

California Trout, Inc.

Combined Financial Statements
and Single Audit Reports and Schedules

June 30, 2022
(With Comparative Totals for 2021)



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying combined financial statements of California Trout, Inc. ("California Trout"), which comprise the combined statement of financial position as of June 30, 2022, 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.

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, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of California Trout, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Summarized Comparative Information

We have previously audited California Trout, Inc.'s 2021 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated June 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited combined financial statements from which it has been derived, except for the matters as described in the Correction of Error paragraph.



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Correction of Error

As discussed in Note 3 to the combined financial statements, certain errors resulting in understatement of amounts previously reported for contracts receivable and contributions receivable as of June 30, 2021 and government and other contracts revenue and contributions - corporate and foundations revenue for the year ended June 30, 2021, were discovered by management of the Company during the current year. Accordingly, amounts reported for receivables and revenue have been restated in the 2021 summarized comparative information now presented, and an adjustment has been made to net assets as of June 30, 2021, to correct the error. Our opinion is not modified with respect to that matter.

Responsibilities of Management 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, and for 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.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about California Trout, Inc.'s ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 California Trout, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about California Trout, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023, 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.



Armanino^{LLP}
San Francisco, California

March 31, 2023

California Trout, Inc.
 Combined Statement of Financial Position
 June 30, 2022
 (With Comparative Totals for 2021)

	<u>2022</u>	<u>(Restated)</u> <u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 5,563,453	\$ 6,048,710
Contracts receivable	4,370,778	3,262,732
Contributions receivable	1,486,543	979,904
Prepaid expenses	71,574	28,807
Other assets	79,026	16,935
Property and equipment, net	<u>1,093,658</u>	<u>1,069,514</u>
Total assets	<u>\$ 12,665,032</u>	<u>\$ 11,406,602</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 2,806,149	\$ 2,965,309
Accrued expenses	411,567	325,491
Loan payable	<u>750,000</u>	<u>1,250,000</u>
Total liabilities	<u>3,967,716</u>	<u>4,540,800</u>
Net assets		
Without donor restrictions	5,990,036	4,029,948
With donor restrictions	<u>2,707,280</u>	<u>2,835,854</u>
Total net assets	<u>8,697,316</u>	<u>6,865,802</u>
Total liabilities and net assets	<u>\$ 12,665,032</u>	<u>\$ 11,406,602</u>

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, 2022
 (With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	(Restated) 2021 Total
Revenues, support, and net assets released from restriction				
Contributions - corporate and foundations	\$ 446,084	\$ 1,584,226	\$ 2,030,310	\$ 1,110,240
Contributions - individuals	4,262,245	991,301	5,253,546	5,043,207
Government and other contracts	13,216,381	-	13,216,381	10,381,466
In-kind contributions	-	-	-	850,000
Interest income	10,492	-	10,492	5,542
Product sales and other	293,862	-	293,862	107,181
Forgiveness of loan payable - PPP loan	-	-	-	395,267
Net assets released from restriction	<u>2,704,101</u>	<u>(2,704,101)</u>	<u>-</u>	<u>-</u>
Total revenues, support, and net assets released from restriction	<u>20,933,165</u>	<u>(128,574)</u>	<u>20,804,591</u>	<u>17,892,903</u>
Functional expenses				
Programs	<u>16,247,726</u>	<u>-</u>	<u>16,247,726</u>	<u>12,063,843</u>
Support services				
Management and general	1,227,891	-	1,227,891	632,540
Fundraising	<u>1,497,460</u>	<u>-</u>	<u>1,497,460</u>	<u>1,011,243</u>
Total support services	<u>2,725,351</u>	<u>-</u>	<u>2,725,351</u>	<u>1,643,783</u>
Total functional expenses	<u>18,973,077</u>	<u>-</u>	<u>18,973,077</u>	<u>13,707,626</u>
Change in net assets	1,960,088	(128,574)	1,831,514	4,185,277
Net assets, beginning of year, as restated (see Note 3)	<u>4,029,948</u>	<u>2,835,854</u>	<u>6,865,802</u>	<u>2,680,525</u>
Net assets, end of year	<u>\$ 5,990,036</u>	<u>\$ 2,707,280</u>	<u>\$ 8,697,316</u>	<u>\$ 6,865,802</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, 2022
 (With Comparative Totals for 2021)

	Programs	Management and General	Fundraising	2022 Total	2021 Total
Salaries, wages, and benefits	\$ 2,282,253	\$ 881,572	\$ 764,619	\$ 3,928,444	\$ 3,128,700
Advertising, marketing, and publicity	24,110	-	653	24,763	17,981
Bank charges and fees	9,545	7,861	8,171	25,577	36,091
Publications and subscriptions	39,771	19,887	15,638	75,296	39,615
Insurance	26,222	2,848	4,901	33,971	16,955
Consulting, technology, and professional services	13,118,599	175,599	377,902	13,672,100	9,664,064
Entertainment and hospitality	19,157	3,316	105,111	127,584	20,495
Meetings and conferences	19,105	28,469	4,257	51,831	20,680
Supplies	99,465	9,405	65,417	174,287	152,609
Printing and copying	23,168	573	46,858	70,599	30,839
Postage and shipping	15,924	1,374	25,655	42,953	52,658
Occupancy	228,903	(1,267)	42,564	270,200	234,716
Repairs and maintenance	169,136	3,028	1,571	173,735	120,554
Telephone and internet	72,908	9,466	19,097	101,471	70,351
Miscellaneous	6,679	1,244	3,807	11,730	34,760
Travel and lodging	86,400	54,591	11,239	152,230	48,357
Depreciation	6,381	23,640	-	30,021	18,201
Interest expense	-	6,285	-	6,285	-
	<u>\$ 16,247,726</u>	<u>\$ 1,227,891</u>	<u>\$ 1,497,460</u>	<u>\$ 18,973,077</u>	<u>\$ 13,707,626</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, 2022
 (With Comparative Totals for 2021)

	<u>2022</u>	<u>(Restated)</u> <u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 1,831,514	\$ 4,185,277
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	30,021	18,201
Forgiveness of loan payable - PPP loan	-	(395,267)
Contribution income from donated property	-	(850,000)
Changes in operating assets and liabilities		
Contracts receivable	(1,108,046)	(1,722,044)
Contributions receivable	(506,639)	(544,251)
Prepaid expenses	(42,767)	19,392
Other assets	(62,091)	-
Accounts payable	(159,160)	1,755,769
Accrued expenses	<u>86,076</u>	<u>170,982</u>
Net cash provided by operating activities	<u>68,908</u>	<u>2,638,059</u>
Cash flows from investing activities		
Acquisition of property and equipment	<u>(54,165)</u>	-
Net cash provided by (used in) investing activities	<u>(54,165)</u>	-
Cash flows from financing activities		
Proceeds from loan payable	-	1,250,000
Principal payments on loan payable	<u>(500,000)</u>	-
Net cash provided by (used in) financing activities	<u>(500,000)</u>	<u>1,250,000</u>
Net increase (decrease) in cash and cash equivalents	(485,257)	3,888,059
Cash and cash equivalents, beginning of year	<u>6,048,710</u>	<u>2,160,651</u>
Cash and cash equivalents, end of year	<u>\$ 5,563,453</u>	<u>\$ 6,048,710</u>

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

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2022

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 include 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, 2022.
- *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, 2022

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.

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, 2022 as all amounts were deemed collectible. Grants and contracts receivable amounted to \$4,370,778 at June 30, 2022.

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2022

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. No discount has been recorded as of June 30, 2022 as the amount was determined to be immaterial.

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, 2022 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 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 account 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. There was no deferred revenue as of June 30, 2022. The Organization received cost-reimbursable grants of \$39,842,785 that have not been recognized at June 30, 2022 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, 2022, California Trout did not receive any contributed goods or services.

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 U.S. GAAP.

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2022

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
Buildings	27.5 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, 2022.

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, 2022, 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.

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Change in accounting principle

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. Under this ASU, a not-for-profit entity is required to present contributed nonfinancial assets as a separate line-item in the statement of activities, apart from contributions of cash and other financial assets as well as include enhanced disclosures surrounding the nature and valuation techniques of the contributed nonfinancial assets. California Trout adopted ASU 2020-07 with a date of the initial application of July 1, 2021. The adoption of ASU 2020-07 did not have a significant impact on California Trout's financial position, results of operations, or cash flows.

3. CORRECTION OF ERROR

During 2022, California Trout identified errors in the accounting for contribution revenue and government and other contract revenue. California Trout received an unconditional contribution during 2021 that should have been recognized as revenue in 2021. In addition, California Trout incurred expenditures on a government contract during 2021 for which the related revenue should have been recognized as government contract revenue during 2021. The combined statement of financial position, combined statement of activities, and combined statement of cash flows have been restated for the year ended June 30, 2021 to correct the errors.

The effects of the restatement on the combined financial statements as originally issued for the year ended June 30, 2021 are as follows:

	As Previously Reported	Adjustment	As Restated
Contracts receivable	\$ 2,987,264	\$ 250,000	\$ 3,262,732
Contributions receivable	\$ 729,904	\$ 275,468	\$ 979,904
Contributions - corporate and foundations (with donor restrictions)	\$ 670,240	\$ 250,000	\$ 920,240
Contributions - corporate and foundations (total)	\$ 860,240	\$ 250,000	\$ 1,110,240
Government and other contracts	\$10,105,998	\$ 275,468	\$10,381,466
Net assets without donor restrictions at June 30, 2021	\$ 3,754,480	\$ 275,468	\$ 4,029,948
Net assets with donor restrictions at June 30, 2021	\$ 2,585,854	\$ 250,000	\$ 2,835,854
Total net assets at June 30, 2021	\$ 6,340,334	\$ 525,468	\$ 6,865,802

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2022

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

Due in less than one year	\$ 892,544
Due in one to two years	<u>593,999</u>
	<u><u>\$ 1,486,543</u></u>

5. PROPERTY AND EQUIPMENT

Property and equipment, net consisted of the following:

Land	\$ 21,360
Trout Camp property	1,065,308
Office equipment	47,983
Furniture and fixtures	16,407
Project equipment	<u>43,305</u>
	1,194,363
Less accumulated depreciation	<u>(100,705)</u>
	<u><u>\$ 1,093,658</u></u>

Total depreciation expense amounted to \$30,021 for the year ended June 30, 2022.

6. LINE OF CREDIT

California Trout maintained a \$400,000 revolving business line of credit with a bank during the year ended June 30, 2022. 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, and not be less than 4.0% per annum (5.50% at June 30, 2022). The line of credit matured on December 2, 2022. In March 2023, the line of credit was amended increasing the line balance to \$700,000 and extending the maturity date to January 2025. At June 30, 2022, there was no outstanding balance under the line of credit.

7. LOAN PAYABLE

On January 17, 2021, California Trout entered into a credit agreement with the David and Lucile Packard Foundation for a loan in the principal amount of \$1,250,000, at 0.50% simple interest per annum. The loan is to pay for project costs incurred by California Trout in undertaking the restoration projects in accordance with its restoration contracts. California Trout shall repay all amounts due including all unpaid accrued interest and all unpaid principal, on or before January 31, 2023. The outstanding principle balance on the loan was \$750,000 as of June 30, 2022.

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2022

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Restricted for a specific purpose	
Shasta programs	\$ 258,291
Bay Area programs	30,896
Sierra programs	75,475
Southern California programs	33,794
State of California programs	176,930
North Coast programs	809,812
Central Valley programs	13,993
Other programs	<u>191,446</u>
	<u>1,590,637</u>
Time restricted grants and contributions	
Impact fund	622,644
Other time restricted grants and contributions	<u>493,999</u>
	<u>1,116,643</u>
	<u>\$ 2,707,280</u>

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

Shasta programs	\$ 57,188
Bay Area programs	123,756
Sierra programs	8,203
Southern California programs	39,278
State of California programs	189,611
North Coast programs	486,461
Central Valley programs	88,937
Other programs	190,667
Time restricted grants and contributions	<u>1,520,000</u>
	<u>\$ 2,704,101</u>

9. COMMITMENTS AND CONTINGENCIES

California Trout leases its corporate office space in San Francisco under a multi-year operating agreement through May 31, 2027. 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 entered into two new lease agreements in October and December 2022 with lease expirations through September 2027.

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2022

9. COMMITMENTS AND CONTINGENCIES (continued)

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 \$270,200 for the year ended June 30, 2022.

Minimum future lease payments for all operating leases with terms of one year or more, including those entered into subsequent to year-end, are as follows:

<u>Year ending June 30,</u>	
2023	\$ 268,863
2024	272,527
2025	275,922
2026	274,038
2027	238,314
Thereafter	<u>5,625</u>
	<u>\$ 1,335,289</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.

10. RETIREMENT PLAN

California Trout offers employees the opportunity for participation in a salary reduction retirement plan qualified under Internal Revenue Code Section 403(b). Distributions from the 403(b) plan are made only pursuant to all applicable laws and regulations. Under the provisions of the plan, California Trout contributed \$113,074 to the plan for the year ended June 30, 2022.

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2022

11. GOVERNMENT CONTRACTS AND CONCENTRATION

As of June 30, 2022, 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 \$39,842,785 at June 30, 2022. 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 64% for the year ended June 30, 2022). A reduction in the level of this support could have a material effect on the Organization's programs and activities.

12. CONSULTING AND OUTSIDE SERVICES

During the years ended June 30, 2022, California Trout expended \$13,672,100, 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, 2022:

Shasta programs	\$ 6,224,521
North Coast programs	3,193,886
South Coast programs	1,551,187
Central California programs	758,139
Eastern Sierra programs	618,091
Outreach and other program activities	417,896
State of California programs	197,330
Bay Area programs	105,648
Management and general	159,864
Fundraising and development	361,049
IT support	<u>84,489</u>
	<u>\$ 13,672,100</u>

13. RELATED PARTY

During the year ended June 30, 2022, members of the Board of Governors contributed \$696,345 in donations to California Trout.

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2022

14. 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.

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:

Financial assets	
Cash and cash equivalents	\$ 5,563,453
Contracts receivable	4,370,778
Contributions receivable	1,486,543
	<u>11,420,774</u>
Less: amounts not available to be used within one year	
Noncurrent portion of contributions receivable without restrictions	(493,999)
Donor-imposed restrictions	(1,590,637)
	<u>(2,084,636)</u>
	<u>\$ 9,336,138</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 6, California Trout also has a line of credit with availability of \$400,000 at June 30, 2022 upon which it could draw.

15. SUBSEQUENT EVENTS

California Trout has evaluated subsequent events through March 31, 2023, the date the financial statements were available to be issued. Other than as previously disclosed in Note 6 and Note 9, no subsequent events have occurred that would have a material impact on the presentation of California Trout's financial statements.

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. ("California Trout"), which comprise the combined statement of financial position as of June 30, 2022, 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 March 31, 2023.

Report on 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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and prior year findings as items 2022-001 that we consider to be a significant deficiency.

Report on 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 combined financial statements. 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 Francisco, California

March 31, 2023

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

Opinion on Each Major Federal Program

We have audited California Trout, Inc. ("California Trout")'s compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of California Trout and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of California Trout's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to California Trout's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on California Trout's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about California Trout's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding California Trout's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of California Trout's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 California Trout's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the combined financial statements of California Trout as of and for the year ended June 30, 2022, and have issued our report thereon dated March 31, 2023, 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 Francisco, California

March 31, 2023

California Trout, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
<u>Expenditures of Federal Awards</u>				
U.S. Department of Agriculture				
Pass-through program from:				
The Nature Conservancy:				
Environmental Quality Incentives Program	10.912	NR2019104XXX XG003	\$ 1,927	\$ -
National Fish and Wildlife Foundation:				
Food and Nutrition Service Programs–Multiple Program COVID-19 Waivers	10.000	0807.16.053568	49,281	-
Total U.S. Department of Agriculture			51,208	-
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	Q1910515	108,280	-
Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	Q2050909	71,379	-
Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	Q1950903	108,513	-
Total pass-through program from California Department of Fish and Wildlife			288,172	-
Pass-through program from:				
National Fish and Wildlife Foundation:				
Unallied Management Projects	11.454	66880	7,659	-
Total pass-through programs from National Fish and Wildlife Foundation			7,659	-
Pass-through program from:				
National Oceanic and Atmospheric Administration:				
Habitat Conservation	11.463	NA20NMF46303 01	52,294	-
Habitat Conservation	11.463	NA20NMF46302 22	27,207	-
Total pass-through program from National Oceanic and Atmospheric Administration			79,501	-
Total U.S. Department of Commerce			375,332	-

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, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Interior				
Direct awards				
Bureau of Reclamation				
Central Valley Improvement Act, Title XXXIV	15.512	R20AP00312	\$ 1,117,327	-
Fish and Wildlife Management Assistance	15.608	F19AC00414	59,540	-
Fish and Wildlife Management Assistance	15.608	F21AC01883-00	4,136	-
Fish and Wildlife Management Assistance	15.608	F21AC02065-00	11,268	-
Total direct awards			<u>1,192,271</u>	<u>-</u>
Pass-through program from:				
National Fish and Wildlife Foundation:				
Fish and Wildlife Coordination Act	15.517	61728	121,929	-
Fish and Wildlife Management Assistance	15.608	66171	69,860	-
Total pass-through programs from National Fish and Wildlife Foundation			<u>191,789</u>	<u>-</u>
Pass-through program from:				
US Fish and Wildlife Service:				
Fish and Wildlife Management Assistance	15.608	F20AC0007	7,109	-
Fish and Wildlife Management Assistance	15.608	F20AC10563-00	5,759	-
Coastal	15.630	F16AC0774	12,295	-
Coastal	15.630	F21AC02189	12,341	-
Coastal	15.630	F20AC10927	5,155	-
Partners for Fish and Wildlife	15.631	F18AC00199	20,779	-
Partners for Fish and Wildlife	15.631	F17AC00504	5,041	-
Partners for Fish and Wildlife	15.631	F19AC00421	56,849	-
Central Valley Project Improvement Act (CVPIA)	15.648	F20AP10274	3,157,617	3,081,192
Total pass-through programs from US Fish and Wildlife Service			<u>3,282,945</u>	<u>3,081,192</u>
Pass-through program from:				
SCC:				
Coastal Wetlands Planning, Protection and Restoration	15.614	F21AP01575	27,237	-
Total Pass-through program from SCC			<u>27,237</u>	<u>3,081,192</u>
Total U.S. Department of Interior			<u>4,694,242</u>	<u>3,081,192</u>
Environmental Protection Agency				
Pass-through program from:				
State Water Resources Control Board:				
Nonprofit Source Implementation Grants	66.460	D2013115	593,087	-
Nonprofit Source Implementation Grants	66.460	D2013113	28,579	-
Total Environmental Protection Agency			<u>621,666</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 5,742,448</u>	<u>\$ 3,081,192</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, 2022

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, 2022. 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, 2022

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?	Yes
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>Assistance Listing Number</u>
Central Valley Improvement Act, Title XXXIV	15.512
Nonpoint Source Implementation Grants	66.460
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

California Trout, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

Finding number:	2022-001 Revenue Recognition
Criteria:	Pursant to FASB ASC 958-605, unconditional promises to give should be recognized as revenues in the period the promise is received and revenue from cost-reimbursable government grants should be recognized when expenditures have been incurred in compliance with specific grant provisions.
Condition:	California Trout received an unconditional contribution during 2021 that was not recognized when it was received. California Trout also incurred expenditures on a government contract during 2021 that was not recognized as government and other contract revenue when the expenditures were incurred. As part of the 2022 audit, we proposed a prior period adjustment to correct the errors as disclosed in Note 3.
Cause:	California Trout erroneously did not record the transactions during 2021 but rather recorded them in 2022 when they were discovered.
Effect or potential effect:	California Trout understated its 2021 contribution revenue and government and other contract revenue in addition to it's grants and contracts receivable and contributions receivable as of June 30, 2021. California Trout's net assets as of June 30, 2021 were understated by \$525,468 as a result of these errors and were restated in the accompanying 2022 financial statements.
Recommendation:	We recommend management develop a comprehensive revenue recognition policy to ensure the proper recognition of contributions and government grants in accordance with U.S. GAAP. The policy should include a detailed review of all agreements that allows for the identification of proper revenue recognition.
View of responsible officials:	Management agrees with the finding.

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, 2022

There were no prior year findings.