



**CALIFORNIA
TROUT, INC.**

**Combined Financial
Statements**

For the Years Ended
June 30, 2014 and 2013

With Independent Auditor's Report Thereon

CALIFORNIA TROUT CORPORATION AND FOUNDATION

(A California Non-Profit Corporation)
June 30, 2014 and 2013

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CALIFORNIA TROUT CORPORATION AND FOUNDATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors California Trout Corporation and Foundation

We have audited the accompanying combined financial statements of California Trout Corporation and Foundation (California nonprofit organizations) which comprise the combined statements of financial position as of June 30, 2014 and 2013 and the related combined statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of California Trout Corporation and Foundation as of June 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. *(continued)*

INDEPENDENT AUDITORS' REPORT

(Continued)

Other Matters:

We have previously audited California Trout's June 30, 2013 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated October 15, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Circular A-133 Single Audit

In accordance with Government Auditing Standards, we have also issued our report dated April 10, 2015, on our consideration of California Trout'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements of California Trout as a whole. The accompanying schedule of expenditures of federal awards (supplementary information on page 16) is presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Regalia & Associates

*Danville, California
April 10, 2015*

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Combined Statement of Financial Position

June 30, 2014

Assets

	Corporation		Total Corporation	Foundation		Total June 30 2014
	Unrestricted	Temporarily Restricted		Unrestricted		
Current Assets:						
Cash and cash equivalents	\$ 590,856	\$ -	\$ 590,856	\$ -		\$ 590,856
Investments	5,043	-	5,043	-		5,043
Grants/pledges/contracts receivable	381,092	482,066	863,158	-		863,158
Prepaid expenses	20,692	-	20,692	-		20,692
Total current assets	<u>997,683</u>	<u>482,066</u>	<u>1,479,749</u>	<u>-</u>		<u>1,479,749</u>
Noncurrent Assets:						
Property/equipment/improvements (net)	41,431	-	41,431	208,503		249,934
Other assets	17,316	-	17,316	-		17,316
Due from (to) Foundation (Corporation)	166,355	-	166,355	(166,355)		-
Total noncurrent assets	<u>225,102</u>	<u>-</u>	<u>225,102</u>	<u>42,148</u>		<u>267,250</u>
Total assets	<u>\$ 1,222,785</u>	<u>\$ 482,066</u>	<u>\$ 1,704,851</u>	<u>\$ 42,148</u>		<u>\$ 1,746,999</u>

Liabilities and Net Assets

Current Liabilities:						
Accounts payable / accrued liabilities	\$ 562,025	\$ -	\$ 562,025	\$ -		\$ 562,025
Unearned revenue	44,399	-	44,399	-		44,399
Accrued payroll liabilities	64,872	-	64,872	-		64,872
Total current liabilities	<u>671,296</u>	<u>-</u>	<u>671,296</u>	<u>-</u>		<u>671,296</u>
Net Assets:						
Unrestricted	551,489	-	551,489	42,148		593,637
Temporarily restricted	-	482,066	482,066	-		482,066
Total net assets	<u>551,489</u>	<u>482,066</u>	<u>1,033,555</u>	<u>42,148</u>		<u>1,075,703</u>
Total liabilities and net assets	<u>\$ 1,222,785</u>	<u>\$ 482,066</u>	<u>\$ 1,704,851</u>	<u>\$ 42,148</u>		<u>\$ 1,746,999</u>

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Combined Statement of Financial Position June 30, 2013

Assets

	Corporation		Total Corporation	Foundation		Total June 30 2013
	Unrestricted	Temporarily Restricted		Unrestricted	Total	
Current Assets:						
Cash and cash equivalents	\$ 895,732	\$ -	\$ 895,732	\$ -		\$ 895,732
Grants/pledges/contracts receivable	2,800,106	1,605,909	4,406,015	-		4,406,015
Prepaid expenses	24,751	-	24,751	-		24,751
Total current assets	3,720,589	1,605,909	5,326,498	-		5,326,498
Noncurrent Assets:						
Propert/equipment/improvements (net)	56,317	-	56,317	208,503		264,820
Other assets	17,778	-	17,778	-		17,778
Due from (to) Foundation (Corporation)	98,088	-	98,088	(98,088)		-
Total noncurrent assets	172,183	-	172,183	110,415		282,598
Total assets	\$3,892,772	\$ 1,605,909	\$5,498,681	\$ 110,415		\$ 5,609,096

Liabilities and Net Assets

Current Liabilities:						
Accounts payable / accrued liabilities	\$ 273,446	\$ -	\$ 273,446	\$ -		\$ 273,446
Unearned revenue	2,588,142	-	2,588,142	-		2,588,142
Accrued payroll liabilities	51,226	-	51,226	-		51,226
Total current liabilities	2,912,814	-	2,912,814	-		2,912,814
Net Assets:						
Unrestricted	979,958	-	979,958	110,415		1,090,373
Temporarily restricted	-	1,605,909	1,605,909	-		1,605,909
Total net assets	979,958	1,605,909	2,585,867	110,415		2,696,282
Total liabilities and net assets	\$3,892,772	\$ 1,605,909	\$5,498,681	\$ 110,415		\$ 5,609,096

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Combined Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2014

	Corporation		Total Corporation	Foundation		Total June 30 2014
	Unrestricted	Temporarily Restricted		Unrestricted	Total	
Revenue and support:						
<i>Contributed income:</i>						
Grants	\$ 37,650	\$ 871,136	\$ 908,786	\$ -		\$ 908,786
Donations and fundraising	324,914	200,805	525,719	-		525,719
Satisfaction of program restrictions	2,510,610	(2,510,610)	-	-		-
Total contributed income	2,873,174	(1,438,669)	1,434,505	-		1,434,505
<i>Earned revenue:</i>						
Government contracts	921,786	-	921,786	-		921,786
Product sales	14,868	-	14,868	-		14,868
Other income	554	-	554	-		554
Investment income	78	-	78	-		78
Total earned revenue	937,286	-	937,286	-		937,286
Total revenue and support	3,810,460	(1,438,669)	2,371,791	-		2,371,791
Expenses:						
Program	2,917,095	-	2,917,095	-		2,917,095
General and administrative	377,288	-	377,288	-		377,288
Development	393,114	-	393,114	-		393,114
Membership and marketing	221,720	-	221,720	-		221,720
Foundation	-	-	-	68,267		68,267
Depreciation	14,886	-	14,886	-		14,886
Total expenses	3,924,103	-	3,924,103	68,267		3,992,370
Increase (decrease) in net assets	(113,643)	(1,438,669)	(1,552,312)	(68,267)		(1,620,579)
Net assets at beginning of period	979,958	1,605,909	2,585,867	110,415		2,696,282
Reclassification of government contracts	(314,826)	314,826	-	-		-
Net assets at end of period	\$ 551,489	\$ 482,066	\$ 1,033,555	\$ 42,148		\$ 1,075,703

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Combined Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2013

	Corporation		Total Corporation	Foundation	Total June 30 2013
	Unrestricted	Temporarily Restricted		Unrestricted	
	Revenue and support:				
<i>Contributed income:</i>					
Grants	\$ 70,045	\$ 1,376,237	\$ 1,446,282	\$ -	\$ 1,446,282
Donations and fundraising	465,021	163,356	628,377	-	628,377
Total contributed income	535,066	1,539,593	2,074,659	-	2,074,659
<i>Earned revenue:</i>					
Government contracts	693,532	-	693,532	-	693,532
Product sales	7,541	-	7,541	-	7,541
Other income	1,331	-	1,331	-	1,331
Investment income	3,109	-	3,109	-	3,109
Total earned revenue	705,513	-	705,513	-	705,513
<i>Net assets released from restrictions:</i>					
Satisfaction of program restrictions	1,574,162	(1,574,162)	-	-	-
Total revenue and support	2,814,741	(34,569)	2,780,172	-	2,780,172
Expenses:					
Program	2,152,459	-	2,152,459	-	2,152,459
General and administrative	150,073	-	150,073	-	150,073
Development	311,537	-	311,537	-	311,537
Membership and marketing	308,526	-	308,526	-	308,526
Foundation	-	-	-	4,484	4,484
Depreciation	15,375	-	15,375	-	15,375
Total expenses	2,937,970	-	2,937,970	4,484	2,942,454
Increase (decrease) in net assets	(123,229)	(34,569)	(157,798)	(4,484)	(162,282)
Net assets at beginning of period	1,103,187	1,640,478	2,743,665	114,899	2,858,564
Net assets at end of period	\$ 979,958	\$ 1,605,909	\$ 2,585,867	\$ 110,415	\$ 2,696,282

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Combined Statements of Cash Flows For the Years Ended June 30, 2014 and 2013

	2014	2013
<i>Cash flows from operating activities:</i>		
Decrease in net assets	\$(1,620,579)	\$ (162,282)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	14,886	15,375
Loss (gain) on investments		
Changes in:		
Grants and pledges receivable	3,542,857	(2,682,317)
Prepaid expenses	4,059	(10,382)
Other assets	462	(2,556)
Accounts payable / accrued liabilities	288,579	(55,626)
Unearned revenue	(2,543,743)	2,588,142
Accrued payroll liabilities	13,646	10,753
Net cash used for operating activities	(299,833)	(298,893)
 <i>Cash flows from investing activities:</i>		
Acquisition of investments	(5,043)	-
Acquisition of property and equipment	-	(15,093)
Net cash used for investing activities	(5,043)	(15,093)
 Decrease in cash and cash equivalents	(304,876)	(313,986)
Cash and cash equivalents at beginning of period	895,732	1,209,718
 Cash and cash equivalents at end of period	\$ 590,856	\$ 895,732
 <i>Supplemental Disclosures:</i>		
 Interest expense	\$ -	\$ -
 State registration taxes paid	\$ 150	\$ 150

CALIFORNIA TROUT CORPORATION AND FOUNDATION

**Combined Statement of Functional Expenses
For the Year Ended June 30, 2014**

			General and Adminis- trative	Devel- opment	Total Corporation	Foun- dation	Total Year Ended June 30 2014
	Program Membership Programs	Marketing					
Advertising, marketing, publicity	\$ 2,183	\$ 3,877	\$ -	\$ -	\$ 6,060	\$ -	\$ 6,060
Bank charges and fees	5,497	4,271	12,186	1,941	23,895	-	23,895
Consulting and outside services	1,451,744	43,759	68,660	223,829	1,787,992	-	1,787,992
Design consulting	10,383	2,656	-	21,100	34,139	-	34,139
Entertainment and hospitality	389	-	-	74,432	74,821	-	74,821
Insurance	11,220	-	1,095	1,368	13,683	-	13,683
Legal and accounting	121,260	-	19,869	-	141,129	-	141,129
Meetings and conferences	13,098	-	3,437	2,655	19,190	-	19,190
Miscellaneous	1,107	175	-	8,965	10,247	54	10,301
Occupancy (rent and utilities)	127,456	196	12,454	15,567	155,673	-	155,673
Postage and shipping	5,259	663	4,312	541	10,775	-	10,775
Printing and copying	4,893	74,662	174	3,692	83,421	-	83,421
Publications and subscriptions	8,169	6,219	141	-	14,529	-	14,529
Repairs and maintenance	36,563	-	-	466	37,029	68,213	105,242
Salaries, wages and related payroll costs	878,534	78,513	251,524	4,145	1,212,716	-	1,212,716
Supplies	23,627	1,635	1,080	22,819	49,161	-	49,161
Technology consulting	61,353	508	-	-	61,861	-	61,861
Telephone and internet	35,830	3,894	1,232	-	40,956	-	40,956
Travel and lodging	118,530	692	1,124	11,594	131,940	-	131,940
Total expenses before depreciation	2,917,095	221,720	377,288	393,114	3,909,217	68,267	3,977,484
Depreciation	14,886	-	-	-	14,886	-	14,886
Total expenses	\$2,931,981	\$ 221,720	\$ 377,288	\$ 393,114	\$ 3,924,103	\$ 68,267	\$ 3,992,370

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Combined Statement of Functional Expenses For the Year Ended June 30, 2013

						Total	
	Program		General				Year
	Membership	Marketing	Adminis-	Devel-	Total	Foun-	Ended
	Programs	Marketing	trative	opment	Corporation	dation	June 30
							2013
Advertising, marketing, publicity	\$ 6,551	\$ 9,927	\$ 70	\$ -	\$ 16,548	\$ -	\$ 16,548
Bank charges and fees	1,244	2,027	8,175	6,952	18,398	-	18,398
Consulting and outside services	702,699	77,785	18,578	129,132	928,194	-	928,194
Design consulting	9,048	9,713	-	35,185	53,946	-	53,946
Entertainment and hospitality	6,690	13	-	73,964	80,667	-	80,667
Insurance	4,808	-	469	586	5,863	-	5,863
Legal and accounting	92,095	-	15,445	-	107,540	-	107,540
Meetings and conferences	20,313	530	4,631	-	25,474	-	25,474
Miscellaneous	16	1,326	-	17,531	18,873	57	18,930
Occupancy (rent and utilities)	112,582	1,925	11,171	13,964	139,642	-	139,642
Postage and shipping	10,628	37,566	1,000	377	49,571	-	49,571
Printing and copying	9,269	59,136	-	7,458	75,863	-	75,863
Publications and subscriptions	5,430	5,078	1,214	-	11,722	-	11,722
Repairs and maintenance	25,467	332	-	-	25,799	4,427	30,226
Salaries, wages and related payroll costs	822,977	68,101	84,535	-	975,613	-	975,613
Supplies	35,065	18,962	3,310	22,655	79,992	-	79,992
Technology consulting	136,654	13,024	-	-	149,678	-	149,678
Telephone and internet	30,551	1,154	598	756	33,059	-	33,059
Travel and lodging	120,372	1,927	877	2,977	126,153	-	126,153
Total expenses before depreciation	2,152,459	308,526	150,073	311,537	2,922,595	4,484	2,927,079
Depreciation	15,375	-	-	-	15,375	-	15,375
Total expenses	\$2,167,834	\$ 308,526	\$ 150,073	\$ 311,537	\$2,937,970	\$4,484	\$2,942,454

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Notes to Combined Financial Statements June 30, 2014

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 conserve and enhance the wild trout and salmon and their natural habitat within 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 funds 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, 2014 or 2013.

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 years ended June 30, 2014 and 2013.

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, 2014, 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

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

Reclassifications

Certain reclassifications have been made to the 2013 financial statements in order to conform to the presentation used in 2014.

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, 2014 and June 30, 2013:

	2014	2013
Checking accounts	\$ 518,645	\$ 199,209
Merrill Lynch - EMA Cash Account	21,848	55,841
Merrill Lynch - Restricted Fund Cash Account	50,363	640,682
Total cash and cash equivalents	\$ 590,856	\$ 895,732

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

4. Grants, Pledges, and Contracts Receivable

Grants, pledges, and contracts receivable of \$863,158 and \$4,406,015 at June 30, 2014 and 2013, respectively, represent amounts which were committed by various individuals, corporations, foundations, and government agencies all due within one year and which, in management's opinion, are fully collectible. California Trout's government contracts are explained in Note 12.

5. Property, Equipment and Improvements

The following is a summary of property, equipment and improvements at June 30, 2014 and 2013:

	2014	2013
Land Fall River Property	\$ 21,360	\$ 21,360
Trout Camp Property	187,143	187,143
Office Equipment	164,413	164,413
Furniture and fixtures	48,543	48,543
Project improvements	37,074	37,074
Subtotal	458,533	458,533
Less accumulated depreciation	(208,599)	(193,713)
Total property, equipment and improvements (net)	\$ 249,934	\$ 264,820

Total depreciation expense amounted to \$14,886 and \$15,375 for the years ended June 30, 2014 and 2013, 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 agreement through June 30, 2015. As of June 30, 2014, the lease requires a monthly rental payment of \$6,671 with an annual increase of 3% per annum. is responsible for its proportionate share of building, maintenance, and operating expenses which includes property taxes, insurance, and utilities. California Trout also separately leases various satellite office locations in Northern and Southern California under various multi-year and month-to-month operating lease agreements.

Additionally, California Trout leases certain office equipment under short-term operating lease arrangements which require fixed monthly or quarterly rental payments. Total rental expense for offices and equipment amounted to \$163,388 and \$153,767 for the years ended June 30, 2014 and 2013, respectively. Minimum future lease payments for all operating leases with terms of one year or more are as follows at June 30, 2014:

<i>Year Ending</i>	Offices	Equipment	Total
June 30, 2015	\$ 92,652	\$ 4,992	\$ 97,644
June 30, 2016	92,353	4,992	97,345
June 30, 2017	77,850	4,576	82,426

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, 2014 and June 30, 2013:

	2014	2013
Eastern Sierra Programs	\$ -	\$ 787,938
Fall River Program	28,506	10,000
Flood Plain Advocacy – Sacramento	338,266	212,494
Hat Creek Restoration	65,859	66,242
Shasta Region (River, Dam Diversion and Groundwater Projects)	6,852	106,523
Southern California Programs (BYW/Steelhead/Coastal Watersheds)	30,381	297,344
Trout Camp Improvement	12,202	72,706
Others	-	52,662
Total temporarily restricted net assets	\$ 482,066	\$ 1,605,909

During the years ended June 30, 2014 and 2013, additions to temporarily restricted net assets amounted to \$1,071,941 and \$1,539,593, respectively. California Trout released \$2,195,784 and \$1,574,162 from temporarily restricted net assets during the years ended June 30, 2014 and 2013, respectively.

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 future projects, which are not reflected in the combined financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions, donor conditions, and government contracts which obligate California Trout to fulfill certain requirements, conditions, and activities, (b) Funding levels which vary based on factors beyond California Trout's control, such as generosity of donors and general economic conditions, (c) Employment and service agreements with key management personnel, and (d) Financial risks associated with funds on deposit at bank and investment brokerage accounts. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the combined financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting organizations.

9. Line of Credit

California Trout has an unsecured line of credit agreement with a bank which permits the organization to borrow up to \$250,000 at an interest rate equal to the Wall Street Journal Prime Plus 1.00%. As of June 30, 2014 and 2013, there were no borrowings outstanding under this line of credit agreement.

10. Consulting and Outside Services

During the years ended June 30, 2014 and 2013, California Trout expended \$1,787,992 and \$928,194, respectively, in 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 provided as follows for the years ended June 30, 2014 and 2013:

	2014	2013
Eastern Sierra Programs	\$ 271,069	\$ 232,687
Lake Tahoe/Carson City Programs	28,450	21,842
Membership	43,758	77,785
North Coast Programs	427,647	9,827
North East/Shasta Programs	246,141	145,292
Central California Programs	103,492	838
Southern California Programs	19,368	3,169
State Management	202,851	214,075
Water Flow	8,010	9,300
Conservation and Other Program Activities	151,832	57,340
Development and General	285,374	156,039
Total consulting and outside services	<u>\$ 1,787,992</u>	<u>\$ 928,194</u>

Notes to Combined Financial Statements

11. 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 \$1,093 and \$405 to the plan for the years ended June 30, 2014 and 2013, respectively.

12. Government Contracts

As of June 30, 2014, California Trout is contractually engaged with various Federal, state and local government agencies to perform specific tasks related to various restoration projects throughout California. The value of these secured government contracts amounted to \$2,619,523 at June 30, 2014, all of which is anticipated to be earned during the fiscal year ending June 30, 2015.

13. Related Party Transactions

During the years ended June 30, 2014 and 2013, members of the Board of Governors contributed \$244,905 and \$174,414, respectively, in donations to California Trout. These amounts are included with contributed income under donations and fundraising on the combined statement of activities and changes in net assets.

14. 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 combined 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. Accrued payroll liabilities amounted to \$64,872 and \$51,226 at June 30, 2014 and 2013, respectively.

15. Advertising

Advertising costs are expensed as incurred. Advertising expenses amounted to \$6,060 and \$16,548 for the years ended June 30, 2014 and 2013, respectively, and are reflected on the combined statement of functional expenses.

16. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, California Trout has evaluated subsequent events through April 10, 2015, 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.

CALIFORNIA TROUT CORPORATION AND FOUNDATION

**Supplemental Schedule A
Schedule of Expenditures of Federal, State, and Local Pass-Thru Awards
Year Ended June 30, 2014**

Federal Granting Agency	Program Title	Federal CFDA * Number	Grant I.D. Name of Grant	Type of Program	Grant Period	Pass-Through	Award Amount	Federal Expenditures
United States Department of Agriculture	National Fish and Wildlife Foundation	10,683	Direct Program National Fish and Wildlife Foundation	Non-Major	5/15/13 - 12/30/14	N/A	87,995	67,341
United States Department of Agriculture	Environmental Quality Incentives Program	10,912	Passed-through American Rivers Environmental Quality Incentives Program	Non-Major	4/29/14 - 6/30/16	American Rivers	80,000	3,789
United States Department of the Interior	Providing Water to At-Risk Natural Desert Terminal Lakes	15,508	Direct-Providing Water to At-Risk Natural Desert Terminal Lakes	Non-Major	7/15/13 - 8/15/14	N/A	124,200	37,919
United States Department of the Interior	Natural Resource Damage Assessment, Restoration and Implementation	15,658	Direct-Natural Resource Damage Assessment, Restoration and Implementation	Non-Major	7/11/13 - 6/30/14	N/A	76,000	15,357
United States Department of the Interior	Fish and Wildlife Management Assistance	15,608	Direct-Fish and Wildlife Management Assistance	Non-Major	8/16/13 - 12/31/14	N/A	50,000	26,624
United States Department of Commerce	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11,438	P1150007 SoCal Santa Clara Coalition	Major	6/1/12 - 4/30/15	California Department of Fish and Wildlife FRGP Program	221,357	80,583
United States Department of Commerce	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11,438	P1150011 SoCal Santa Clara Coalition	Major	6/1/12 - 4/30/15	California Department of Fish and Wildlife FRGP Program	236,442	93,470
United States Department of Commerce	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11,438	P1210301 North Coast Eel Estuary Preserve	Major	6/1/13 - 2/28/15	California Department of Fish and Wildlife FRGP Program	700,233	96,573
United States Department of Commerce	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11,438	P1210312 North Coast Bridge Creek Railroad Crossing	Major	3/11/2013 - 3/31/15	California Department of Fish and Wildlife FRGP Program	488,664	112,014
United States Department of Commerce	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11,438	P1110311 Shasta Cordoza	Major	6/1/12 - 3/31/14	California Department of Fish and Wildlife FRGP Program	203,945	16,158
United States Department of the Interior	Fish, Wildlife and Plant Conservation Resource Management	15,231	Direct-Fish, Wildlife and Plant Conservation Resource Management	Non-Major	4/15/13 - 9/15/14	N/A	86,750	54,020
United States Department of Commerce	American Rivers Habitat Conservation	11,463	Passed-through American Rivers Habitat Conservation	Non-Major	10/21/13 - 12/14/14	American Rivers	85,000	60,258
							\$ 2,440,586	\$ 664,106

The schedule of expenditures of federal awards includes the federal grant activity of Streetside Stories and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

* Catalog of Federal Domestic Assistance

See accompanying auditors' report and notes to financial statements.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

Status of Prior Year Findings

In accordance with Section 315(a) of OMB Circular A-133

None. The prior year audit report was not subject to a Single Audit under OMB Circular A-133 and therefore contained no reportable findings.

Prior Year Findings – Financial Statement Audit (GAGAS)

Not Applicable

Prior Year Audit Findings and Questioned Costs *(Major Programs – OMB Circular A-133, Section. 510(a))*

Not Applicable



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
California Trout Corporation and Foundation

We have audited the combined financial statements of California Trout Corporation and Foundation (California nonprofit organizations) as of and for the year ended June 30, 2014, and have issued our report thereon dated April 10, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to combined financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of California Trout Corporation and Foundation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered California Trout Corporation and Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of California Trout Corporation and Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of California Trout Corporation and Foundation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's combined financial statements will be not prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether California Trout Corporation and Foundation's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of combined financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of California Trout Corporation and Foundation in a separate letter dated April 10, 2015.

This report is intended solely for the information and use of management, the Board of Directors of California Trout Corporation and Foundation, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Regalia & Associates (handwritten signature)

Danville, California
April 10, 2015



Regalia & Associates

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors
California Trout Corporation and Foundation

Compliance

We have audited California Trout Corporation and Foundation's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of California Trout Corporation and Foundation's major federal programs for the year ended June 30, 2014.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations.

In our opinion, California Trout Corporation and Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Internal Control Over Compliance

The management of California Trout Corporation and Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered California Trout Corporation and Foundation's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

(continued)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)**

Internal Control Over Compliance (continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors of California Trout Corporation and Foundation, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Regalia & Associates

*Danville, California
April 10, 2015*

CALIFORNIA TROUT CORPORATION AND FOUNDATION

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	No
• Noncompliance material to combined financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	No
• Type of auditors' report issued on compliance for major programs	Unqualified
• Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	None
• Identification of major program:	
<u>CFDA Number</u> <u>Name of Federal Programs</u>	
11.438 United States Department of Commerce - Pacific Coast Salmon Recovery and Treaty Program	
• Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
• Auditee qualified as low-risk auditee?	No
This is the first year California Trout Corporation and Foundation is subject to a Single Audit.	

Findings - Financial Statement Audit (GAGAS) None

Audit Findings and Questioned Costs (Major Programs - OMB Circular A-133, Section. 510) None