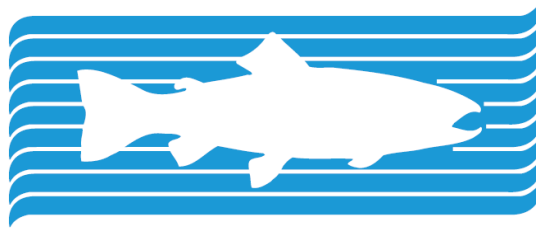


CALIFORNIA TROUT



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CALIFORNIA TROUT, INC.

Combined Financial Statements

**For the years ended
June 30, 2019 and 2018**

With Independent Auditors' Report Thereon

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CERTIFIED PUBLIC ACCOUNTANTS
103 TOWN & COUNTRY DRIVE, SUITE K, DANVILLE, CALIFORNIA 94526
DOUGLAS REGALIA, CPA
LISA PARKER, CPA [inactive]
JEANNINE REGALIA, CPA
LISA CLOVEN, CPA
JENNY SO, CPA
JENNIFER JENSEN
WEB: WWW.MRCPA.COM

DANA CHAVARRIA, CPA
TRICIA WILSON
VALERIE REGALIA, CPA
WENDY THOMAS, CPA
SUSAN REGALIA, CPA
RACHEL BERGER, CPA
OFFICE: 925.314.0390

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, 2019 and 2018, 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 combined 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 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, 2019 and 2018, 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 May 29, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of California Trout Corporation and Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering California Trout Corporation and Foundation's internal control over financial reporting and compliance.

Regalia & Associates

**Danville, California
May 29, 2020**

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Combined Statements of Financial Position June 30, 2019 and 2018

Assets

	2019			2018		
	Corporation	Foundation	Total	Corporation	Foundation	Total
Current Assets:						
Cash and cash equivalents	\$ 1,366,147	\$ -	\$ 1,366,147	\$ 1,062,679	\$ -	\$ 1,062,679
Grants, pledges, and contracts receivable	1,750,542	-	1,750,542	1,571,143	-	1,571,143
Prepaid expenses	54,550	-	54,550	82,155	-	82,155
Total current assets	3,171,239	-	3,171,239	2,715,977	-	2,715,977
Noncurrent Assets:						
Property/equipment/improvements (net)	22,332	208,503	230,835	10,302	208,503	218,805
Other assets	14,835	-	14,835	20,895	-	20,895
Due from (to) Foundation (Corporation)	696,311	(696,311)	-	567,513	(567,513)	-
Total noncurrent assets	733,478	(487,808)	245,670	598,710	(359,010)	239,700
Total assets	\$ 3,904,717	\$ (487,808)	\$ 3,416,909	\$ 3,314,687	\$ (359,010)	\$ 2,955,677

Liabilities and Net Assets

Current Liabilities:						
Accounts payable and accrued liabilities	\$ 1,426,891	\$ -	\$ 1,426,891	\$ 1,649,749	\$ -	\$ 1,649,749
Unearned revenue	13,796	-	13,796	-	-	-
Accrued payroll liabilities	114,277	-	114,277	69,403	-	69,403
Total current liabilities	1,554,964	-	1,554,964	1,719,152	-	1,719,152
Net Assets:						
Without donor restrictions	1,911,177	(487,808)	1,423,369	1,439,118	(359,010)	1,080,108
With donor restrictions	438,576	-	438,576	156,417	-	156,417
Total net assets	2,349,753	(487,808)	1,861,945	1,595,535	(359,010)	1,236,525
Total liabilities and net assets	\$ 3,904,717	\$ (487,808)	\$ 3,416,909	\$ 3,314,687	\$ (359,010)	\$ 2,955,677

CALIFORNIA TROUT CORPORATION AND FOUNDATION

**Combined Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2019**

	Corporation			Foundation	Total
	Without Donor	With Donor	Total	Without Donor	June 30
	Restrictions	Restrictions	Corporation	Restrictions	2019
Revenue and support:					
Grants	\$ 1,011,790	\$ 416,656	\$ 1,428,446	\$ -	\$ 1,428,446
Donations and fundraising	2,715,453	-	2,715,453	-	2,715,453
Government and other contracts	5,668,314	-	5,668,314	-	5,668,314
Product sales and other income	17,912	-	17,912	-	17,912
Investment income	9,154	-	9,154	-	9,154
Satisfaction of program restrictions	134,497	(134,497)	-	-	-
Total revenue and support	9,557,120	282,159	9,839,279	-	9,839,279
Expenses:					
Program	7,873,970	-	7,873,970	-	7,873,970
General and administrative	338,296	-	338,296	-	338,296
Development	871,418	-	871,418	-	871,418
Foundation	-	-	-	128,798	128,798
Depreciation	1,377	-	1,377	-	1,377
Total expenses	9,085,061	-	9,085,061	128,798	9,213,859
Increase (decrease) in net assets	472,059	282,159	754,218	(128,798)	625,420
Net assets at beginning of year	1,439,118	156,417	1,595,535	(359,010)	1,236,525
Net assets at end of year	\$ 1,911,177	\$ 438,576	\$ 2,349,753	\$ (487,808)	\$ 1,861,945

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Combined Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2018

	Corporation			Foundation		Total June 30 2018
	Without Donor Restrictions	With Donor Restrictions	Total Corporation	Without Donor Restrictions		
	Revenue and support:					
Grants	\$ 803,939	\$ 139,246	\$ 943,185	\$ -		\$ 943,185
Donations and fundraising	2,742,769	13,373	2,756,142	-		2,756,142
Government and other contracts	3,474,261	-	3,474,261	-		3,474,261
Product sales and other income	10,061	-	10,061	-		10,061
Investment income	1,053	-	1,053	-		1,053
Satisfaction of program restrictions	326,549	(326,549)	-	-		-
Total revenue and support	<u>7,358,632</u>	<u>(173,930)</u>	<u>7,184,702</u>	<u>-</u>		<u>7,184,702</u>
Expenses:						
Program	6,033,108	-	6,033,108	-		6,033,108
General and administrative	390,400	-	390,400	-		390,400
Development	723,215	-	723,215	-		723,215
Foundation	-	-	-	42,465		42,465
Depreciation	6,346	-	6,346	-		6,346
Total expenses	<u>7,153,069</u>	<u>-</u>	<u>7,153,069</u>	<u>42,465</u>		<u>7,195,534</u>
Increase (decrease) in net assets	205,563	(173,930)	31,633	(42,465)		(10,832)
Net assets at beginning of year	1,233,555	330,347	1,563,902	(316,545)		1,247,357
Net assets at end of year	<u>\$ 1,439,118</u>	<u>\$ 156,417</u>	<u>\$ 1,595,535</u>	<u>\$ (359,010)</u>		<u>\$ 1,236,525</u>

CALIFORNIA TROUT CORPORATION AND FOUNDATION

**Combined Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<i>Cash flows from operating activities:</i>		
Increase (decrease) in net assets	\$ 625,420	\$ (10,832)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,377	6,346
Changes in:		
Grants, pledges, and contracts receivable	(179,399)	(405,544)
Prepaid expenses	27,605	(28,135)
Other assets	6,060	23,546
Accounts payable and accrued liabilities	(222,858)	902,214
Unearned revenue	13,796	(39,111)
Accrued payroll liabilities	44,874	(8,320)
Net cash provided by operating activities	<u>316,875</u>	<u>440,164</u>
<i>Cash flows from investing activities:</i>		
Acquisition of property and equipment	(13,407)	(4,020)
Net cash used for investing activities	<u>(13,407)</u>	<u>(4,020)</u>
<i>Cash flows from financing activities:</i>		
Proceeds from line of credit	100,000	-
Payments under line of credit	(100,000)	-
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Increase in cash and cash equivalents	303,468	436,144
Cash and cash equivalents at beginning of year	<u>1,062,679</u>	<u>626,535</u>
Cash and cash equivalents at end of year	<u>\$ 1,366,147</u>	<u>\$ 1,062,679</u>
<i>Supplemental Disclosures:</i>		
Interest expense	\$ 1,002	\$ -
State registration taxes paid	\$ 160	\$ 160

CALIFORNIA TROUT CORPORATION AND FOUNDATION

**Combined Statement of Functional Expenses
For the Year Ended June 30, 2019**

	Programs	General and Adminis- trative	Devel- opment	Total Corporation	Foun- dation	Total Year Ended June 30 2019
Advertising, marketing, publicity	\$ 10,294	\$ 2,159	\$ 10,234	\$ 22,687	\$ -	\$ 22,687
Bank charges and fees	25,751	4,951	7,011	37,713	-	37,713
Consulting and outside services	2,857,705	3,234	118,630	2,979,569	-	2,979,569
Design consulting	75,744	-	26,543	102,287	-	102,287
Entertainment and hospitality	18,269	-	158,755	177,024	-	177,024
Insurance	12,232	1,681	2,990	16,903	-	16,903
Legal and accounting	55,752	18,217	-	73,969	-	73,969
Meetings and conferences	18,352	14,529	1,314	34,195	-	34,195
Miscellaneous	-	-	3,500	3,500	364	3,864
Occupancy (rent and utilities)	169,679	14,047	20,446	204,172	-	204,172
Postage and shipping	13,245	1,917	8,026	23,188	-	23,188
Printing and copying	28,092	46	49,440	77,578	-	77,578
Publications and subscriptions	19,386	20,080	1,072	40,538	-	40,538
Repairs and maintenance	33,677	-	4,675	38,352	128,434	166,786
Salaries, wages and related payroll costs	1,899,417	227,954	417,212	2,544,583	-	2,544,583
Supplies	91,341	19,831	4,926	116,098	-	116,098
Technology consulting	2,325,624	-	4,086	2,329,710	-	2,329,710
Telephone and internet	40,113	5,049	9,017	54,179	-	54,179
Travel and lodging	179,297	4,601	23,541	207,439	-	207,439
Total expenses before depreciation	7,873,970	338,296	871,418	9,083,684	128,798	9,212,482
Depreciation	1,377	-	-	1,377	-	1,377
Total expenses	\$ 7,875,347	\$ 338,296	\$ 871,418	\$ 9,085,061	\$ 128,798	\$ 9,213,859

CALIFORNIA TROUT CORPORATION AND FOUNDATION

**Combined Statement of Functional Expenses
For the Year Ended June 30, 2018**

	Programs	General and Adminis- trative	Devel- opment	Total Corporation	Foun- dation	Total Year Ended June 30 2018
Advertising, marketing, publicity	\$ 10,492	\$ 3,602	\$ 7,385	\$ 21,479	\$ -	\$ 21,479
Bank charges and fees	18,017	5,893	5,699	29,609	-	29,609
Consulting and outside services	1,429,068	-	73,465	1,502,533	-	1,502,533
Design consulting	22,225	-	24,300	46,525	-	46,525
Entertainment and hospitality	17,231	5,152	136,931	159,314	-	159,314
Insurance	8,890	2,093	2,812	13,795	-	13,795
Legal and accounting	84,970	19,132	-	104,102	-	104,102
Meetings and conferences	16,905	1,432	16,308	34,645	-	34,645
Miscellaneous	-	-	-	-	695	695
Occupancy (rent and utilities)	171,759	15,975	21,452	209,186	-	209,186
Postage and shipping	10,867	3,047	2,663	16,577	-	16,577
Printing and copying	36,579	-	15,714	52,293	-	52,293
Publications and subscriptions	16,954	18,476	1,778	37,208	-	37,208
Repairs and maintenance	47,283	2,055	5,452	54,790	41,770	96,560
Salaries, wages and related payroll costs	1,671,079	297,146	380,010	2,348,235	-	2,348,235
Supplies	74,016	7,757	11,461	93,234	-	93,234
Technology consulting	2,174,401	1,747	2,347	2,178,495	-	2,178,495
Telephone and internet	42,535	5,851	5,381	53,767	-	53,767
Travel and lodging	179,837	1,042	10,057	190,936	-	190,936
Total expenses before depreciation	6,033,108	390,400	723,215	7,146,723	42,465	7,189,188
Depreciation	4,453	808	1,085	6,346	-	6,346
Total expenses	\$ 6,037,561	\$ 391,208	\$ 724,300	\$ 7,153,069	\$ 42,465	\$ 7,195,534

Notes to Combined Financial Statements
June 30, 2019

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 Presentation – The combined financial statements of California Trout have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

Measure of Operations – The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to California Trout's ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from interest-bearing deposits and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents – California Trout's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Concentrations of Credit Risk – Financial instruments that potentially subject California Trout to concentrations of credit risk consist principally of cash and cash equivalents. California Trout maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. California Trout manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

To date, California Trout has not experienced losses in any of these accounts. Credit risk associated with accounts, grants, and contracts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of California Trout's mission.

Accounts, Grants and Pledges Receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization, if applicable, is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

(continued)

Notes to Combined Financial Statements
June 30, 2019

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

Property and Equipment – California Trout’s policy is to record acquisitions of property and equipment at cost or, if donated, at fair market value on the date of donation. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets.

Costs of maintenance and repairs are expensed currently. California Trout reviews the carrying values of all assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated economic utility and/or future cash flows expected to result from its use and eventual disposition.

Fair Value Measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity’s assumptions (unobservable inputs). California Trout groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1

Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2

Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3

Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

(continued)

Notes to Combined Financial Statements
June 30, 2019

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

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Thus, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve or board-designated endowment, but has opted not to do so as of June 30, 2019.

Net Assets with Donor Restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates - The preparation of combined financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Donated Services and In-Kind Contributions – 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.

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the combined financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Functional Allocation of Expenses - The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. Certain expenses (such as salaries, wages and related payroll costs, insurance, and occupancy) have been allocated based on time and effort using California Trout's payroll allocations. Other expenses (such as consulting and outside services, design consulting, technology consulting, legal and accounting and other direct costs) have been allocated in accordance with the specific services received.

(continued)

Notes to Combined Financial Statements
June 30, 2019

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

Revenue and Revenue Recognition - Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

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, 2019 and 2018, 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. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that California Trout 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 California Trout to file separate tax returns under federal and state statutes. Under such conditions, California Trout calculates and accrues the applicable taxes.

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying combined financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Recent and Relevant Accounting Pronouncements – The following pronouncements became effective for fiscal years beginning subsequent to December 15, 2017:

In August 2016, the FASB issued *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. California Trout has adjusted the presentation of these statements accordingly.

(continued)

Notes to Combined Financial Statements
June 30, 2019

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

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842) – Accounting for Leases*. The ASU increases transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. The ASU is effective for fiscal years beginning after December 15, 2020, and early adoption is permitted. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply. California Trout is currently assessing the impact that adoption of this ASU will have on its financial statements.

In August 2014, the FASB issued *ASU 2014-15, Presentation of Combined financial statements—Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern*, which requires an organization’s management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity’s ability to continue as a going concern within one year after the date that the combined financial statements are issued (or within one year after the date that the combined financial statements are available to be issued, when applicable). As of May 29, 2020 (the date of the Independent Auditors’ Report), management has made this evaluation and has determined that California Trout has the ability to continue as a going concern.

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:

	2019	2018
Checking accounts	\$ 287,189	\$ 695,869
Merrill Lynch – EMA Cash Account	61,327	139,269
Merrill Lynch – Segregated Cash Account	1,017,631	227,541
Total cash and cash equivalents	\$ 1,366,147	\$ 1,062,679

California Trout attempts to limit its credit risk associated with cash equivalents by utilizing highly rated financial institutions. Cash balances in money market accounts earned interest at rates ranging from 0.60% to 2.07% per annum as of June 30, 2019.

4. Grants, Pledges and Contracts Receivable

Grants, pledges, and contracts receivable of \$1,750,542 and \$1,571,143 at June 30, 2019 and 2018, respectively, represent amounts which were committed by various individuals, corporations, foundations, and government agencies generally 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 discussed more fully in Note 12.

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Notes to Combined Financial Statements June 30, 2019

5. Property, Equipment and Improvements

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

	2019	2018
Land Fall River property	\$ 21,360	\$ 21,360
Trout Camp property	187,143	187,143
Office equipment	38,120	38,120
Furniture and fixtures	16,407	3,000
Project improvements	17,305	17,305
Subtotal	280,335	266,928
Less accumulated depreciation	(49,500)	(48,123)
Total property, equipment and improvements (net)	\$ 230,835	\$ 218,805

Total depreciation expense amounted to \$1,377 and \$6,346 for the years ended June 30, 2019 and 2018, respectively, and is reported on the combined statement of functional expenses. California Trout disposed of \$37,792 in fully depreciated property, equipment and improvements during the year ended June 30, 2018. There were no disposals of property, equipment and improvements during the year ended June 30, 2019.

6. Liquidity

California Trout regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. California Trout has various sources of liquidity at its disposal, including cash and cash equivalents and the future collection of receivables. For purposes of analyzing resources available to meet general expenditures over a 12-month period, California Trout considers all expenditures related to its ongoing activities to conserve and enhance wild trout and salmon and their natural habitat within California to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, California Trout operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The following table shows the total financial assets held by California Trout and the amounts of those financial assets readily available within one year of the balance sheet date to meet general expenditures:

Cash and cash equivalents	\$ 1,366,147
Grants/pledges/contracts receivable	1,750,542
Less: amounts not available to be used within one year:	
Net assets with donor restrictions for future programs	(438,576)
Financial assets available to meet general expenditures over the next twelve months	\$ 2,678,113

(continued)

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Notes to Combined Financial Statements June 30, 2019

6. Liquidity *(continued)*

Certain of the support that California Trout receives is restricted by donors. Because donor restrictions require resources to be used in a particular manner or in a future period, California Trout must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

As part of California Trout's liquidity management, it has a policy to maintain operating cash equal to four months of operating expenses. As described more fully in Note 8, California Trout also has a line of credit upon which it could draw.

7. 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, 2019, the lease requires a monthly rental payment of \$11,796. 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 throughout 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 \$199,867 and \$208,524 for the years ended June 30, 2019 and 2018, respectively. Minimum future lease payments for all operating leases with terms of one year or more are as follows at June 30, 2019:

<u>Year Ending</u>	<u>Offices</u>	<u>Equipment</u>	<u>Total</u>
June 30, 2020	\$ 169,560	\$ 5,952	\$ 175,512
June 30, 2021	168,381	5,718	174,099
June 30, 2022	146,536	758	147,294

8. 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, receivables, and general intangibles. When utilized, the line of credit bears interest at a variable rate calculated using an index (which is the published Prime Rate) plus 2.250 percentage points. The rate on the line of credit will not be less than 6.0%. At June 30, 2019 and 2018, there were no outstanding balances under the line of credit. During the year ended June 30, 2019, California Trout incurred interest charges of \$1,002 on the amounts borrowed under the line of credit. These interest charges are included with bank charges and fees on the combined statements of functional expenses. There were no borrowings under the line of credit during the year ended June 30, 2018.

(continued)

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Notes to Combined Financial Statements June 30, 2019

8. Line of Credit *(continued)*

In October 2019, the line of credit was modified to increase the amount available from \$250,000 to \$400,000. The modified interest rate is the index plus 0.75 percentage points, with a floor rate of 5.00% per annum.

9. Net Assets with Donor Restrictions

California Trout recognizes support from net assets with donor restrictions when the restrictions imposed by the donors have been satisfied or expired. Net assets with donor restrictions consist of the following at June 30:

	2019		2018
Sierra Programs	\$ 49,501	\$	5,428
Shasta Programs	245,891		-
Central California Programs	-		3,798
Bay Area Programs	7,804		43,573
Southern California Programs	44,116		52,217
North Coast Programs	91,264		51,401
Total net assets with donor restrictions	<u>\$ 438,576</u>	\$	<u>156,417</u>

During the years ended June 30, 2019 and 2018, additions to net assets with donor restrictions amounted to \$416,556 and \$152,619, respectively. California Trout released \$134,497 and \$326,549 from net assets with donor restrictions to net assets without donor restrictions during the years ended June 30, 2019 and 2018, respectively.

10. 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.

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Notes to Combined Financial Statements June 30, 2019

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 \$72,835 and \$70,119 to the plan for the years ended June 30, 2019 and 2018, respectively.

12. Government Contracts and Concentration

As of June 30, 2019, 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 is estimated to be approximately \$9,196,000 at June 30, 2019. 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 56% and 43% for the years ended June 30, 2019 and 2018, respectively). A reduction in the level of this support could have a material effect on the organization's programs and activities.

13. Consulting and Outside Services

During the years ended June 30, 2019 and 2018, California Trout expended \$2,984,959 and \$1,502,533, 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:

	2019	2018
Eastern Sierra Programs	\$ 465,212	\$ 28,103
Shasta Programs	262,079	147,902
North Coast Programs	1,587,834	735,107
North East/Shasta Programs	-	91,902
Central California Programs	293,550	159,716
South Coast Programs	31,473	20,924
State Management	119,854	100,811
Conservation and Other Program Activities	70,975	153,227
Development and General	148,592	64,841
Total consulting and outside services	\$ 2,979,569	\$ 1,502,533

Notes to Combined Financial Statements
June 30, 2019

14. Related Party Transactions

During the years ended June 30, 2019 and 2018, members of the Board of Governors contributed \$427,443 and \$395,686, respectively, in donations to California Trout. These amounts are included with donations and fundraising on the combined statements of activities and changes in net assets.

15. 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 statements of financial position based on compensation rates in effect at the end of the fiscal year. Accrued payroll liabilities amounted to \$114,277 and \$69,403 at June 30, 2019 and 2018, respectively.

16. Advertising, Marketing, and Publicity

Advertising, marketing, and publicity costs are expensed as incurred. Advertising, marketing, and publicity expenses amounted to \$22,687 and \$21,479 for the years ended June 30, 2019 and 2018, respectively, and are reflected on the combined statement of functional expenses.

17. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, California Trout has evaluated subsequent events through May 29, 2020, the date the combined financial statements were available to be issued. Subsequent to June 30, 2019 (the end of California Trout's fiscal year), an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. The novel coronavirus threat (which became widespread during February and March 2020) has (a) significantly impacted financial markets, (b) potentially diminished revenue streams, and (3) impacted private enterprises with which California Trout conducts business. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. These combined financial statements do not contain any adjustments related to economic losses which may or may not be realized by California Trout as a result of these events. In the opinion of management, there are no other subsequent events which are required to be disclosed.

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Supplemental Schedule A Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

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
Department of Agriculture Forest Service	NFWF	10.000	0807.16.053568 June Mountain Restoration	Non-Major	8/1/16-12/31/18	NFWF	<u>\$ 797,644</u>	<u>\$ 485,114</u>
Department of Agriculture Forest Service	NFWF	10.UNK	0806.17.055403 Rose Valley Lakes	Non-Major	7/31/18-6/30/19	NFWF	<u>\$ 190,043</u>	<u>\$ 165,444</u>
Department of Agriculture Forest Service	NFWF	10.683	0103.16.051133 Meadow Restoration for Kern	Non-Major	4/1/16-6/30/19	NFWF	<u>\$ 115,844</u>	<u>\$ 13,848</u>
Department of Agriculture NRCS	Environmental Quality Incentives Program	10.912	749104161WC Capacity/Land Stewardship	Non-Major	3/15/16-9/15/17	National Forest Foundation	<u>\$ 78,617</u>	<u>\$ 16,194</u>
Department of Commerce NOAA	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	P1610505 Woodman Creek Implementation	Major	6/1/17-6/30/20	California Natural Resources Agency DFW-FRGP	\$2,245,097	\$ 1,518,406
Department of Commerce NOAA	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	P1750903 South Coast Steelhead Coalition	Major	6/1/18-6/30/20	California Natural Resources Agency DFW-FRGP	254,086	119,550
Total CFDA Number 11.438							<u>\$2,499,183</u>	<u>\$ 1,637,956</u>
Department of Commerce NOAA	Habitat Conservation	11.463	NA16NMF4630352 Shasta-Scott Safe Harbor	Non-Major	7/1/16-9/30/19	Direct	\$ 116,000	\$ 14,533
Department of Commerce NOAA	Habitat Conservation	11.463	NA17NMF4630190 Prairie Creek	Non-Major	5/1/15-12/31/19	Save the Redwoods League	603,375	163,440
Total CFDA Number 11.463							<u>\$ 719,375</u>	<u>\$ 177,973</u>
Department of the Interior Bureau of Land Management	Fish, Wildlife and Plant Conservation Resource Management	15.231	0103.17.055143 Modoc Meadows	Non-Major	6/1/17-11/30/19	NFWF	<u>61,883</u>	<u>33,658</u>
Department of the Interior Bureau of Reclamation	Central Valley Improvement Act, Title XXXIV	15.512	R1AP00036 Food for Fish	Non-Major	10/1/18-12/13/19	Direct	<u>881,973</u>	<u>319,885</u>

(Continued)

CALIFORNIA TROUT CORPORATION AND FOUNDATION

Supplemental Schedule A Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

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
Department of the Interior Bureau of Reclamation	Fish and Wildlife Coordination Act	15.517	R14AS00074 Upper Shasta Coho Habitat	Non-Major	3/28/18-12/31/19	NFWF	\$ 175,248	\$ 14,757
Department of the Interior Bureau of Reclamation	Fish and Wildlife Coordination Act	15.517	0208.16.051674 Parks Creek Cardoza Ranch	Non-Major	6/1/16-12/31/19	NFWF	\$ 160,984	\$ 70,979
Total CFDA Number 15.517							\$ 336,232	\$ 85,736
Department of the Interior U.S. Fish and Wildlife Service	Fish and Wildlife Management Assistance	15.608	F17AC00694 Parks Creek Diversion	Non-Major	8/1/17-5/31/19	Direct	\$ 24,000	\$ 19,582
Department of the Interior U.S. Fish and Wildlife Service	Fish and Wildlife Management Assistance	15.608	F17AC00346 Seldom Seen Ranch	Non-Major	8/1/17-12/31/19	Direct	\$ 100,880	\$ 3,565
Total CFDA Number 15.608							\$ 124,880	\$ 23,147
Department of the Interior U.S. Fish and Wildlife Service	Partners for Fish and Wildlife	15.631	F18AC00199 Mill Creek	Non-Major	8/1/18-9/30/23	Direct	\$ 85,287	\$ 42,729
Department of the Interior U.S. Fish and Wildlife Service	Natural Resource Damage Assessment and Restoration	15.658	F14AP00416 Harvey Diversion	Non-Major	8/28/14-1/13/19	Direct	\$ 249,810	\$ 13,283
Environmental Protection Agency	Nonpoint Source Implementation Grants 319 Program	66.460	D15-16003 Elk River Integration	Non-Major	6/1/18-3/31/20	California State Water Resources Control Board	\$ 251,346	\$ 82,965
Totals							\$6,392,117	\$ 3,097,932

Basis of Presentation: The schedule of expenditures of federal awards includes the federal grant activity of California Trout and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because this schedule presents only a selected portion of the operations of California Trout, it is not intended to and does not present the financial positions, changes in net assets, or cash flows of California Trout. Additionally, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the combined financial statements.

De Minimis Rate: California Trout has not elected to use the 10% de minimis cost rate on any of its contracts as outlined by section 200.414 (c) (3) of the Uniform Guidance.

Definitions:

CFDA - Catalog of Federal Domestic Assistance
NOAA - National Oceanic and Atmospheric Administration

FRGP - Fisheries Restoration Grant Program
DFW - Department of Fish and Wildlife

NRCS - Natural Resources Conservation Service
NFWF - National Fish and Wildlife Foundation

**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, in accordance with the 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, the combined financial statements of California Trout Corporation and Foundation (California nonprofit organizations), which comprise the combined statement of financial position as of June 30, 2019, and the related combined statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered California Trout Corporation and Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of California Trout Corporation and Foundation's internal control.

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 not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(continued)

The Board of Directors
California Trout Corporation and Foundation

**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**

(continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether California Trout Corporation and Foundation's combined financial statements are free from material misstatement, we performed tests of 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Regalia & Associates

*Danville, California
May 29, 2020*

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE***

The Board of Directors
California Trout Corporation and Foundation

Report on Compliance for Each Major Federal Program

We have audited California Trout Corporation and Foundation's compliance with the types of compliance requirements described in the *OMB 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, 2019. California Trout Corporation and Foundation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of California Trout Corporation and Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about California Trout Corporation and Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of California Trout Corporation and Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, California Trout Corporation and Foundation complied, in all material respects, with the types of 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, 2019.

(continued)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

(continued)

Report on Internal Control Over Compliance

Management of California Trout Corporation and Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered California Trout Corporation and Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of California Trout Corporation and Foundation's internal control over compliance

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* is a deficiency, or a 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

Regalia & Associates

**Danville, California
May 29, 2020**

CALIFORNIA TROUT CORPORATION AND FOUNDATION

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2019**

Summary of Auditors' Results

Combined Financial Statements

Type of auditors' report issued:	Unmodified
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	Unmodified
• Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No
• Identification of major programs:	
<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:	\$ 750,000
• Auditee qualified as low-risk auditee? California Trout Corporation and Foundation did not file previous audits by the due date.	No
Findings – Financial Statement Audit (GAGAS)	None
Audit Findings and Questioned Costs (In Accordance with the <i>Uniform Guidance</i>)	None

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019**

Status of Prior Year Findings

In accordance with the Uniform Guidance

Finding: None

Status: N/A