

California Trout, Inc.

Combined Financial Statements
and Single Audit Reports and Schedules

June 30, 2020
(With Comparative Totals for 2019)



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INDEPENDENT AUDITOR'S REPORT

Board of Governors
California Trout, Inc.
San Francisco, California

We have audited the accompanying combined financial statements of California Trout, Inc. (a California nonprofit corporation) ("California Trout"), which comprise the combined statement of financial position as of June 30, 2020, and the related combined statements of activities, functional expenses, and cash flows for the year 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 combined 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 audit. We conducted our audit 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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



An independent firm
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Global Network Limited

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of California Trout, Inc. as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the combined financial statements, on March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic, prompting many national, state and local governments to implement preventive or protective measures such as travel and business restrictions. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2021, on our consideration of California Trout's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of California Trout'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's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The combined financial statements of California Trout, Inc. as of June 30, 2019, were audited by other auditors whose report dated May 29, 2020, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
San Ramon, California

April 28, 2021

California Trout, Inc.
 Combined Statement of Financial Position
 June 30, 2020
 (With Comparative Totals for 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 2,160,651	\$ 1,366,147
Grants and contracts receivable, net	1,540,688	1,569,988
Contributions receivable, net	435,653	180,554
Prepaid expenses	48,199	54,550
Other assets	16,935	14,835
Property and equipment, net	237,715	230,835
Total assets	\$ 4,439,841	\$ 3,416,909
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,209,540	\$ 1,426,891
Accrued expenses	154,509	114,277
Deferred revenue	-	13,796
Paycheck Protection Program - forgivable loan	395,267	-
Total liabilities	1,759,316	1,554,964
Net assets		
Without donor restrictions	1,694,828	1,423,369
With donor restrictions	985,697	438,576
Total net assets	2,680,525	1,861,945
Total liabilities and net assets	\$ 4,439,841	\$ 3,416,909

The accompanying notes are an integral part of these combined financial statements.

California Trout, Inc.
 Combined Statement of Activities
 For the Year Ended June 30, 2020
 (With Comparative Totals for 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
Revenues, support, and net assets released from restriction				
Contributions - corporate and foundations	\$ 499,947	\$ 1,380,447	\$ 1,880,394	\$ 1,428,446
Contributions - individuals	2,710,771	90,806	2,801,577	2,715,453
Government and other contracts	4,664,912	-	4,664,912	5,668,314
In-kind contributions	406,167	-	406,167	-
Interest income	7,644	-	7,644	9,154
Product sales and other	8,616	-	8,616	17,912
Net assets released from restriction	<u>924,132</u>	<u>(924,132)</u>	<u>-</u>	<u>-</u>
Total revenues, support, and net assets released from restriction	<u>9,222,189</u>	<u>547,121</u>	<u>9,769,310</u>	<u>9,839,279</u>
Functional expenses				
Programs	<u>7,609,681</u>	<u>-</u>	<u>7,609,681</u>	<u>8,002,768</u>
Support services				
Management and general	564,540	-	564,540	339,673
Fundraising	<u>776,509</u>	<u>-</u>	<u>776,509</u>	<u>871,418</u>
Total support services	<u>1,341,049</u>	<u>-</u>	<u>1,341,049</u>	<u>1,211,091</u>
Total functional expenses	<u>8,950,730</u>	<u>-</u>	<u>8,950,730</u>	<u>9,213,859</u>
Change in net assets	271,459	547,121	818,580	625,420
Net assets, beginning of year	<u>1,423,369</u>	<u>438,576</u>	<u>1,861,945</u>	<u>1,236,525</u>
Net assets, end of year	<u>\$ 1,694,828</u>	<u>\$ 985,697</u>	<u>\$ 2,680,525</u>	<u>\$ 1,861,945</u>

The accompanying notes are an integral part of these combined financial statements.

California Trout, Inc.
 Combined Statement of Functional Expenses
 For the Year Ended June 30, 2020
 (With Comparative Totals for 2019)

	Programs	Management and General	Fundraising	2020 Total	2019 Total
Salaries, wages, and benefits	\$ 2,046,884	\$ 386,823	\$ 458,173	\$ 2,891,880	\$ 2,544,584
Advertising, marketing, and publicity	14,436	-	4,524	18,960	22,687
Bank charges and fees	3,063	3,152	25,152	31,367	28,329
Donated services	406,167	-	-	406,167	-
Publications and subscriptions	17,330	9,327	3,161	29,818	40,538
Insurance	10,647	1,538	2,525	14,710	16,903
Consulting, technology, and professional services	4,440,723	75,335	128,488	4,644,546	5,485,534
Entertainment and hospitality	46,056	899	23,791	70,746	177,024
Meetings and conferences	23,276	3,709	13,977	40,962	34,195
Supplies	88,211	28,181	9,964	126,356	116,098
Printing and copying	13,364	58	16,188	29,610	77,578
Postage and shipping	7,931	964	28,048	36,943	23,188
Occupancy	183,391	19,118	32,389	234,898	204,172
Repairs and maintenance	100,658	2,563	2,411	105,632	166,785
Telephone and internet	49,562	11,544	10,190	71,296	54,179
Miscellaneous	25,496	836	5,978	32,310	13,249
Travel and lodging	129,503	20,493	11,550	161,546	207,439
Depreciation	2,983	-	-	2,983	1,377
	<u>\$ 7,609,681</u>	<u>\$ 564,540</u>	<u>\$ 776,509</u>	<u>\$ 8,950,730</u>	<u>\$ 9,213,859</u>

The accompanying notes are an integral part of these combined financial statements.

California Trout, Inc.
 Combined Statement of Cash Flows
 For the Year Ended June 30, 2020
 (With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 818,580	\$ 625,420
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,983	1,377
Changes in operating assets and liabilities		
Grants and contracts receivable, net	29,300	(26,345)
Contributions receivable, net	(255,099)	(153,054)
Prepaid expenses	6,351	27,605
Other assets	(2,100)	6,060
Accounts payable	(217,351)	(222,858)
Accrued expenses	40,232	44,874
Deferred revenue	(13,796)	13,796
Net cash provided by operating activities	409,100	316,875
Cash flows from investing activities		
Acquisition of property and equipment	(9,863)	(13,407)
Net cash used in investing activities	(9,863)	(13,407)
Cash flows from financing activities		
Proceeds from Paycheck Protection Program - forgivable loan	395,267	-
Proceeds from line of credit	-	100,000
Payments under line of credit	-	(100,000)
Net cash provided by financing activities	395,267	-
Net increase in cash and cash equivalents	794,504	303,468
Cash and cash equivalents, beginning of year	1,366,147	1,062,679
Cash and cash equivalents, end of year	\$ 2,160,651	\$ 1,366,147

Supplemental disclosures of cash flow information

Cash paid during the year for		
Interest	\$ -	\$ 1,002
Tax	\$ 4,909	\$ 160

The accompanying notes are an integral part of these combined financial statements.

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2020

1. NATURE OF OPERATIONS

California Trout, Inc. and California Trout Foundation are California tax-exempt, non-profit corporations. California Trout, Inc. 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 Inc. fundraises to finance charitable, scientific and educational research projects, and to preserve and rehabilitate public trout and steelhead fisheries in California. California Trout Foundation (the "Foundation") is a sister organization of California Trout Inc. with the primary purpose of holding title to conserved land properties. California Trout Inc. and the Foundation are collectively referred to as "California Trout" or the "Organization" within the notes to the combined financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The accompanying combined financial statements includes the accounts of California Trout Inc. and the Foundation. All intercompany activities have been eliminated in combination. The combined financial statements of California Trout have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

California Trout reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

- *Net assets without donor restrictions* - Net assets without donor restrictions generally result from revenue obtained by providing services in connection with contracts with governmental and quasi-government agencies, and receiving contributions and interest and dividends that are not restricted by donor-imposed stipulations. 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, 2020.
- *Net assets with donor restrictions* - California Trout reports donations and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. This includes donor imposed stipulations that either expire by passage of time and/or can be fulfilled and removed by actions of the Organization, or donor-imposed stipulations that are restricted in perpetuity. When a donor restriction expires or the purpose restriction is accomplished, the restricted net assets are reclassified and reported in the combined statement of activities as net assets released from restrictions. Contributions restricted for capital improvements are released to net assets without donor restrictions at the time the funds are expended for the specified improvement.

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional allocation of expenses

The costs of providing program and other activities have been summarized on a functional basis in the combined statement 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.

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.

Grants and contracts receivables

Grants and contracts receivable represent amounts due from contracts with governmental and quasi-governmental entities. Revenue is recorded when earned upon completion of the services or when California Trout has incurred expenditures in compliance with specific contract or grant provisions. Management estimates an allowance for doubtful grants and contracts receivable based on a review of specific amounts outstanding longer than thirty days and past experience. There was no allowance for uncollectible grants and contracts receivable as of June 30, 2020. Grants and contracts receivable amounted to \$1,540,688 at June 30, 2020.

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and promises to give

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the barrier has been overcome and right of release/right of return no longer exists. Contributions receivable that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved. Contributions receivable amounted to \$435,653 at June 30, 2020, all of which are expected to be collected within the next year.

An allowance for uncollectible contributions receivable is established based on management's judgment, the review of the composition of the balances and past experience. There was no allowance for uncollectible contributions receivable at June 30, 2020 as all balances were considered collectible.

A portion of California Trout's revenue is derived from cost-reimbursable contracts from governmental agencies, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. The revenue generated from these contracts meets the criteria to be classified as conditional contributions under GAAP revenue recognition as they contain barriers related to the incurrence of qualifying expenditures and a right of return or release. Amounts received are recognized as revenues when California Trout has incurred expenditures in compliance with specific contract or grant provisions. The Organization has elected a simultaneous release option to accounts for these grants. Therefore, they are recorded as government grants without donor restriction upon satisfaction of the barriers. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the combined statement of financial position. The Organization received cost-reimbursable grants of \$20,841,619 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred.

Contributed goods and services

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. For the year ended June 30, 2020, California Trout received \$406,167 in donations of legal counseling services that satisfy the criteria for recognition.

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.

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2020

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 of property and equipment is computed using the straight-line method over the following estimated useful lives:

Office equipment	3 - 5 years
Furniture and fixtures	5 - 10 years
Project equipment	5 - 20 years

Costs of maintenance and repairs are expensed. 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. No such impairments have been recorded during the year ended June 30, 2020.

Income tax

California Trout is required to report information regarding its exposure to various tax positions taken by the Organization 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, 2020, 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.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures, principally relating to the collectability of accounts receivable and promises to give, the estimated useful life of equipment, and disclosures of contingent assets and liabilities. Accordingly, actual results could differ from those estimates.

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In June 2018, the FASB issued ASU 2018-08, Contributions Received and Contributions Made, which clarifies the criteria for evaluating whether a transaction is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. California Trout adopted ASU 2018-08 with a date of the initial application of July 1, 2019, using the modified prospective method.

The adoption of ASU 2018-08 did not have a significant impact on California Trout's financial position, result of operations, or cash flows. California Trout has evaluated contributions received and contributions made and has determined that there is no change as a result of the adoption of the standard.

Reclassifications

Certain amounts in the prior year combined financial statements have been reclassified to conform to the current year presentation. Such reclassifications had no effect on the previously reported total change in net assets.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Land	\$ 21,360
Trout Camp property	187,143
Office equipment	47,983
Furniture and fixtures	16,407
Project equipment	<u>17,305</u>
	290,198
Less accumulated depreciation	<u>(52,483)</u>
	<u>\$ 237,715</u>

Total depreciation expense amounted to \$2,983 for the year ended June 30, 2020.

4. LINE OF CREDIT

California Trout has a \$400,000 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 Prime Rate) plus 0.750 percentage points. The rate on the line of credit will not be less than 4.0% per annum. The line of credit matures on November 13, 2021. At June 30, 2020, there was no outstanding balance under the line of credit.

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2020

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Shasta programs	\$ 90,016
Bay Area programs	18,609
Sierra programs	76,100
Southern California programs	51,874
State of California programs	104,874
North Coast programs	303,334
Central Valley programs	152,500
Other programs	23,390
Time restricted grants and contributions	<u>165,000</u>
	<u>\$ 985,697</u>

Net assets with donor restrictions released from restriction during the year were as follows:

Shasta programs	\$ 128,679
Bay Area programs	46,391
Sierra programs	92,296
Southern California programs	7,242
State of California programs	141,346
Central Valley programs	160,000
North Coast programs	343,889
Other programs	<u>4,289</u>
	<u>\$ 924,132</u>

6. COMMITMENTS AND CONTINGENCIES

California Trout leases its corporate office space in San Francisco under a multi-year operating agreement through May 31, 2022. 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 \$234,898 for the year ended June 30, 2020.

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2020

6. COMMITMENTS AND CONTINGENCIES (continued)

Minimum future lease payments for all operating leases with terms of one year or more are as follows at June 30, 2020:

<u>Year ending June 30,</u>	
2021	\$ 189,557
2022	<u>152,804</u>
	<u>\$ 342,361</u>

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.

7. 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 \$86,009 to the plan for the year ended June 30, 2020.

8. GOVERNMENT CONTRACTS AND CONCENTRATION

As of June 30, 2020, 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 \$20,841,619 at June 30, 2020. 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.

California Trout receives a significant portion of its support from federal, state, and local governments (amounting to 48% for the year ended June 30, 2020). A reduction in the level of this support could have a material effect on the Organization's programs and activities.

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2020

9. CONSULTING AND OUTSIDE SERVICES

During the years ended June 30, 2020, California Trout expended \$4,644,546, 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 year ended June 30, 2020:

Shasta programs	\$ 1,641,886
South Coast programs	916,913
North Coast programs	875,233
Eastern Sierra programs	347,288
Conservation and other program activities	269,252
Central California programs	249,201
State of California programs	119,518
Bay Area programs	21,432
Development	128,488
Management and general	<u>75,335</u>
	<u><u>\$ 4,644,546</u></u>

10. RELATED PARTY

During the year ended June 30, 2020, members of the Board of Governors contributed \$303,983, in donations to California Trout.

11. LIQUIDITY AND AVAILABILITY OF RESOURCES

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 12 months, California Trout operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2020

11. LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

The following is a quantitative disclosure which describes assets that are available or expected to be available within one year to fund general expenditures and other obligations as they become due:

Cash and cash equivalents	\$ 2,160,651
Grants and contracts receivables	1,540,688
Contributions receivable	<u>435,653</u>
	<u>\$ 4,136,992</u>

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. Contributions receivable with no purpose restriction will be available for general expenditure over the next 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 4, California Trout also has a line of credit with availability of \$400,000 at June 30, 2020 upon which it could draw.

12. PAYCHECK PROTECTION PROGRAM - FORGIVABLE LOAN

In April 2020, California Trout received loan proceeds in the amount of \$395,267 from a promissory note issued by Heritage Bank of Commerce, under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (8 or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. California Trout intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

To the extent that California Trout is not granted forgiveness, California Trout will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date of April 23, 2022. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event. In April 2021, California Trout filed its forgiveness application for the full amount of the PPP loan with Heritage Bank of Commerce.

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2020

12. PAYCHECK PROTECTION PROGRAM - FORGIVABLE LOAN (continued)

California Trout has recorded a forgivable loan and will record forgiveness upon being legally released from the loan obligation. No forgiveness income has been recorded for the year ended June 30, 2020. The Organization is required to repay any remaining balance of \$395,267, plus interest accrued at 1% per annum in monthly payments. The executed promissory note indicates only a six-month deferral. However, the Paycheck Protection Program Flexibility Act of 2020, P.L. 116-142, extended the deferral period for loan payments to either (1) the date that the US Small Business Administration remits the borrower's loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period.

13. RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders, including California, where the Organization is headquartered. In response, the U.S. Government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which includes significant provisions to provide relief and assistance to affected organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders and the ultimate impact of the CARES Act and other governmental initiatives. It is at least reasonably possible that this matter will negatively impact California Trout curtailing the ability to perform fieldwork required for its restoration and research activities. However, the financial impact and duration cannot be reasonably estimated at this time.

SINGLE AUDIT REPORTS AND SCHEDULES

INDEPENDENT AUDITOR'S 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*

Board of Governors
California Trout, Inc.
San Francisco, California

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, Inc. (a California nonprofit corporation) ("California Trout"), which comprise the combined statement of financial position as of June 30, 2020, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated April 28, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered California Trout'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of California Trout's internal control. Accordingly, we do not express an opinion on the effectiveness of California Trout'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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether California Trout's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 California Trout's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering California Trout's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Armanino^{LLP}
San Ramon, California

April 28, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM, INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM
GUIDANCE

Board of Governors
California Trout, Inc.
San Francisco, California

Report on Compliance for Each Major Federal Program

We have audited California Trout, Inc. (a California nonprofit corporation) ("California Trout")'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's major federal programs for the year ended June 30, 2020. California Trout's major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of California Trout'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* (the "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'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's compliance.

Opinion on Each Major Federal Program

In our opinion, California Trout 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, 2020.

Report on Internal Control Over Compliance

Management of California Trout 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'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'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 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 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 weakness 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited California Trout's combined financial statements as of and for the year ended June 30, 2020, and have issued our report thereon dated April 28, 2021, which contained an unmodified opinion on those combined financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the combined financial statements as a whole.



Armanino^{LLP}
San Ramon, California

April 28, 2021

California Trout, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>Expenditures of Federal Awards</u>			
U.S. Department of Agriculture			
Pass-through program from:			
National Fish and Wildlife Foundation:			
Food for Progress Program	10.000	0807.16.053568	<u>214,655</u>
Total U.S. Department of Agriculture			<u>214,655</u>
U.S. Department of Commerce			
Pass-through program from:			
California Department of Fish and Wildlife:			
Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	P1610505	48,967
Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	P1750903	113,010
Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	Q1910515	14,702
Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	P1850905	79,268
Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	Q1950903	7,804
Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	P1781007	<u>66,935</u>
Total Pass-through program from California Department of Fish and Wildlife			<u>330,686</u>
Pass-through program from:			
National Fish and Wildlife Foundation:			
Unallied Management Projects	11.454	66880	<u>9,794</u>
Total Pass-through program from National Fish and Wildlife Foundation			<u>9,794</u>
Pass-through program from:			
National Oceanic and Atmospheric Administration:			
Habitat Conservation	11.463	NA16NMF46303 52	15,809
Habitat Conservation	11.463	NA17NMF46303 05	<u>28,683</u>
Total Pass-through program from National Oceanic and Atmospheric Administration			<u>44,492</u>
Total U.S. Department of Commerce			<u>384,972</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

California Trout, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Interior			
Direct awards			
Central Valley Improvement Act, Title XXXIV	15.512		402,742
Fish and Wildlife Management Assistance	15.608		92,652
Coastal Program	15.630		39,163
Partners for Fish and Wildlife	15.631		72,474
Total Direct awards			<u>607,031</u>
Pass-through program from:			
National Fish and Wildlife Foundation:			
Fish, Wildlife and Plant Conservation Resource Management	15.231	0103.17.055143	13,704
Fish and Wildlife Coordination Act	15.517	61728	19,438
Fish and Wildlife Management Assistance	15.608	66171	3,396
Total Pass-through program from National Fish and Wildlife Foundation			<u>36,538</u>
Total U.S. Department of Interior			<u>643,569</u>
Environmental Protection Agency			
Pass-through program from:			
State Wate Resources Control Board:			
Water Quality Management Planning	66.454	D15-16003	168,255
Nonprofit Source Implementation Grants	66.460	D1713106	35,095
Total Environmental Protection Agency			<u>203,350</u>
Total Expenditures of Federal Awards			<u>\$ 1,446,546</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

California Trout, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2020

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of California Trout, Inc. ("California Trout") under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of California Trout, it is not intended to and does not present the financial position, changes in net assets, or cash flows of California Trout.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

3. INDIRECT COST RATE

California Trout has elected to not use the 10% de minimus indirect cost rate for federal awards. California Trout applies indirect costs in accordance with the specific terms of its federal award agreements.

California Trout, Inc.
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Food for Progress Program	10.000
Central Valley Improvement Act, Title XXXIV	15.512
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

California Trout, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

California Trout, Inc.
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2020

There were no prior year findings.