

California Trout, Inc.

Combined Financial Statements
and Single Audit Reports and Schedules

June 30, 2021
(With Comparative Totals for 2020)



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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, 2021, 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.



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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, 2021, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2022, 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

We have previously audited California Trout, Inc.'s 2020 combined financial statements, and our report dated April 28, 2021 expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.



Armanino^{LLP}
San Francisco, California

June 28, 2022

California Trout, Inc.
 Combined Statement of Financial Position
 June 30, 2021
 (With Comparative Totals for 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 6,048,710	\$ 2,160,651
Grants and contracts receivable, net	2,987,264	1,540,688
Contributions receivable	729,904	435,653
Prepaid expenses	28,807	48,199
Other assets	16,935	16,935
Property and equipment, net	1,069,514	237,715
Total assets	\$ 10,881,134	\$ 4,439,841
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 2,965,309	\$ 1,209,540
Accrued expenses	325,491	154,509
Paycheck Protection Program - forgivable loan	-	395,267
Loan payable	1,250,000	-
Total liabilities	4,540,800	1,759,316
Net assets		
Without donor restrictions	3,754,480	1,694,828
With donor restrictions	2,585,854	985,697
Total net assets	6,340,334	2,680,525
Total liabilities and net assets	\$ 10,881,134	\$ 4,439,841

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, 2021
 (With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenues, support, and net assets released from restriction				
Contributions - corporate and foundations	\$ 190,000	\$ 670,240	\$ 860,240	\$ 1,880,394
Contributions - individuals	3,223,193	1,820,014	5,043,207	2,801,577
Government and other contracts	10,105,998	-	10,105,998	4,664,912
In-kind contributions	850,000	-	850,000	406,167
Interest income	5,542	-	5,542	7,644
Product sales and other	32,181	75,000	107,181	8,616
Forgiveness of loan payable - PPP loan	395,267	-	395,267	-
Net assets released from restriction	<u>965,097</u>	<u>(965,097)</u>	<u>-</u>	<u>-</u>
Total revenues, support, and net assets released from restriction	<u>15,767,278</u>	<u>1,600,157</u>	<u>17,367,435</u>	<u>9,769,310</u>
Functional expenses				
Programs	<u>12,063,843</u>	<u>-</u>	<u>12,063,843</u>	<u>7,609,681</u>
Support services				
Management and general	632,540	-	632,540	564,540
Fundraising	<u>1,011,243</u>	<u>-</u>	<u>1,011,243</u>	<u>776,509</u>
Total support services	<u>1,643,783</u>	<u>-</u>	<u>1,643,783</u>	<u>1,341,049</u>
Total functional expenses	<u>13,707,626</u>	<u>-</u>	<u>13,707,626</u>	<u>8,950,730</u>
Change in net assets	2,059,652	1,600,157	3,659,809	818,580
Net assets, beginning of year	<u>1,694,828</u>	<u>985,697</u>	<u>2,680,525</u>	<u>1,861,945</u>
Net assets, end of year	<u>\$ 3,754,480</u>	<u>\$ 2,585,854</u>	<u>\$ 6,340,334</u>	<u>\$ 2,680,525</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, 2021
 (With Comparative Totals for 2020)

	Programs	Management and General	Fundraising	2021 Total	2020 Total
Salaries, wages, and benefits	\$ 2,034,571	\$ 503,171	\$ 590,958	\$ 3,128,700	\$ 2,891,880
Advertising, marketing, and publicity	8,161	4,733	5,087	17,981	18,960
Bank charges and fees	4,726	1,193	30,172	36,091	31,367
Donated services	-	-	-	-	406,167
Publications and subscriptions	26,211	6,611	6,793	39,615	29,818
Insurance	11,899	1,658	3,398	16,955	14,710
Consulting, technology, and professional services	9,342,863	76,288	244,913	9,664,064	4,644,546
Entertainment and hospitality	19,513	-	982	20,495	70,746
Meetings and conferences	17,009	-	3,671	20,680	40,962
Supplies	121,946	5,765	24,898	152,609	126,356
Printing and copying	22,237	-	8,602	30,839	29,610
Postage and shipping	32,070	1,707	18,881	52,658	36,943
Occupancy	181,629	17,213	35,874	234,716	234,898
Repairs and maintenance	114,477	3,310	2,767	120,554	105,632
Telephone and internet	52,903	5,763	11,685	70,351	71,296
Miscellaneous	12,970	3,994	17,796	34,760	32,310
Travel and lodging	42,457	1,134	4,766	48,357	161,546
Depreciation	18,201	-	-	18,201	2,983
	<u>\$ 12,063,843</u>	<u>\$ 632,540</u>	<u>\$ 1,011,243</u>	<u>\$ 13,707,626</u>	<u>\$ 8,950,730</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, 2021
 (With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 3,659,809	\$ 818,580
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	18,201	2,983
Forgiveness of loan payable - PPP loan	(395,267)	-
Contribution income from donated property	(850,000)	-
Changes in operating assets and liabilities		
Grants and contracts receivable, net	(1,446,576)	29,300
Contributions receivable, net	(294,251)	(255,099)
Prepaid expenses	19,392	6,351
Other assets	-	(2,100)
Accounts payable	1,755,769	(217,351)
Accrued expenses	170,982	40,232
Deferred revenue	-	(13,796)
Net cash provided by operating activities	2,638,059	409,100
Cash flows from investing activities		
Acquisition of property and equipment	-	(9,863)
Net cash provided by (used in) investing activities	-	(9,863)
Cash flows from financing activities		
Proceeds from Paycheck Protection Program - forgivable loan	-	395,267
Proceeds from loan payable	1,250,000	-
Net cash provided by financing activities	1,250,000	395,267
Net increase in cash and cash equivalents	3,888,059	794,504
Cash and cash equivalents, beginning of year	2,160,651	1,366,147
Cash and cash equivalents, end of year	\$ 6,048,710	\$ 2,160,651

Supplemental disclosure of cash flow information

Cash paid during the year for tax	\$ -	\$ 4,909
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The accompanying notes are an integral part of these combined financial statements.

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2021

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, 2021.
- *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, 2021

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, 2021. Grants and contracts receivable amounted to \$2,987,264 at June 30, 2021.

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2021

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, 2021 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, 2021 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 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, 2021. The Organization received cost-reimbursable grants of \$29,009,050 that have not been recognized at June 30, 2021 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, 2021, California Trout did not receive any contributed goods or services.

During the year ended June 30, 2021, California Trout was donated a property located in Mount Shasta, California, with a fair value of \$850,000. The property consisted of a combination of land and building. Ownership of the property was fully transferred to California Trout as of June 30, 2021.

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed goods and services (continued)

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.

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, 2021.

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, 2021, 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, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Change in accounting principle

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. California Trout adopted ASU 2014-09 with a date of the initial application of July 1, 2020, using the modified prospective method.

The adoption of ASU 2014-09 did not have a significant impact on California Trout's financial position, result of operations, or cash flows. California Trout has evaluated earned revenue and has determined that there is no change as a result of the adoption of the standard.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

Due in less than one year	\$ 579,904
Due in one to two years	<u>150,000</u>
	<u><u>\$ 729,904</u></u>

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Land	\$ 221,360
Trout Camp property	187,143
Building	650,000
Office equipment	47,983
Furniture and fixtures	16,407
Project equipment	<u>17,305</u>
	1,140,198
Less accumulated depreciation	<u>(70,684)</u>
	<u><u>\$ 1,069,514</u></u>

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2021

4. PROPERTY AND EQUIPMENT (continued)

Total depreciation expense amounted to \$18,201 for the year ended June 30, 2021.

5. 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 December 3, 2022. At June 30, 2021, there was no outstanding balance under the line of credit.

6. LOAN PAYABLE

On January 19, 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 \$1,250,000 as of June 30, 2021.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Restricted for a specific purpose	
Shasta programs	\$ 40,904
Bay Area programs	9,653
Sierra programs	83,678
Southern California programs	184,694
State of California programs	8,518
North Coast programs	320,499
Central Valley programs	34,930
Other programs	58,890
	<u>741,766</u>
Time restricted grants and contributions	
Impact fund	1,299,088
Other time restricted grants and contributions	545,000
	<u>1,844,088</u>
	<u>\$ 2,585,854</u>

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2021

7. NET ASSETS WITH DONOR RESTRICTIONS (continued)

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

Shasta programs	\$	74,536
Bay Area programs		58,956
Sierra programs		46,021
Southern California programs		28,784
State of California programs		101,585
North Coast programs		311,448
Central Valley programs		157,570
Other programs		21,197
Time restricted grants and contributions		165,000
	\$	965,097

8. 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 \$234,716 for the year ended June 30, 2021.

Minimum future lease payments for all operating leases with terms of one year or more are as follows at June 30, 2021:

<u>Year ending June 30,</u>		
2022	\$	161,634
2023		4,064
	\$	165,698

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2021

8. COMMITMENTS AND CONTINGENCIES (continued)

Contingencies

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

9. 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 \$85,669 to the plan for the year ended June 30, 2021.

10. GOVERNMENT CONTRACTS AND CONCENTRATION

As of June 30, 2021, 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 \$29,009,050 at June 30, 2021. 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 58% for the year ended June 30, 2021). 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, 2021

11. CONSULTING AND OUTSIDE SERVICES

During the years ended June 30, 2021, California Trout expended \$9,664,064, 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, 2021:

Shasta programs	\$ 4,241,736
South Coast programs	1,688,783
North Coast programs	2,270,282
Eastern Sierra programs	218,381
Conservation and other program activities	157,379
Central California programs	623,798
State of California programs	72,705
Bay Area programs	69,799
Fundraising and development	244,913
Management and general	<u>76,288</u>
	<u>\$ 9,664,064</u>

12. RELATED PARTY

During the year ended June 30, 2021, members of the Board of Governors contributed \$459,677, in donations to California Trout.

13. 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, 2021

13. 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	\$ 6,048,710
Grants and contracts receivables	2,987,264
Contributions receivable	<u>729,904</u>
	9,765,878
Noncurrent portion of contributions receivable	<u>(150,000)</u>
	<u><u>\$ 9,615,878</u></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 5, California Trout also has a line of credit with availability of \$400,000 at June 30, 2021 upon which it could draw.

14. 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 small businesses with the resources needed to maintain their payroll and cover applicable overhead. The PPP is implemented by the Small Business Administration ("SBA") with support from the Department of the Treasury. The PPP provided funds to pay up to 24 weeks of payroll costs including benefits. Funds could also be used to pay interest on mortgages, rent, and utilities.

On July 13, 2021, California Trout received notification that the SBA issued the forgiveness decision to forgive the entire \$395,267 principal loan amount and interest accrued on the PPP loan. The gain on PPP loan forgiveness is recognized as income on the statement of activities.

California Trout, Inc.
Notes to Combined Financial Statements
June 30, 2021

15. RISKS AND UNCERTAINTIES

The global pandemic declared on March 11, 2020 by the World Health Organization, continues to cause business disruptions through mandated and voluntary closings of businesses and shelter in place orders, including California, where the Organization is headquartered. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. 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.

16. SUBSEQUENT EVENTS

On February 17, 2022, California Trout entered into a new non-cancelable operating lease agreement to relocate their San Francisco office. The new lease agreement commences on June 1, 2022, with a term of sixty months from its commencement date. The lease agreement has escalating minimum lease payments starting at \$17,417 per month for its first year.

On April 20, 2022, the Board of Governors made a decision to start the process to sell the donated property located in Mount Shasta, California with a carrying value of \$838,180 as of June 30, 2021.

California Trout has evaluated subsequent events through June 28, 2022, the date the financial statements were available to be issued. Other than as previously disclosed, 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. (a California nonprofit corporation) ("California Trout"), which comprise the combined statement of financial position as of June 30, 2021, 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 June 28, 2022.

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 Francisco, California

June 28, 2022

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, 2021. 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, 2021.

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, 2021, and have issued our report thereon dated June 28, 2022, 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

June 28, 2022

California Trout, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

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	A106649	\$ 1,528	\$ -
Total U.S. Department of Agriculture			<u>1,528</u>	<u>-</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	Q1910515	140,050	-
Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	P1850905	37,679	-
Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	Q1950903	92,810	-
Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	P1781007	<u>9,452</u>	<u>-</u>
Total Pass-through program from California Department of Fish and Wildlife			<u>279,991</u>	<u>-</u>
Pass-through program from:				
National Fish and Wildlife Foundation:				
Unallied Management Projects	11.454	66880	<u>49,501</u>	<u>-</u>
Total Pass-through program from National Fish and Wildlife Foundation			<u>49,501</u>	<u>-</u>
Pass-through program from:				
National Oceanic and Atmospheric Administration:				
Habitat Conservation	11.463	NA16NMF46303 52	426	-
Habitat Conservation	11.463	NA20NMF46303 01	9,303	-
Habitat Conservation	11.463	NA20NMF46302 22	<u>30,139</u>	<u>-</u>
Total Pass-through program from National Oceanic and Atmospheric Administration			<u>39,868</u>	<u>-</u>
Total U.S. Department of Commerce			<u>369,360</u>	<u>-</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, 2021

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				
Central Valley Improvement Act, Title XXXIV	15.512		\$ 739,325	-
Fish and Wildlife Management Assistance	15.608		175,915	-
Coastal Program	15.630		14,865	-
Partners for Fish and Wildlife	15.631		21,788	-
Central Valley Improvement Act (CVPIA)	15.648		<u>1,235,549</u>	<u>1,159,730</u>
Total Direct awards			<u>2,187,442</u>	<u>1,159,730</u>
Pass-through program from:				
National Fish and Wildlife Foundation:				
Fish and Wildlife Coordination Act	15.517	61728	21,640	-
Fish and Wildlife Management Assistance	15.608	66171	<u>56,739</u>	<u>-</u>
Total Pass-through program from National Fish and Wildlife Foundation			<u>78,379</u>	<u>-</u>
Pass-through program from:				
Pacific States Marine Fisheries Commission:				
Fish and Wildlife Management Assistance	15.608	21-018G	<u>40,301</u>	<u>-</u>
Total Pass-through program from Pacific States Marine Fisheries Commission			<u>40,301</u>	<u>-</u>
Total U.S. Department of Interior			<u>2,306,122</u>	<u>1,159,730</u>
Environmental Protection Agency				
Pass-through program from:				
State Water Resources Control Board:				
Nonprofit Source Implementation Grants	66.460	D2013113	212,741	-
Nonprofit Source Implementation Grants	66.460	D1713106	<u>59,497</u>	<u>-</u>
Total Environmental Protection Agency			<u>272,238</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 2,949,248</u>	<u>\$ 1,159,730</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, 2021

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, 2021. 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, 2021

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>Assistance Listing Number</u>
Central Valley Project Improvement Act (CVPIA)	15.648
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, 2021

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, 2021

There were no prior year findings.