

**TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA**

FINANCIAL STATEMENTS

DECEMBER 31, 2017

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
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INDEPENDENT AUDITOR'S REPORT

**To: The Members of
TROUT UNLIMITED CANADA - TRUITE ILLIMITÉE CANADA**

Report on the Financial Statements

We have audited the accompanying financial statements of Trout Unlimited Canada - Truite Illimitée Canada, which comprise the financial position as at December 31, 2017, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT, continued

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from fundraising dinners, membership fees and corporate and individual donations in cash or in-kind, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues and related expenditures was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to revenue, expenditures, deficiency of revenue over expenditures, assets and fund balances.

Qualified Opinion

In our opinion, except for the possible effects of the matter above, the financial statements present fairly, in all material respects, the financial position of Trout Unlimited Canada - Truite Illimitée Canada as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

**CALGARY, ALBERTA
MAY 2, 2018**


**CHARTERED PROFESSIONAL
ACCOUNTANTS**

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash	\$ 61,123	\$ -
Accounts receivable	35,636	14,497
Goods and services tax receivable	2,302	8,547
Prepaid expenditures	37,383	33,126
Inventory	82,540	176,478
	218,984	232,648
Capital assets (Notes 3 and 6)	342,950	344,090
	\$ 561,934	\$ 576,738
Liabilities and fund balances		
Current liabilities		
Cheques written in excess of deposits	\$ -	\$ 15,651
Accounts payable and accrued liabilities	258,994	307,032
Operating loan (Note 4)	250,000	270,000
Deferred contributions	28,600	14,125
	537,594	606,808
Fund balances		
Gapen Pool land contributions (Note 6)	228,000	228,000
Internally restricted (Note 9)	70,000	70,000
Unrestricted	(273,660)	(328,070)
	24,340	(30,070)
	\$ 561,934	\$ 576,738
Commitments (Note 11)		

Approved on behalf of the Board

 C.E.O

 Chairman of the Board

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Project Fund	2017 Total	2016 Total
Revenue				
Donation and grant income (Note 5)	\$ 194,709	\$ 849,073	\$ 1,043,782	\$1,091,166
Dinner revenue	490,790	-	490,790	659,498
Casino revenue and other	86,516	-	86,516	4,738
Memberships	-	-	-	40
	<u>772,015</u>	<u>849,073</u>	<u>1,621,088</u>	<u>1,755,442</u>
Expenditures				
Resource expenditures (Schedule 1)	453,563	867,522	1,321,085	1,427,437
Dinner expenditures	245,593	-	245,593	353,558
	<u>699,156</u>	<u>867,522</u>	<u>1,566,678</u>	<u>1,780,995</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 72,859</u>	<u>\$ (18,449)</u>	<u>\$ 54,410</u>	<u>\$ (25,553)</u>

The accompanying notes are an integral part of these financial statements

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Project Fund	2017	2016
Balance, beginning of year	\$ (30,070)	\$ -	\$ (30,070)	\$ (4,517)
Excess (deficiencies) of revenues over expenditures	72,859	(18,449)	54,410	(25,553)
Interfund transfers (Note 8)	(18,449)	18,449	-	-
Balance, end of year	<u>\$ 24,340</u>	<u>\$ -</u>	<u>\$ 24,340</u>	<u>\$ (30,070)</u>

The accompanying notes are an integral part of these financial statements

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
Cash flows from operating activities		
Excess (deficiency) of revenues over expenditures	\$ 54,410	\$ (25,553)
Adjustment for		
Amortization	1,140	1,140
	55,550	(24,413)
Change in non-cash working capital items		
Accounts receivable	(21,139)	21,529
Goods and services tax	6,245	247
Prepaid expenditures	(4,257)	(6,669)
Inventory	93,938	(114,214)
Accounts payable and accrued liabilities	(48,038)	(64,110)
Deferred contributions	14,475	(7,475)
	96,774	(195,105)
Cash flows from financing activity		
Advance (repayment) of operating loan	(20,000)	175,000
Increase (decrease) in cash	76,774	(20,105)
Cash (cheques written in excess of deposits), beginning of year	(15,651)	4,454
Cash (cheques written in excess of deposits), end of year	\$ 61,123	\$ (15,651)

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

1. **Nature of operations**

Trout Unlimited Canada – Truite Illimitée Canada (the “Organization”) is a not-for-profit organization dedicated to conserving, protecting and restoring Canada’s fresh water ecosystems and their coldwater resources for current and future generations. The Organization is incorporated under the Canada Business Corporations Act as a not-for-profit organization and is a registered charitable organization under Section 149(1)(f) of the Income Tax Act and, accordingly, is exempt from income taxes. Therefore, no provision for income taxes is recorded in the financial statements.

2. **Significant accounting policies**

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) **Cash**

Cash consists of balances with financial institution, net of cheques not cashed.

(b) **Financial instruments**

(i) **Measurement of financial instruments**

The Organization initially measures its financial assets and financial liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Organization subsequently measures its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include cheques written in excess of deposits, accounts payable and accrued liabilities, operating loan and operating lease commitments.

The Organization has not designated any financial asset or financial liability to be measured at fair value.

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

2. **Significant accounting policies, continued**

(b) **Financial instruments, continued**

(ii) **Impairment**

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

(c) **Measurement uncertainty**

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Significant areas requiring the use of estimates include: estimated useful lives of capital assets and inventory valuation. Actual results may differ from management's best estimates as additional information becomes available in the future.

(d) **Fund accounting**

The General Fund accounts for the Organization's program delivery and administrative activities. This fund reports unrestricted resources.

The Project Fund reports all the revenues and expenditures of the special projects operated by the Organization. Additional projects which are conducted by individual chapters are not recognized in these financial statements. This fund reports externally and internally restricted resources designated to cover the operating costs of the various special projects. In 2017, excess funds were transferred from the General Fund to the Project Fund. See Note 8.

(e) **Capital assets**

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the assets estimated useful lives, being five years.

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

2. **Significant accounting policies, continued**

(f) **Impairment of long-lived assets**

The Organization tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

(g) **Deferred contributions related to capital assets**

Contributed capital assets and amounts externally restricted for capital purposes are credited to deferred contributions related to capital assets when received or receivable and taken into income each year in proportion to the annual amortization of the related assets for which the capital contributions were expended.

(h) **Inventory**

Purchased inventory is valued at the lower of cost or net realizable value, with cost being the specific item method. Net realizable value is the estimated selling price in the ordinary course of operations, less any applicable selling costs.

Contributed materials are recorded at the estimated fair value at the date of contribution. If the item is brought into inventory for use at an organization dinner, the inventory value is immediately adjusted as follows:

Retail value exceeds \$250; item discounted by 50%
Retail value less than \$250; item discounted by 35%

(i) **Revenue recognition**

The Organization follows the restricted fund method of accounting for contributions. Restricted contributions relating to the general operations are recognized as revenue of the General Fund in the year in which the related expenditure occurs. Restricted contributions relating to the Project Fund are recognized as revenue in the project fund in the year received or when receivable if the amount can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or when receivable if the amount can be reasonably estimated and collection is reasonably assured. Unrestricted funds are allocated to the Project Fund at the discretion of management.

Deferred contributions relates to dinner revenue for the subsequent year received before year end.

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

2. **Significant accounting policies, continued**

(j) **Allocated expenses**

The Organization engages in education, fundraising, and conservation activities. The costs of each activity consist of salaries and consulting expenses directly related to the activity.

The Organization allocates certain of its salary, consulting and rent expenses by identifying the appropriate basis of allocating each component expense, and applies that basis consistently each year.

Management and administration salaries, and consulting expenses are allocated proportionately, based on an estimate of time spent on the activity.

(k) **Contributed services**

A substantial number of volunteers contribute a significant amount of time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(l) **Affiliates**

Chapters operate under bylaws and affiliation agreements of the Organization.

The Organization issues all income tax receipts and provides certain umbrella insurance coverage for, and on behalf of, all chapters.

Chapters maintain their own Board of Directors and are responsible for their own finances, management and projects. Accordingly, the chapters' assets, liabilities, revenues and expenditures are not included in these financial statements.

3. **Capital assets**

	2017		2016	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 342,000	\$ -	\$ 342,000	\$ 342,000
Computer equipment	5,699	4,749	950	2,090
	\$ 347,699	\$ 4,749	\$ 342,950	\$ 344,090

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

4. **Operating loan**

The Organization has a revolving demand loan authorized to a maximum of \$250,000, bearing interest at a rate of prime plus 2%. The loan is secured by a general security agreement detailing a first ranking security interest in all property of the Organization. There are no financial covenants. As at December 31, 2017, the operating loan had \$250,000 outstanding on this facility.

5. **Unexpended grants**

Unexpended grants represent the portion of corporate sponsorships, government grants and private donations for specific projects which have not been fully expended during the year. These unexpended sponsorships, grants and donations are recognized as revenue in the year received or when receivable if the amount can be reasonably estimated and collection is reasonably assured. As at December 31, 2017 there were unexpended grants of \$313,000 included in the Project Fund revenue.

6. **Gapen Pool land contributions**

Contributions relate to money raised from government and community donors for the purchase of the Gapen Pool land in 2007. The Gapen Pool land has a carrying value of \$298,000.

7. **Related party transactions**

The Organization, in conjunction with many of the chapters, held fundraising dinners during the year. The Organization helps with the planning and organization of the dinners held by the chapters.

There were no amounts owed from other chapters at December 31, 2017.

8. **Interfund transfers**

During the year, \$18,449 was transferred from the General Fund to the Project Fund.

9. **Internally restricted**

Internally restricted funds consist of \$70,000 related to the Gapen Pool land acquisitions in Note 6.

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

10. **Allocation of expenses**

Salaries and consulting expenses have been allocated as follows:

	2017	2016
Education		
Consulting	\$ 22,601	\$ 20,888
Administration salary	48,568	48,415
Management salary	31,100	29,045
Fundraising		
Management salary	31,100	29,045
Consulting	16,951	15,666
Conservation		
Administration salary	97,136	96,831
Management salary	31,100	29,045
Consulting	16,951	15,666
	\$ 295,507	\$ 284,601

11. **Commitments**

The Organization is committed under an occupancy lease on premises for future minimum rental payments exclusive of occupancy costs, as well as monthly payments for two vehicles under lease, as follows:

2018	\$ 164,913
2019	158,427
2020	119,047
2021	89,964
2022	59,078
	\$ 591,429

Effective July 1, 2017, the Organization sublet one of the premised leases. The sublease expires in August 2020. The amount received from the sublease has been netted against rent expense.

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

12. Financial instruments

The Organization is exposed to various financial risks through transactions in financial instruments. The following provides helpful information in assessing the extent of the Organization's exposure to these risks.

(a) Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its operating loan, accounts payable and accrued liabilities and operating lease commitments.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its floating interest rate financial instrument. Floating rate financial instruments subject the Organization to a cash flow risk.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization's main credit risk relates to its accounts receivable.

Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant currency risk or other price risks arising from these financial instruments.

13. Additional information to comply with the Charitable Foundation Act and Regulations

Gross contributions received were \$1,621,088.

Gross contributions received were used in accordance with the internal and external restrictions imposed by the donor's request and the Organization's disbursement policies. Undesignated donations are allocated for use by the Board of Directors of the Organization.

All expenditures incurred, direct and indirectly, for the purpose of soliciting contributions were \$302,409. No remuneration was paid for fundraising activities.

14. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
SCHEDULE 1
SCHEDULE OF RESOURCE EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Project Fund	2017	2016
Resource expenditures				
Conservation	\$ -	\$ 867,522	\$ 867,522	\$ 894,190
Education, communications memberships/council/chapter support	113,390	-	113,390	98,599
Fundraising - special events	56,816	-	56,816	44,711
Amortization	1,140	-	1,140	1,140
	<u>171,346</u>	<u>867,522</u>	<u>1,038,868</u>	<u>1,038,640</u>
Support services				
Rent (Note 11)	20,117	-	20,117	136,066
Other direct costs	69,206	-	69,206	61,610
Salaries	80,139	-	80,139	77,710
Office	61,081	-	61,081	52,983
Professional fees	27,768	-	27,768	36,285
Insurance	13,687	-	13,687	13,168
Travel	10,219	-	10,219	10,975
	<u>282,217</u>	<u>-</u>	<u>282,217</u>	<u>388,797</u>
	<u>\$ 453,563</u>	<u>\$ 867,522</u>	<u>\$ 1,321,085</u>	<u>\$ 1,427,437</u>

The accompanying notes are an integral part of these financial statements