, California Trout released \$1,152,103 and \$601,810, respectively, from temporarily restricted net assets.

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Notes to Combined Financial Statements

8. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and grant agreements and the performance of services (in order to receive funding from certain individuals and foundations), the costs of which are not reflected in the financial statements (because they have not yet been incurred). Certain of the grants and contracts are subject to audit and final acceptance by the granting agency. Current and future funding of such grants could be subject to adjustment upon audit. Management believes that such commitments or contingencies have been properly addressed, appropriate amounts have been accrued (where necessary), and there will not be any resolution with a material adverse effect on the combined financial statements.

9. Retirement Plan

California Trout offers employees the opportunity for participation in a salary reduction retirement plan qualified under Internal Revenue Code Section 403(b). Distributions from the 403(b) plan are made only pursuant to all applicable laws and regulations. Under the provisions of the plan, California Trout contributed \$2,340 to the plan for the eighteen months ended June 30, 2011. There was no contribution to the plan for the twelve months ended December 31, 2009.

10. Consulting and Outside Services

During the eighteen months ended June 30, 2011 and the twelve months ended December 31, 2009, California Trout expended \$611,034 and \$246,726, respectively, on a variety of consulting and outside services. A majority of these expenditures pertained to several ongoing program activities. A summary of the total expenditures is summarized as follows for the eighteen months ended June 30, 2011 and the twelve months ended December 31, 2009:

	2011	2009
Eastern Sierra Programs	\$ 41,938	\$ 12,662
Groundwater Campaign		626
Hydro-Power Reform	11,565	4,050
Lake Tahoe/Carson City Programs	350	-
Membership	29,018	-
North Coast Programs	16,314	-
North East/Shasta Programs	128,405	124,683
Southern California Programs (BYW/Steelhead/Coastal Watersheds)	6,820	-
State Management	106,500	-
Conservation and Other Program Activities	31,564	14,117
Development	238,560	90,588
Total consulting and outside services	<u>\$ 611,034</u>	<u>\$ 246,726</u>

Notes to Combined Financial Statements

11. Other Income

During the twelve months ended December 31, 2009, California Trout received proceeds from two different legal settlements totaling \$698,787. In one lawsuit, California Trout received \$600,000 as a named plaintiff member in a class action lawsuit brought against U.S. Smokeless Tobacco Company. In another lawsuit, California Trout received \$98,787 in damages as plaintiff against United Water Conservation District and the Bureau of Reclamation due to violations under the Endangered Species Act.

12. Fiscal Agent Agreement

California Trout entered into a fiscal agent agreement with Pasadena Casting Club (PCC) in June 2008. California Trout agreed to accept tax deductible contributions on behalf of PCC, issue tax letters to donors and remit funds to PCC as directed by the contributors. No fees are being paid for this service. California Trout received and remitted \$2,251 during the twelve months ended December 31, 2009. There were no financial transactions under this agreement for the eighteen months ended June 30, 2011.

13. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of ASC 710.25, *Compensated Absences*. Under ASC 710.25, California Trout is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Sick leave is not paid upon termination. Annual leave accruals are recorded in the financial statements as an accrued liability on the combined statement of financial position based on hourly rates in effect at the end of the fiscal year.

14. Advertising

Advertising costs are expensed as incurred. Advertising expenses amounted to \$9,600 and \$1,282 for the eighteen months ended June 30, 2011 and the twelve months ended December 31, 2009, respectively, and are reflected on the combined statement of functional expenses.

15. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, California Trout has evaluated subsequent events through December 12, 2011, the date the combined financial statements were available to be issued, and, in the opinion of management, there are no subsequent events which need to be disclosed.