

# **Trout Unlimited, Inc.**

Financial Report  
September 30, 2010

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## Independent Auditor's Report

To the Board of Trustees  
Trout Unlimited, Inc.  
Arlington, Virginia

We have audited the accompanying balance sheets of Trout Unlimited, Inc. (TU) as of September 30, 2010 and 2009, and the related statements of activities, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of TU's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TU's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TU as of September 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated February 21, 2011 and March 29, 2010, on our consideration of TU'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 those reports 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 internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*McGladrey & Pullen, LLP*

Vienna, Virginia  
February 21, 2011

**Trout Unlimited, Inc.**

**Balance Sheets**

**September 30, 2010 And 2009**

<b>Assets</b>	<b>2010</b>	<b>2009</b>
<b>Current Assets</b>		
Cash – Operating (Note 1)	\$ 3,458,636	\$ 3,811,587
Cash – The Stewardship Fund (Note 1)	1,289,286	897,066
Receivables, net (Note 2)	4,882,481	3,079,265
Promises to give, net (Note 1)	992,956	989,484
Prepaid and other assets	861,543	858,649
<b>Total current assets</b>	<b>11,484,902</b>	<b>9,636,051</b>
Investments (Notes 3 And 4)	8,591,515	8,064,388
Property And Equipment, net (Note 5)	372,565	415,962
	<b>\$ 20,448,982</b>	<b>\$ 18,116,401</b>
<b>Liabilities And Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 2,064,375	\$ 1,416,511
Refundable advances – federal grants	117,579	185,155
<b>Total current liabilities</b>	<b>2,181,954</b>	<b>1,601,666</b>
Commitments And Contingencies (Notes 7 And 11)		
<b>Net Assets</b>		
Unrestricted (Note 1)	1,528,279	1,180,321
Temporarily restricted (Note 8)	10,588,903	9,244,568
Permanently restricted (Note 9)	6,149,846	6,089,846
	<b>18,267,028</b>	<b>16,514,735</b>
	<b>\$ 20,448,982</b>	<b>\$ 18,116,401</b>

See Notes To Financial Statements.

Trout Unlimited, Inc.

Statements Of Activities  
Years Ended September 30, 2010 And 2009

	2010	2009
Change in unrestricted net assets:		
Support and revenue:		
Grants and other contributions	\$ 6,111,297	\$ 6,978,850
Membership contributions	4,971,671	4,862,046
Events income	540,698	612,981
Investment gains (losses)	109,144	(23,305)
Other income	141,905	156,621
Net assets released from restrictions	13,624,163	9,943,227
<b>Total support and revenue</b>	<b>25,498,878</b>	<b>22,530,420</b>
Expenses:		
Program services:		
Conservation operations	16,151,927	13,312,404
Volunteer operations and chapter support	3,968,711	3,613,510
Communications	1,449,689	1,821,718
Government affairs	557,066	434,348
<b>Total program services</b>	<b>22,127,393</b>	<b>19,181,980</b>
Supporting services:		
Fundraising	2,435,415	2,800,025
Administration	866,010	876,906
<b>Total supporting services</b>	<b>3,301,425</b>	<b>3,676,931</b>
<b>Total expenses</b>	<b>25,428,818</b>	<b>22,858,911</b>
<b>Change in unrestricted net assets before endowment activity</b>	<b>70,060</b>	<b>(328,491)</b>
Allocation of investment gains (losses) for endowments	277,898	(245,430)
<b>Change in unrestricted net assets</b>	<b>347,958</b>	<b>(573,921)</b>
Change in temporarily restricted net assets:		
Contributions	14,783,332	13,799,227
Investment gains (losses)	463,064	(95,650)
Net assets released from restrictions	(13,624,163)	(9,943,227)
<b>Change in temporarily restricted net assets before endowment activity</b>	<b>1,622,233</b>	<b>3,760,350</b>
Allocation of investment (gains) losses for endowments	(277,898)	245,430
<b>Change in temporarily restricted net assets</b>	<b>1,344,335</b>	<b>4,005,780</b>
Change in permanently restricted net assets:		
Contributions	60,000	110,500
<b>Change in net assets</b>	<b>1,752,293</b>	<b>3,542,359</b>
Net assets:		
Beginning	16,514,735	12,972,376
Ending	<b>\$ 18,267,028</b>	<b>\$ 16,514,735</b>

See Notes To Financial Statements.

Trout Unlimited, Inc.

Statements Of Changes In Net Assets  
Years Ended September 30, 2010 And 2009

	Unrestricted		Total	Temporarily Restricted	Permanently Restricted	Total
	Undesignated	Designated				
Net assets, September 30, 2008	(256,197)	2,010,439	1,754,242	5,238,788	5,979,346	12,972,376
Change in net assets	(573,921)	-	(573,921)	4,005,780	110,500	3,542,359
Net assets, September 30, 2009	(830,118)	2,010,439	1,180,321	9,244,568	6,089,846	16,514,735
Change in net assets	<b>347,958</b>	-	<b>347,958</b>	<b>1,344,335</b>	<b>60,000</b>	<b>1,752,293</b>
Net assets, September 30, 2010	<b>\$ (482,160)</b>	<b>\$ 2,010,439</b>	<b>\$ 1,528,279</b>	<b>\$ 10,588,903</b>	<b>\$ 6,149,846</b>	<b>\$ 18,267,028</b>

See Notes To Financial Statements.

**Trout Unlimited, Inc.**

**Statement Of Cash Flows**  
**Years Ended September 30, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 1,752,293	\$ 3,542,359
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	170,426	157,763
Donated stock	(68,083)	(146,515)
Unrealized and realized (gains) losses on investments, net	(377,426)	234,849
Contributions restricted for permanent endowment	(60,000)	(110,500)
Increase in:		
Receivables	(1,803,216)	(1,191,940)
Prepaid and other assets	(2,894)	(4,315)
Promises to give	(3,472)	(702,158)
Increase (decrease) in:		
Accounts payable and accrued expenses	647,864	(141,853)
Refundable advances	(67,576)	(56,540)
<b>Net cash provided by operating activities</b>	<b>187,916</b>	<b>1,581,150</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	241,916	1,393,944
Purchases of investments	(323,534)	(1,383,486)
Purchases of property and equipment	(127,029)	(109,411)
<b>Net cash (used in) investing activities</b>	<b>(208,647)</b>	<b>(98,953)</b>
<b>Cash Flows from Financing Activities</b>		
Contributions restricted for permanent endowment	60,000	110,500
<b>Net cash provided by financing activities</b>	<b>60,000</b>	<b>110,500</b>
<b>Net increase in cash</b>	<b>39,269</b>	<b>1,592,697</b>
<b>Cash - Total Operating and The Stewardship Fund</b>		
Beginning	4,708,653	3,115,956
Ending	\$ 4,747,922	\$ 4,708,653
<b>Supplemental Schedule of Noncash Investing and Financing Activities</b>		
Receipt of donated stock	\$ 68,083	\$ 146,515

See Notes To Financial Statements.

## Trout Unlimited, Inc.

### Notes To Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: Trout Unlimited (TU) protects, reconnects and restores North America's trout and salmon and their watersheds. TU is a not-for-profit organization with approximately 140,000 members and supporters in over 400 chapters and councils nationwide. TU also receives government grants that are subject to audit by its oversight agency (largest government funder), the U.S. Department of Interior.

The following program and supporting services are included in the accompanying statements of activities:

Conservation operations: Conservation operations include TU's network of regional offices that conduct regionally-based conservation initiatives. The top three programs in terms of total expenditures for the years ended September 30, 2010 and 2009, are as follows:

- Western Water – Strives to ensure that coldwater streams in the west have flows sufficient for the survival of trout and other wildlife. Total expenditures: \$4,297,911 and \$2,939,048, respectively.
- Sportsman's Conservation Project – Organizes the 50 million Americans who hunt and fish to conserve, protect, and restore America's publicly-owned landscapes. Total expenditures: \$2,027,896 and \$1,784,578, respectively.
- Alaska Project – Organizes the public around the protection of Bristol Bay from the development of a possible goldmine. Total expenditures: \$2,044,665 and \$1,045,393, respectively.

Volunteer operations and chapter support: Volunteer operations is the department responsible for coordinating the activities of chapter operations; providing leadership training and guidance to state councils; and identifying, assessing, and responding to the needs of the various states' volunteer conservation efforts.

This department also provides support to the individual members and chapters. This support takes the form of member/chapter database maintenance, providing mailing labels, providing rosters, fulfilling premiums, and supporting chapter and council leaders in performing their duties.

Communications: The communications department is responsible for educating the public on the importance of trout and salmon watershed conservation. It publishes the quarterly *TROUT* magazine, the monthly *Lines to Leaders* newsletter, and TU's annual report. The communications department is also responsible for other publications, maintaining TU's website, generating press releases, conducting press conferences, and other public relations.

Government affairs: Government affairs deals with legislative and regulatory affairs on both the federal and state levels. During 2010, efforts to safeguard trout and salmon from climate change impacts, and to reduce the negative effects of energy development on trout habitat were areas of focus for the government affairs department. The department also worked to build support for the National Fish Habitat Action Plan, and appropriations for trout and salmon programs.

Fundraising: This supporting service category includes expenditures that provide the structure necessary to encourage and secure private financial support.

Administration: This supporting service category includes the functions necessary to secure the proper administrative functioning of TU's governing board, maintain an appropriate working environment, and manage the financial responsibilities of TU.

## Trout Unlimited, Inc.

### Notes To Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

A summary of TU's significant accounting policies follows:

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: TU reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The Stewardship Fund: The Stewardship Fund consists of cash donated by a third-party to use on watershed restoration projects. This fund had a balance of \$1,289,286 and \$897,066 at September 30, 2010 and 2009, respectively.

Financial risk: TU maintains its cash in bank accounts which, at times, may exceed federally insured limits. TU has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash.

Receivables: Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a quarterly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using the historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Provision for doubtful accounts was \$2,282 at September 30, 2010 and 2009.

Promises to give: Unconditional promises to give are recognized as revenue or gains in the period acknowledged. Conditional promises to give are only recognized when the conditions on which they depend are substantially met. Unconditional promises to give are carried at fair value less an estimate made for doubtful promises based on a review of all outstanding promises on a quarterly basis. Management determines the allowance for doubtful promises by using the historical experience applied to an aging of promises. Promises are written off when deemed uncollectible. There was no provision for doubtful promises based on management's evaluation of the collection of promises at September 30, 2010 and 2009. All promises are expected to be collected in the year ending September 30, 2011.

Investments: Investments are reflected at fair value, which is based on quoted market rates. To adjust the carrying value of investments, unrealized and realized gains and losses are included in the statements of activities as part of investment income.

TU invests in a professionally managed portfolio that contains equities and mutual funds, which invest in stocks and bonds. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Property and equipment: Property and equipment is recorded at cost or at estimated fair value at the date of gift. Donated property is reported as unrestricted support, unless the donor has restricted the donated asset to a specific purpose. Property and equipment purchases greater than \$2,500 are capitalized and depreciated on a straight-line basis over their estimated useful lives.

Trout Unlimited, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Net assets: Net assets at September 30, 2010 and 2009, are as follows:

- *Unrestricted net assets* – Represents unrestricted resources that are available for the support of general operating activities. At September 30, 2010 and 2009, \$2,010,439 was considered board designated for use as a future reserve to assist in covering program costs for the watershed restoration projects.
- *Temporarily restricted net assets* – Represents resources unavailable for use in the current period because of the existence of time and/or purpose restrictions that remain unsatisfied at year-end.
- *Permanently restricted net assets* – Represents resources whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of TU. Earnings on the endowment funds are either temporarily restricted for program and fundraising purposes or are available for operations as specified by the donor.

Restricted and unrestricted support and revenue: Membership contributions and other contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Unconditional promises to give are recognized as support or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Grant revenue is recognized as costs qualified under the grants are incurred. Grant funds received in excess of costs incurred are recorded as refundable advances until earned. Reimbursable grant costs incurred in excess of funds received are recorded as receivables.

Functional allocation of expenses: The costs of providing TU's various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Joint cost allocation: TU regularly communicates to the public and TU members via mailings regarding key issues critical to conserving, protecting, and restoring coldwater fishery habitats. These mailings also include requests for contributions. Included in the costs of the packages that were mailed during the years ended September 30, 2010 and 2009, were \$939,081 and \$893,525, respectively, of joint costs that are not directly attributable to either the program component or the fundraising component of the mailing. Those joint costs are allocated as follows:

	2010	2009
Program	\$ 327,219	\$ 258,567
Fundraising	611,862	634,958
	<u>\$ 939,081</u>	<u>\$ 893,525</u>

**Trout Unlimited, Inc.**

**Notes To Financial Statements**

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**Note 1. Nature Of Activities And Significant Accounting Policies (Continued)**

Income taxes: TU is generally exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, TU qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. TU had no unrelated business income tax liability for the years ended September 30, 2010 and 2009, since TU did not have significant unrelated business income.

On October 1, 2009, TU adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, TU may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated TU's tax positions and concluded that TU had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, TU is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2007.

Use of estimates: The preparation of the financial statements requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events: TU evaluated subsequent events through February 21, 2011, which is the date the financial statements were available to be issued.

**Trout Unlimited, Inc.**

**Notes To Financial Statements**

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**Note 2. Receivables**

Receivables at September 30, 2010 and 2009, are as follows:

	<b>2010</b>	2009
State grants	<b>\$ 2,428,678</b>	\$ 1,394,480
Federal grants	<b>1,829,242</b>	1,268,448
Other	<b>626,843</b>	418,619
	<b>4,884,763</b>	3,081,547
Less provision for doubtful accounts	<b>2,282</b>	2,282
	<b>\$ 4,882,481</b>	\$ 3,079,265

**Note 3. Investments**

Investments at September 30, 2010 and 2009, are as follows:

	<b>2010</b>	2009
Mutual funds – bond	<b>\$ 4,146,486</b>	\$ 3,632,976
Mutual funds – equity	<b>3,588,427</b>	3,596,967
Money market funds	<b>856,602</b>	834,445
	<b>\$ 8,591,515</b>	\$ 8,064,388

Investment income for the years ended September 30, 2010 and 2009, is as follows:

	<b>2010</b>	2009
Interest and dividend income	<b>\$ 194,782</b>	\$ 115,894
Unrealized and realized gains (losses) on investments, net	<b>377,426</b>	(234,849)
	<b>\$ 572,208</b>	\$ (118,955)

**Trout Unlimited, Inc.**

**Notes To Financial Statements**

**Note 4. Fair Value Measurements**

The Fair Value Topic of Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the Fair Value Topic of the Codification as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the Fair Value Topic of the Codification are described below:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, TU performs a detailed analysis of the assets and liabilities that are subject to fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by TU at September 30, 2010 and 2009.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at September 30, 2010 and 2009.

	2010			
	Total	Level 1	Level 2	Level 3
Mutual funds – bonds	\$ 4,146,486	\$ 4,146,486	\$ -	\$ -
Mutual funds – equities	3,588,427	3,588,427	-	-
Money market funds	856,602	856,602	-	-
	<u>\$ 8,591,515</u>	<u>\$ 8,591,515</u>	<u>\$ -</u>	<u>\$ -</u>
	2009			
	Total	Level 1	Level 2	Level 3
Mutual funds – bonds	\$ 3,632,976	\$ 3,632,976	\$ -	\$ -
Mutual funds – equities	3,596,967	3,596,967	-	-
Money market funds	834,445	834,445	-	-
	<u>\$ 8,064,388</u>	<u>\$ 8,064,388</u>	<u>\$ -</u>	<u>\$ -</u>

TU's mutual funds and money market funds are publicly traded on the New York Stock Exchange and are considered Level 1 items.

Trout Unlimited, Inc.

Notes To Financial Statements

**Note 5. Property And Equipment**

Property and equipment and accumulated depreciation at September 30, 2010 and 2009, and depreciation expense for the years ended September 30, 2010 and 2009, are as follows:

Asset Category	Estimated Lives	2010			
		Cost	Accumulated Depreciation	Net	Depreciation Expense
Furniture and equipment	5 – 10 years	\$ 884,409	\$ 532,210	\$ 352,199	\$ 166,923
Leasehold improvements	3 – 10 years	35,029	22,464	12,565	3,503
Land	–	7,801	-	7,801	-
		<u>\$ 927,239</u>	<u>\$ 554,674</u>	<u>\$ 372,565</u>	<u>\$ 170,426</u>

  

Asset Category	Estimated Lives	2009			
		Cost	Accumulated Depreciation	Net	Depreciation Expense
Furniture and equipment	5 – 10 years	\$ 757,380	\$ 365,287	\$ 392,093	\$ 154,260
Leasehold improvements	3 – 10 years	35,029	18,961	16,068	3,503
Land	–	7,801	-	7,801	-
		<u>\$ 800,210</u>	<u>\$ 384,248</u>	<u>\$ 415,962</u>	<u>\$ 157,763</u>

**Note 6. Line Of Credit**

TU maintains a \$500,000, revolving line-of-credit with a bank, with interest based on London Inter-Bank Offered Rate (LIBOR) plus 1.50%. The line is due on demand and expires March 30, 2011. The line of credit is secured by the cash and investments of TU. There were no outstanding balances at September 30, 2010 and 2009.

**Note 7. Operating Leases**

TU has commitments under operating leases for office space and equipment expiring at various times through 2014.

Rent expense relating to the office operating leases for the years ended September 30, 2010 and 2009, was \$645,459 and \$645,575, respectively.

Future minimum rental payments by year and in the aggregate under the operating leases, are as follows:

2011	\$ 238,904
2012	243,506
2013	249,576
2014	126,325
	<u>\$ 858,311</u>

**Note 8. Temporarily Restricted Net Assets**

Temporarily restricted net assets include donor restricted and other funds which are only available for program activities or general support designated for future years. Temporarily restricted net assets of \$13,624,763 and \$9,943,227 were released from restrictions during the years ended September 30, 2010 and 2009, respectively, due to either time restrictions ending or the purpose restrictions being accomplished.

**Trout Unlimited, Inc.**

**Notes To Financial Statements**

**Note 8. Temporarily Restricted Net Assets (Continued)**

Temporarily restricted net assets at September 30, 2010 and 2009, are available for the following programs:

	2010			Balance September 30, 2010
	Balance September 30, 2009	Additions	Releases	
Sportsman's Conservation Project	\$ 3,224,720	\$ 1,664,621	\$ 2,027,896	\$ 2,861,445
Western Water Project	2,297,604	3,901,378	3,405,167	2,793,815
West Branch of Susquehanna Restoration	586,293	650,261	315,373	921,181
Alaska Initiative	698,765	2,183,973	2,067,062	815,676
Chapter Activity	638,179	211,143	205,201	644,121
California – Salmon 2040	374,372	101,215	84,519	391,068
Acid Mine Remediation	158,032	502,233	328,745	331,520
Youth Education	159,556	342,630	217,337	284,849
Upper Connecticut River	125,045	215,586	59,956	280,675
Eastern Land Protection	235,945	158,378	217,122	177,201
Eastern Energy Project	48,794	160,600	32,849	176,545
Musconetcong Restoration	25,388	157,000	49,041	133,347
Maine Forest Practices	32,411	110,000	15,000	127,411
Embrace-a-Stream	75,558	266,176	245,784	95,950
Endowment Investment Activity	55,467	19,739	600	74,606
South Fork of the Snake and Garden Creek	117,472	104,873	161,987	60,358
Bear River Project	5,050	169,001	120,753	53,298
North Coast Coho Restoration	-	681,663	628,659	53,004
Nash Stream	11,632	180,635	144,458	47,809
Kettle Creek	12,874	260,596	226,445	47,025
Rogue River Restoration	-	45,000	4,928	40,072
Deschutes River Restoration	39,631	55,025	62,735	31,921
Shenandoah Restoration	-	37,500	11,790	25,710
Klamath Dam Removal	-	25,000	-	25,000
California Roadless Initiative	33,237	194,877	203,775	24,339
California Golden Trout	19,496	-	346	19,150
Salmon Conservation	27,410	31,050	45,569	12,891
California Water Project	77,322	311,298	378,100	10,520
Chesapeake Bay Conservation	-	15,000	6,382	8,618
Whirling Disease	8,661	75,422	77,422	6,661
Conservation Success Index	67,700	298,325	360,025	6,000
Driftless Area Project	-	1,208,381	1,203,007	5,374
Cub Stream Restoration	44,528	61,250	104,035	1,743
Potomac Headwaters	23,101	231,247	254,348	-
Battenkill Restoration	20,325	-	20,325	-
Clean Water Act Reform	-	8,000	8,000	-
Climate Change	-	4,089	4,089	-
Jefferson River Project	-	4,115	4,115	-
Public Outreach	-	248,055	248,055	-
Penobscott River	-	73,163	73,163	-
	<b>\$ 9,244,568</b>	<b>\$ 14,968,498</b>	<b>\$ 13,624,163</b>	<b>\$ 10,588,903</b>

Trout Unlimited, Inc.

Notes To Financial Statements

Note 8. Temporarily Restricted Net Assets (Continued)

	2009			
	Balance			Balance
	September 30, 2008	Additions	Releases	September 30, 2009
Sportsman's Conservation Project	\$ 978,481	\$ 4,287,531	\$ 2,041,292	\$ 3,224,720
Western Water Project	1,514,949	2,907,050	2,124,395	2,297,604
Alaska Initiative	295,290	1,397,737	994,262	698,765
Chapter Activity	688,095	129,029	178,945	638,179
West Branch of Susquehanna Restoration	547,664	337,350	298,721	586,293
California – Salmon 2040	100,356	435,266	161,250	374,372
Eastern Land Protection	125,010	201,080	90,145	235,945
Youth Education	-	329,695	170,139	159,556
Acid Mine Remediation	187,914	230,809	260,691	158,032
Upper Connecticut River	15,650	132,530	23,135	125,045
South Fork of the Snake and Garden Creek	40,610	252,629	175,767	117,472
California Water Project	15,237	440,925	378,840	77,322
Embrace-a-Stream	178,757	209,337	312,536	75,558
Conservation Success Index	211,805	536,245	680,350	67,700
Endowment Investment Activity	56,194	(127)	600	55,467
Eastern Energy Project	-	48,794	-	48,794
Cub Stream Restoration	2,110	84,890	42,472	44,528
Deschutes River Restoration	-	75,000	35,369	39,631
California Roadless Initiative	104,515	110,900	182,178	33,237
Maine Forest Practices	8,011	25,000	600	32,411
Salmon Conservation	305	109,255	82,150	27,410
Musconetcong Restoration	11,250	54,890	40,752	25,388
Potomac Headwaters	31	217,555	194,485	23,101
Battenkill Restoration	-	20,325	-	20,325
California Golden Trout	21,563	6,586	8,653	19,496
Kettle Creek	15,852	93,286	96,264	12,874
Nash Stream	87,642	-	76,010	11,632
Whirling Disease	22,696	73,330	87,365	8,661
Bear River Project	3,668	20,785	19,403	5,050
Climate Change	-	15,601	15,601	-
Public Outreach	3,534	263,447	266,981	-
Brook Trout	1,599	7,213	8,812	-
North Coast Coho Restoration	-	537,686	537,686	-
Driftless Area Project	-	224,099	224,099	-
Penobscot River	-	68,469	68,469	-
Jefferson River Project	-	59,810	59,810	-
Shenandoah Restoration	-	5,000	5,000	-
	<u>\$ 5,238,788</u>	<u>\$ 13,949,007</u>	<u>\$ 9,943,227</u>	<u>\$ 9,244,568</u>

## Notes To Financial Statements

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### Note 9. Endowments

Interpretation of relevant law: The Board of Trustees of TU has interpreted the Michigan enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, TU classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by TU in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, TU considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Return objective and risk parameters: TU's objective is to earn a respectable, long-term, risk-adjusted total rate of return to support the designated programs. TU recognizes and accepts that pursuing a respectable rate of return involves risk and potential volatility. Over complete market cycles, the goal is to have TU's assets generate a return, net of fees, greater than the benchmark index consisting of a combination of appropriate capital market indexes weighted in the same proportions as TU's asset allocation. To minimize the administrative costs and burdens, TU is currently only invested in publicly traded mutual funds.

#### Spending policies:

CCF Endowment – This endowment is expected by the donors to produce annual investment income that is to be spent to cover the salaries, benefits, and operating budget for TU's Senior Scientist and CCF Director. Given that these expenses exceed a reasonable earnings rate for the size of this endowment, the spending rate of 4% was set for fiscal years ended September 30, 2010 and 2009.

Other Endowments – The earnings from these endowments are available in support of the general operations of TU. The Board of Trustees determines annually the spending rate for these endowments. Due to the current market conditions, the Board of Trustees authorized a 0% spending rate for the fiscal years ended September 30, 2010 and 2009.

Trout Unlimited, Inc.

Notes To Financial Statements

Note 9. Endowments (Continued)

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires TU to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles (GAAP), deficiencies of this nature that are reported in unrestricted net assets were \$396,359 and \$680,737 as of September 30, 2010 and 2009.

TU's endowment funds consist of the following at September 30, 2010 and 2009:

	<b>2010</b>		
	Balance September 30, 2009	Additions	Balance September 30, 2010
CCF Endowment	\$ 4,653,662	\$ 60,000	\$ 4,713,662
Russell Endowment	569,375	-	569,375
Living Brightwater Endowment	447,292	-	447,292
E.T. Teller Endowment	413,717	-	413,717
Restricted Property	5,800	-	5,800
	<u>\$ 6,089,846</u>	<u>\$ 60,000</u>	<u>\$ 6,149,846</u>
	<b>2009</b>		
	Balance September 30, 2008	Additions	Balance September 30, 2009
CCF Endowment	\$ 4,543,162	\$ 110,500	\$ 4,653,662
Russell Endowment	569,375	-	569,375
Living Brightwater Endowment	447,292	-	447,292
E.T. Teller Endowment	413,717	-	413,717
Restricted Property	5,800	-	5,800
	<u>\$ 5,979,346</u>	<u>\$ 110,500</u>	<u>\$ 6,089,846</u>

**Trout Unlimited, Inc.****Notes To Financial Statements****Note 9. Endowments (Continued)**

Endowment fund activity for the years ended September 30, 2010 and 2009, consists of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, as of September 30, 2008	\$ (435,307)	\$ 56,946	\$ 5,979,346	\$ 5,600,985
Investment return:				
Investment income	-	162,649	-	162,649
Net depreciation (realized and unrealized)	(245,430)	(19,569)	-	(264,999)
Total investment return	(245,430)	143,080	-	(102,350)
Contributions	-	-	110,500	110,500
Appropriation of endowment assets for expenditure	-	(138,275)	-	(138,275)
Endowment net assets, as of September 30, 2009	(680,737)	61,751	6,089,846	5,470,860
Investment return:				
Investment income	-	13,259	-	13,259
Net appreciation (depreciation) (realized and unrealized)	277,898	6,480	-	284,378
Total investment return	277,898	19,739	-	297,637
Contributions	-	-	60,000	60,000
Appropriation of endowment assets for expenditure	-	(600)	-	(600)
Endowment net assets, as of September 30, 2010	\$ (402,839)	\$ 80,890	\$ 6,149,846	\$ 5,827,897

**Note 10. Employee Retirement Plans and Self-Insurance Plan**

TU maintains a 403(b) Plan (the Plan) for eligible employees. All employees with at least one year of service are eligible for the Plan. TU is required to contribute 4% of each eligible employee's gross salary to the Plan. TU's pension expense was \$289,793 and \$259,408 for the years ended September 30, 2010 and 2009, respectively.

TU has a 457 supplemental benefit plan, which provides for life insurance benefits for certain executives. At September 30, 2010 and 2009, TU had recorded a receivable of \$147,430 and \$107,057, respectively, which represents the premiums to be reimbursed discounted to present value using a 5% discount rate.

The supplemental benefit plans are funded with endorsement split-dollar insurance policies. In endorsement insurance arrangements, the employer purchases a life insurance policy to insure the life of an employee. The employer enters into a separate agreement with the employee that splits the policy's premium and/or policy benefits between the employer and the employee. The employer owns the insurance policy, controls all rights of ownership, and may terminate the benefits promised to the employee if the employee departs from TU prior to the vesting period of five years.

In September 2010, TU created a self-insured health benefit plan for its employees. Under the plan, TU has a coverage maximum of \$100,000 per diagnosis. TU is insured for claims in excess of that coverage. At September 30, 2010, TU had reserves of approximately \$82,998 for health benefits payable under the plan which are included in accounts payable and accrued expenses on the balance sheet.

**Trout Unlimited, Inc.**

**Notes To Financial Statements**

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**Note 11. Contingencies**

Federal awards: TU participates in a number of federally-assisted grant programs, which are subject to financial and compliance audits by the federal agencies or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such an audit. Management does not anticipate any significant adjustments as a result of such an audit.

**Note 12. Concentration Of Revenue**

During the years ended September 30, 2010 and 2009, 11% of TU's revenue was derived from grants from the U.S. Government.