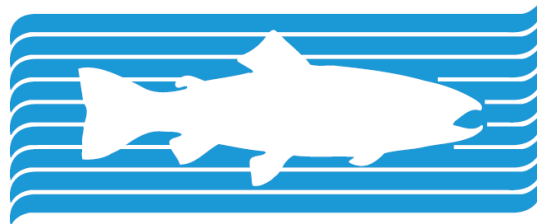


CALIFORNIA TROUT



FISH · WATER · PEOPLE

**CALIFORNIA
TROUT, INC.**

Combined Financial Statements

*For the Years Ended
June 30, 2017 and 2016*

With Independent Auditor's Report Thereon

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, 2017 and 2016 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the 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, 2017 and 2016, 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. *(continued)*

INDEPENDENT AUDITORS' REPORT

(Continued)

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2018, on our consideration of California Trout Corporation and Foundation'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* in considering California Trout Corporation and Foundation's internal control over financial reporting and compliance.

Regalia & Associates

***Danville, California
March 22, 2018***

CALIFORNIA TROUT CORPORATION AND FOUNDATION

**Combined Statements of Financial Position
June 30, 2017 and 2016**

Assets

	2017			2016		
	Corporation	Foundation	Total	Corporation	Foundation	Total
Current Assets:						
Cash and cash equivalents	\$ 626,535	\$ -	\$ 626,535	\$ 991,295	\$ -	\$ 991,295
Grants/pledges/contracts receivable	1,165,599	-	1,165,599	2,091,552	-	2,091,552
Prepaid expenses	54,020	-	54,020	15,079	-	15,079
Other current assets	25,957	-	25,957	-	-	-
Total current assets	1,872,111	-	1,872,111	3,097,926	-	3,097,926
Noncurrent Assets:						
Property/equipment/improvements (net)	12,628	208,503	221,131	27,806	208,503	236,309
Other assets	18,484	-	18,484	18,934	-	18,934
Due from (to) Foundation (Corporation)	525,048	(525,048)	-	442,590	(442,590)	-
Total noncurrent assets	556,160	(316,545)	239,615	489,330	(234,087)	255,243
Total assets	\$2,428,271	\$ (316,545)	\$2,111,726	\$3,587,256	\$ (234,087)	\$3,353,169

Liabilities and Net Assets

Current Liabilities:						
Accounts payable / accrued liabilities	\$ 747,535	\$ -	\$ 747,535	\$1,035,141	\$ -	\$1,035,141
Unearned revenue	39,111	-	39,111	18,511	-	18,511
Accrued payroll liabilities	77,723	-	77,723	52,162	-	52,162
Total current liabilities	864,369	-	864,369	1,105,814	-	1,105,814
Net Assets:						
Unrestricted	1,233,555	(316,545)	917,010	1,145,124	(234,087)	911,037
Temporarily restricted	330,347	-	330,347	1,336,318	-	1,336,318
Total net assets	1,563,902	(316,545)	1,247,357	2,481,442	(234,087)	2,247,355
Total liabilities and net assets	\$2,428,271	\$ (316,545)	\$2,111,726	\$3,587,256	\$ (234,087)	\$3,353,169

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Combined Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2017

	Corporation		Total Corporation	Foundation		Total June 30 2017
	Unrestricted	Temporarily Restricted		Unrestricted	Total	
Revenue and support:						
<i>Contributed income:</i>						
Grants	\$ 32,000	\$ 668,836	\$ 700,836	\$ -		\$ 700,836
Donations and fundraising	2,208,761	18,300	2,227,061	-		2,227,061
Satisfaction of program restrictions	1,693,107	(1,693,107)	-	-		-
Total contributed income	3,933,868	(1,005,971)	2,927,897	-		2,927,897
<i>Earned revenue:</i>						
Government contracts	2,045,822	-	2,045,822	-		2,045,822
Product sales and other income	4,073	-	4,073	-		4,073
Investment income	1,017	-	1,017	-		1,017
Total earned revenue	2,050,912	-	2,050,912	-		2,050,912
Total revenue and support	5,984,780	(1,005,971)	4,978,809	-		4,978,809
Expenses:						
Program	4,590,013	-	4,590,013	-		4,590,013
General and administrative	389,620	-	389,620	-		389,620
Development	702,906	-	702,906	-		702,906
Membership and marketing	198,632	-	198,632	-		198,632
Foundation	-	-	-	82,458		82,458
Depreciation	15,178	-	15,178	-		15,178
Total expenses	5,896,349	-	5,896,349	82,458		5,978,807
Increase (decrease) in net assets	88,431	(1,005,971)	(917,540)	(82,458)		(999,998)
Net assets at beginning of year	1,145,124	1,336,318	2,481,442	(234,087)		2,247,355
Net assets at end of year	\$1,233,555	\$ 330,347	\$1,563,902	\$ (316,545)		\$1,247,357

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Combined Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2016

	Corporation		Total Corporation	Foundation		Total June 30 2016
	Unrestricted	Temporarily Restricted		Unrestricted	Total	
Revenue and support:						
<i>Contributed income:</i>						
Grants	\$ 117,401	\$2,229,542	\$2,346,943	\$ -		\$2,346,943
Donations and fundraising	2,022,101	330,000	2,352,101	-		2,352,101
Satisfaction of program restrictions	1,520,953	(1,520,953)	-	-		-
Total contributed income	3,660,455	1,038,589	4,699,044	-		4,699,044
<i>Earned revenue:</i>						
Government contracts	2,372,817	-	2,372,817	-		2,372,817
Product sales and other income	3,382	-	3,382	-		3,382
Investment income	43	-	43	-		43
Total earned revenue	2,376,242	-	2,376,242	-		2,376,242
Total revenue and support	6,036,697	1,038,589	7,075,286	-		7,075,286
Expenses:						
Program	4,499,361	-	4,499,361	-		4,499,361
General and administrative	257,984	-	257,984	-		257,984
Development	526,929	-	526,929	-		526,929
Membership and marketing	276,820	-	276,820	-		276,820
Foundation	-	-	-	214,273		214,273
Depreciation	19,213	-	19,213	-		19,213
Total expenses	5,580,307	-	5,580,307	214,273		5,794,580
Increase (decrease) in net assets	456,390	1,038,589	1,494,979	(214,273)		1,280,706
Net assets at beginning of year	688,734	297,729	986,463	(19,814)		966,649
Net assets at end of year	\$1,145,124	\$1,336,318	\$2,481,442	\$ (234,087)		\$2,247,355

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Combined Statements of Cash Flows For the Years Ended June 30, 2017 and 2016

	2017	2016
<i>Cash flows from operating activities:</i>		
Increase (decrease) in net assets	\$ (999,998)	\$1,280,706
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	15,178	19,213
Changes in:		
Grants and pledges receivable	925,953	(1,272,353)
Prepaid expenses	(38,941)	(10,413)
Other assets	(25,507)	(1,520)
Accounts payable / accrued liabilities	(287,606)	382,607
Unearned revenue	20,600	18,511
Accrued payroll liabilities	25,561	2,490
Net cash provided by (used for) operating activities	(364,760)	419,241
Increase (decrease) in cash and cash equivalents	(364,760)	419,241
Cash and cash equivalents at beginning of year	991,295	572,054
Cash and cash equivalents at end of year	\$ 626,535	\$ 991,295
 <i>Supplemental Disclosures:</i>		
Interest expense	\$ -	\$ -
State registration taxes paid	\$ 160	\$ 160

CALIFORNIA TROUT CORPORATION AND FOUNDATION

**Combined Statement of Functional Expenses
For the Year Ended June 30, 2017**

	Program Membership Communi- Programs	General and Adminis- trative	Devel- opment	Total Corporation	Foun- dation	Total Year Ended June 30 2017
Advertising, marketing, publicity	\$ 3,873	\$ 6,492	\$ 3,358	\$ 3,497	\$ 17,220	\$ - \$ 17,220
Bank charges and fees	25,954	504	15,021	5,561	47,040	- 47,040
Consulting and outside services	608,781	14,216	-	82,373	705,370	- 705,370
Design consulting	32,895	27,750	-	33,925	94,570	- 94,570
Entertainment and hospitality	7,597	-	275	92,862	100,734	- 100,734
Insurance	10,329	-	5,192	2,517	18,038	- 18,038
Legal and accounting	97,615	-	18,391	-	116,006	- 116,006
Meetings and conferences	62,564	500	1,771	36,223	101,058	- 101,058
Miscellaneous	-	-	-	-	-	321 321
Occupancy (rent and utilities)	130,440	850	12,248	16,430	159,968	- 159,968
Postage and shipping	12,557	144	105	8,899	21,705	- 21,705
Printing and copying	8,365	6,008	91	13,635	28,099	- 28,099
Publications and subscriptions	11,628	8,320	4,694	5,742	30,384	- 30,384
Repairs and maintenance	37,229	1,283	3,459	19,908	61,879	82,137 144,016
Salaries, wages and related payroll costs	1,254,381	120,242	300,832	336,682	2,012,137	- 2,012,137
Supplies	50,537	6,063	15,247	31,784	103,631	- 103,631
Technology consulting	2,030,569	2,650	1,516	2,037	2,036,772	- 2,036,772
Telephone and internet	45,650	1,125	5,925	5,905	58,605	- 58,605
Travel and lodging	159,049	2,485	1,495	4,926	167,955	- 167,955
Total expenses before depreciation	4,590,013	198,632	389,620	702,906	5,881,171	82,458 5,963,629
Depreciation	15,178	-	-	-	15,178	- 15,178
Total expenses	\$ 4,605,191	\$ 198,632	\$ 389,620	\$ 702,906	\$ 5,896,349	\$ 82,458 \$ 5,978,807

CALIFORNIA TROUT CORPORATION AND FOUNDATION

**Combined Statement of Functional Expenses
For the Year Ended June 30, 2016**

	Program Membership Communi- Programs	General and Adminis- trative	Devel- opment	Total Corporation	Foun- dation	Total Year Ended June 30 2016
Advertising, marketing, publicity	\$ 1,234	\$ 6,353	\$ 702	\$ 1,213	\$ 9,502	\$ - \$ 9,502
Bank charges and fees	2,146	3,743	23,336	3,253	32,478	- 32,478
Consulting and outside services	1,789,439	61,763	19,081	94,940	1,965,223	- 1,965,223
Design consulting	11,324	9,775	-	24,950	46,049	- 46,049
Entertainment and hospitality	3,331	-	6,547	97,902	107,780	- 107,780
Insurance	12,007	-	1,171	1,464	14,642	- 14,642
Legal and accounting	4,871	-	15,646	-	20,517	- 20,517
Meetings and conferences	6,267	2,397	79	1,226	9,969	- 9,969
Miscellaneous	11	-	-	-	11	2,857 2,868
Occupancy (rent and utilities)	136,005	1,650	5,255	-	142,910	- 142,910
Postage and shipping	11,405	14,190	23	870	26,488	- 26,488
Printing and copying	6,830	38,869	-	4,373	50,072	- 50,072
Publications and subscriptions	14,621	3,600	858	3,374	22,453	- 22,453
Repairs and maintenance	14,653	568	23	-	15,244	211,416 226,660
Salaries, wages and related payroll costs	954,175	113,941	162,355	245,788	1,476,259	- 1,476,259
Supplies	55,921	8,397	347	21,822	86,487	- 86,487
Technology consulting	1,257,526	-	-	-	1,257,526	- 1,257,526
Telephone and internet	44,594	8,684	3,914	41	57,233	- 57,233
Travel and lodging	173,001	2,890	18,647	25,713	220,251	- 220,251
Total expenses before depreciation	4,499,361	276,820	257,984	526,929	5,561,094	214,273 5,775,367
Depreciation	19,213	-	-	-	19,213	- 19,213
Total expenses	\$4,518,574	\$ 276,820	\$ 257,984	\$ 526,929	\$5,580,307	\$ 214,273 \$5,794,580

Notes to Combined Financial Statements
June 30, 2017 and 2016

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, 2017 or 2016.

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, 2017 and 2016.

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, 2017 and 2016, 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:

	2017		2016
Checking accounts	\$ 235,166	\$	214,971
Merrill Lynch – EMA Cash Account	59,529		160,664
Merrill Lynch – Restricted Fund Cash Account	331,840		615,660
Total cash and cash equivalents	<u>\$ 626,535</u>	<u>\$</u>	<u>991,295</u>

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 \$1,165,599 and \$2,091,552 at June 30, 2017 and 2016, 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. Grants, pledges, and contracts receivable are classified as level 2 under fair value hierarchy. California Trout's government contracts are explained in Note 11.

5. Property, Equipment and Improvements

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

	2017		2016
Land Fall River Property	\$ 21,360	\$	21,360
Trout Camp Property	187,143		187,143
Office Equipment	44,378		187,858
Furniture and fixtures	23,762		48,543
Project improvements	24,057		37,074
Subtotal	<u>300,700</u>		<u>481,978</u>
Less accumulated depreciation	(79,569)		(245,669)
Total property, equipment and improvements (net)	<u>\$ 221,131</u>	<u>\$</u>	<u>236,309</u>

Total depreciation expense amounted to \$15,178 and \$19,213 for the years ended June 30, 2017 and 2016, respectively, and is reported on the combined statement of functional expenses. During the year ended June 30, 2017, California Trout disposed of \$181,278 in fully depreciated property, equipment and improvements. There were no dispositions during the year ended June 30, 2016.

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 May 31, 2022. As of June 30, 2017, the lease requires a monthly rental payment of \$11,119. California Trout 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.

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 \$187,629 and \$153,715 for the years ended June 30, 2017 and 2016, respectively. Minimum future lease payments for all operating leases with terms of one year or more are as follows at June 30, 2017:

<i>Year Ending</i>	<i>Offices</i>	<i>Equipment</i>	<i>Total</i>
June 30, 2018	\$ 148,689	\$ 5,952	\$ 154,641
June 30, 2019	137,776	5,952	143,728
June 30, 2020	141,910	5,952	147,862
June 30, 2021	146,167	5,718	151,885
June 30, 2022	137,662	758	138,420

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:

	<i>2017</i>	<i>2016</i>
Sierra Programs	\$ 47,978	\$ 76,175
Shasta Programs	34,095	967,148
Central California Programs	144,024	270,495
Bay Area Programs	61,527	-
Southern California Programs	42,723	2,500
North Coast Programs	-	20,000
Total temporarily restricted net assets	\$ 330,347	\$ 1,336,318

During the years ended June 30, 2017 and 2016, additions to temporarily restricted net assets amounted to \$687,136 and \$2,559,542, respectively. California Trout released \$1,693,107 and \$1,520,953 from temporarily restricted net assets to unrestricted net assets during the years ended June 30, 2017 and 2016, respectively.

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 a \$250,000 revolving business line of credit with a bank. The line of credit is secured by equipment, inventory, receivables, and general intangibles. When utilized, the line of credit bears interest at a variable rate calculated using the published Prime Rate plus 2.250 percentage points. The rate on the line of credit will not be less than 6.0%. There were no borrowings under the line of credit during the years ended June 30, 2017 and 2016.

10. 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 \$60,726 and \$4,623 to the plan for the years ended June 30, 2017 and 2016, respectively.

11. Government Contracts and Concentration

As of June 30, 2017, 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 contacts is estimated to be \$7,145,496 at June 30, 2017. The recognition of the revenue related to these contracts is contingent upon a number of factors and divergent tasks (such as restoration activities) and is also dependent on the timing of the projects.

Concentrations: California Trout receives a significant portion of its support from federal, state, and local governments (amounting to 34% and 39% for the years ended June 30, 2017 and 2016, respectively). A reduction in the level of this support could have a material effect on the organization's programs and activities.

Notes to Combined Financial Statements

12. Consulting and Outside Services

During the years ended June 30, 2017 and 2016, California Trout expended \$705,370 and \$1,965,223, 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 provided for the years ended June 30:

	<u>2017</u>		<u>2016</u>
Eastern Sierra Programs	\$ 32,930	\$	268,728
Shasta Programs	699		-
Membership	14,216		61,763
North Coast Programs	176,559		357,462
North East/Shasta Programs	222,283		815,000
Central California Programs	44,391		15,940
South Coast Programs	32,250		66,360
State Management	94,000		95,462
Water Flow	813		43,843
Conservation and Other Program Activities	13,191		86,363
Development and General	74,038		154,312
Total consulting and outside services	<u>\$ 705,370</u>	\$	<u>1,965,223</u>

13. Related Party Transactions

During the years ended June 30, 2017 and 2016, members of the Board of Governors contributed \$312,420 and \$331,502, respectively, in donations to California Trout. These amounts are included with contributed income under donations and fundraising on the combined statements 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 \$77,723 and \$52,162 at June 30, 2017 and 2016, respectively.

Notes to Combined Financial Statements

15. Advertising, Marketing, and Publicity

Advertising, marketing, and publicity costs are expensed as incurred. Advertising, marketing, and publicity expenses amounted to \$17,220 and \$9,502 for the years ended June 30, 2017 and 2016, respectively, and are reflected on the combined statement of functional expenses.

16. Reclassifications

Certain reclassifications have been made to the 2016 combined financial statements in order to conform to the presentation used in 2017.

17. Fair Value Hierarchy

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on "unobservable inputs," such as a company's own estimates and pricing models. California Trout had no assets classified as Level 1 or 3 at June 30, 2017 and 2016.

18. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, California Trout has evaluated subsequent events through March 22, 2018, 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.