

**TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA**

FINANCIAL STATEMENTS

DECEMBER 31, 2016

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Trout Unlimited Canada - Truite Illimitée Canada, which comprise the statement of financial position as at December 31, 2016, and the statement 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, 2016 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.

Catalyst LLP

**CALGARY, ALBERTA
JUNE 21, 2017**

**CHARTERED PROFESSIONAL
ACCOUNTANTS**

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

	2016	2015
Assets		
Current assets		
Cash	\$ -	\$ 4,454
Accounts receivable	14,497	36,027
Goods and services tax receivable	8,547	8,794
Prepaid expenditures	33,126	26,457
Inventory	176,478	62,264
	232,648	137,996
Capital assets (Notes 3 and 6)	344,090	345,229
	\$ 576,738	\$ 483,225
Liabilities and fund balances		
Current liabilities		
Cheques issued in excess of deposits	\$ 15,651	\$ -
Accounts payable and accrued liabilities	307,032	371,142
Operating loan (Note 4)	270,000	95,000
Deferred contributions	14,125	21,600
	606,808	487,742
Fund balances		
Gapen Pool land contributions (Note 6)	228,000	228,000
Unrestricted	(328,070)	(302,517)
Internally restricted (Note 10)	70,000	70,000
	(30,070)	(4,517)
	\$ 576,738	\$ 483,225

Commitments (Note 7)

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, 2016

	General Fund	Project Fund	2016	2015
Revenue				
Donation and grant income (Note 5)	\$ 273,661	\$ 817,505	\$ 1,091,166	\$ 992,355
Dinner revenue	659,498	-	659,498	737,324
Casino revenue and other	4,738	-	4,738	101,239
Memberships	40	-	40	33,662
	<u>937,937</u>	<u>817,505</u>	<u>1,755,442</u>	<u>1,864,580</u>
Expenditures				
Resource expenditures (Schedule 1)	533,247	894,190	1,427,437	1,753,036
Dinner expenditures	353,558	-	353,558	458,611
	<u>886,805</u>	<u>894,190</u>	<u>1,780,995</u>	<u>2,211,647</u>
Deficiency of revenues over expenditures	<u>\$ 51,132</u>	<u>\$ (76,685)</u>	<u>\$ (25,553)</u>	<u>\$ (347,067)</u>

The accompanying notes are an integral part of the financial statements

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
STATEMENT OF CHANGES IN FUND BALANCES
DECEMBER 31, 2016

	General Fund	Project Fund	2016	2015
Balance, beginning of year	\$ (4,517)	\$ -	\$ (4,517)	\$ 342,550
Deficiencies of revenues over expenditures	51,132	(76,685)	(25,553)	(347,067)
Interfund transfers (Note 9)	(76,685)	76,685	-	-
Balance, end of year	<u>\$ (30,070)</u>	<u>\$ -</u>	<u>\$ (30,070)</u>	<u>\$ (4,517)</u>

The accompanying notes are an integral part of the financial statements

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
Cash flows from operating activities		
Deficiency of revenues over expenditures	\$ (25,553)	\$ (347,067)
Adjustment for		
Amortization	1,140	1,140
	(24,413)	(345,927)
Change in non-cash working capital items		
Accounts receivable	21,529	(30,334)
Prepaid expenditures	(6,669)	(10,902)
Inventory	(114,214)	55,802
Accounts payable and accrued liabilities	(64,110)	200,960
Goods and services tax	247	4,012
Deferred contributions	(7,475)	21,600
	(195,105)	(104,789)
Cash flows from investing activity		
Purchase of capital assets	-	(687)
Cash flows from financing activities		
Advance of operating loan	175,000	95,000
Decrease in cash	(20,105)	(10,476)
Cash, beginning of year	4,454	14,930
Cash (cheques issued in excess of deposits), end of year	\$ (15,651)	\$ 4,454

The accompanying notes are an integral part of the financial statements

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 and cheques written in excess of deposits is defined as cash on hand and cash on deposit, net of cheques issued and outstanding at the report date.

(b) Financial instruments

(i) Measurement of financial instruments

The Organization initially measures its financial assets and 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 all 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, 2016

2. Significant accounting policies, 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 2016, excess funds were transferred from the General Fund to the Project Fund. See Note 9.

(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, 2016

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 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, 2016

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 and consulting 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.

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

3. Capital assets

	Cost	Accumulated amortization	2016 Net Book Value	2015 Net Book Value
Land	\$ 342,000	\$ -	\$ 342,000	\$ 342,000
Computer equipment	5,699	3,609	2,090	3,229
	<u>\$ 347,699</u>	<u>\$ 3,609</u>	<u>\$ 344,090</u>	<u>\$ 345,229</u>

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 bank authorized a short-term increase to a maximum of \$300,000 to January 31, 2017. 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, 2016, the operating loan had \$270,000 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, 2016 there were unexpended grants of \$180,000 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. Commitments

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

2017	\$ 142,251
2018	142,251
2019	132,940
2020	64,800

**TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

8. 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 was no amounts owed from other chapters at December 31, 2016.

9. Interfund transfers

During the year, \$76,685 was transferred to the Project Fund from the General Fund.

10. Internally restricted funds

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

11. Allocation of expenses

Salaries and consulting expenses have been allocated as follows:

	2016	2015
Education		
Consulting	\$ 20,888	\$ 22,915
Administration salary	48,415	53,043
Management salary	29,045	29,045
Fundraising		
Management salary	29,045	29,045
Consulting	15,666	17,186
Conservation		
Administration salary	96,831	106,085
Management salary	29,045	29,045
Consulting	15,666	17,186
Total allocated expenses	\$ 284,601	\$ 303,550

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 line, 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 Company'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 \$1,755,442.

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 \$398,269. No remuneration was paid for fundraising activities.

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016

	General Fund	Project Fund	2016	2015
Resource expenditures				
Conservation	\$ -	\$ 894,190	\$ 894,190	\$ 1,104,778
Education, communications, memberships/council/chapter support	98,599	-	98,599	105,003
Fundraising - special events	44,711	-	44,711	46,231
Amortization	1,140	-	1,140	1,140
	<u>144,450</u>	<u>894,190</u>	<u>1,038,640</u>	<u>1,257,152</u>
Support services				
Rent	136,066	-	136,066	135,308
Other direct costs	61,610	-	61,610	125,767
Salaries	77,710	-	77,710	82,088
Office	52,983	-	52,983	63,560
Professional fees	36,285	-	36,285	60,260
Insurance	13,168	-	13,168	15,265
Travel	10,975	-	10,975	13,636
	<u>388,797</u>	<u>-</u>	<u>388,797</u>	<u>495,884</u>
	<u>\$ 533,247</u>	<u>\$ 894,190</u>	<u>\$ 1,427,437</u>	<u>\$ 1,753,036</u>