

**TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA**

FINANCIAL STATEMENTS

DECEMBER 31, 2012

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
TABLE OF CONTENTS
DECEMBER 31, 2012

	Page
Auditor's Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Operations	5
Statement of Changes in Fund Balances	6
Statement of Cash Flows	7
Notes to the Financial Statements	8
Schedule of Resource Expenditures	15
Schedule of Unexpended Grants	16

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, which comprise the statements of financial positions as at December 31, 2012, December 31, 2011 and January 1, 2011, and the statements of operations, changes in fund balances and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 audits 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 organized by independent chapters, 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 as at December 31, 2012, December 31, 2011 and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Catalyst LLP

**CALGARY, ALBERTA
APRIL 15, 2013**

ACCOUNTANTS

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

	General Fund 2012	Project Fund 2012	December 31 2012	December 31 2011	January 1 2011 (Note 3)
Assets					
Current assets					
Cash	\$ -	\$ 570	\$ 570	\$ 32,721	\$ 595
Accounts receivable	1,915	60,000	61,915	76,738	196,933
GST receivable	50,842	-	50,842	11,011	9,427
Prepaid expenses	9,078	-	9,078	15,766	14,677
Inventory	55,776	-	55,776	77,058	80,028
Due from project fund	46,814	-	46,814	28,075	61,839
	<u>164,425</u>	<u>60,570</u>	<u>224,995</u>	<u>241,369</u>	<u>363,499</u>
Capital assets (Note 4)	44,000	298,000	342,000	351,170	378,342
	<u>\$ 208,425</u>	<u>\$ 358,570</u>	<u>\$ 566,995</u>	<u>\$ 592,539</u>	<u>\$ 741,841</u>

The accompanying notes are an integral part of the financial statements

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

	General Fund 2012	Project Fund 2012	December 31 2012	December 31 2011	January 1 2011 (Note 3)
Liabilities and fund balances					
Current liabilities					
Cheques issued in excess of deposits	\$ 15,147	\$ -	\$ 15,147	\$ -	\$ 99,390
Accounts payable and accrued liabilities (Note 9)	170,047	-	170,047	194,635	257,444
Operating loan	110,000	-	110,000	-	20,000
Due to general fund	-	46,814	46,814	28,075	61,839
	295,194	46,814	342,008	222,710	438,673
Deferred contributions	-	-	-	-	2,500
	295,194	46,814	342,008	222,710	441,173
Fund Balances					
Open Pool land contributions (Note 7)	-	228,000	228,000	228,000	228,000
Unrestricted	(86,769)	-	(86,769)	141,829	72,668
Internally restricted (Note 11)	-	83,756	83,756	-	-
	(86,769)	311,756	224,987	369,829	300,668
	\$ 208,425	\$ 358,570	\$ 566,995	\$ 592,539	\$ 741,841

Approved on behalf of the board

Director _____

Director _____

The accompanying notes are an integral part of the financial statements

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Project Fund	2012	2011
Revenue				
Dinner donations	\$ 1,152,272	\$ -	\$ 1,152,272	\$ 1,088,252
Donation and grant income (Note 6 and 9)	589,439	393,557	982,996	1,402,721
Memberships	30,419	-	30,419	29,570
Interest and other	218	-	218	7,211
	<u>1,772,348</u>	<u>393,557</u>	<u>2,165,905</u>	<u>2,527,754</u>
Expenditures				
Resource expenditures - (Schedule 1)	859,861	865,589	1,725,450	1,831,337
Dinner expenditures	624,017	-	624,017	616,756
Excess (deficiency) before other expenditures	<u>288,470</u>	<u>(472,032)</u>	<u>(183,562)</u>	<u>79,661</u>
Other expenditures				
Loss on sale of capital asset	-	-	-	10,500
Forgiveness of Bow River chapter payable	(38,720)	-	(38,720)	-
	<u>(38,720)</u>	<u>-</u>	<u>(38,720)</u>	<u>10,500</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 327,190</u>	<u>\$ (472,032)</u>	<u>\$ (144,842)</u>	<u>\$ 69,161</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, 2012

	General Fund	Project Fund (Note 11)	December 31 2012	December 31 2011	January 1 2011 (Note 3)
Balance, beginning of year	\$ 58,073	\$ 311,756	\$ 369,829	\$ 300,668	\$ 300,668
Excess (deficiency) of revenues over expenditures	327,190	(472,032)	(144,842)	69,161	-
Interfund transfers (Note 10)	(472,032)	472,032	-	-	-
Balance, end of year	<u>\$ (86,769)</u>	<u>\$ 311,756</u>	<u>\$ 224,987</u>	<u>\$ 369,829</u>	<u>\$ 300,668</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, 2012

	General Fund	Project Fund	2012	2011
Cash flows from operating activities				
Excess (deficiency) of revenues over expenditures	\$ 327,190	\$ (472,032)	\$ (144,842)	\$ 69,161
Adjustments for				
Amortization	9,170	-	9,170	8,938
Interfund transfers	(472,032)	472,032	-	-
Loss on sale of capital asset	-	-	-	10,500
	(135,672)	-	(135,672)	88,599
Change in non-cash working capital items				
Accounts receivable	33,523	(18,698)	14,823	120,195
Prepaid expenses	6,688	-	6,688	(1,089)
Inventory	21,282	-	21,282	2,970
Due from project fund	(18,739)	-	(18,739)	33,764
Accounts payable and accrued liabilities	(24,590)	-	(24,588)	(62,809)
GST receivable	(39,831)	-	(39,831)	(1,584)
Due to general fund	-	18,739	18,739	(33,764)
Deferred contributions	-	-	-	(2,500)
	(157,339)	41	(157,298)	143,782
Cash flows from investing activities				
Purchase of capital assets	-	-	-	(2,266)
Proceeds on disposal of capital assets	-	-	-	10,000
	(157,339)	41	(157,298)	151,516
Cash flows from financing activity				
Advance (repayment) of operating loan	110,000	-	110,000	(20,000)
Increase (decrease) in cash	(47,339)	41	(47,298)	131,516
Cash (cheques issued in excess of deposits), beginning of year	32,192	529	32,721	(98,795)
Cash (cheques issued in excess of deposits), end of year	\$ (15,147)	\$ 570	\$ (14,577)	\$ 32,721

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, 2012

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 cold water 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) Financial instruments

(i) Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, accounts receivable and due from Project Fund.

Financial liabilities measured at amortized cost include cheques issued in excess of deposits, accounts payable and accrued liabilities, operating loan, due to General Fund and operating lease commitments.

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

(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.

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

2. Significant accounting policies, continued

(b) 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 amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary they are reported in income in the period in which they become known.

(c) 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.

(d) 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.

(e) 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.

(f) 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 estimate 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%

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

2. Significant accounting policies, continued

(g) Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenditures are incurred. Internally restricted funds can be allocated amongst projects at management's discretion.

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

Investment income earned on Project Fund resources is recognized as revenue of the General Fund.

(h) 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.

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

2. Significant accounting policies, continued

(i) Regional councils and chapters

Regional councils and 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 regional councils and chapters.

Regional councils and chapters maintain their own Board of Directors and are responsible for their own finances, management and projects. Accordingly, the councils' and chapters' assets, liabilities, revenues and expenditures are not included in the financial statements, except as disclosed in Note 9.

3. Impact of change in basis of accounting

The Organization has elected to apply the Canadian accounting standards for not-for-profit organizations.

These financial statements are the first financial statements for which the Organization has applied Canadian accounting standards for not-for-profit organizations hereafter referred to as "ASNFPPO".

The financial statements for the years ended December 31, 2012, December 31, 2011 and January 1, 2011 were prepared in accordance with the accounting principles and provisions set out in FIRST-TIME ADOPTION, Section 1501, for first-time adopters of this basis of accounting.

The impact of adopting these standards has not resulted in changes to the opening fund balances.

4. Capital assets

	General Fund	Project Fund	December 31 2012	December 31 2011
Land	\$ 44,000	\$ 298,000	\$ 342,000	\$ 342,000
Computer equipment	-	-	-	8,533
Equipment	-	-	-	506
Furniture and fixtures	-	-	-	131
	<u>\$ 44,000</u>	<u>\$ 298,000</u>	<u>\$ 342,000</u>	<u>\$ 351,170</u>

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

5. 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 rate in effect at December 31, 2012 was 5.00%. The loan is secured by a general security agreement detailing a first ranking security interest in all personal property of Borrower. There are no financial covenants. At year end the operating loan had a at a balance of \$110,000 (2011 - \$ nil).

6. 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 when the costs of the project are incurred. A negative end of year balance means that the Organization has spent more on a particular project that has been covered by designated grant funds. A summary of the unexpended grants is in Schedule 2.

7. 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.

8. Lease commitments

The Organization is committed under a lease on premises for future minimum rental payments exclusive of occupancy costs, as well as monthly payments for one vehicle under lease and a telephone maintenance agreement, as follows:

2013	\$	49,063
2014		46,803
2015		30,800

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

9. 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 and, in return, receives half of the net receipts from the dinners.

Included in accounts payable and accrued liabilities are \$25,332 (2011 - \$38,720) to chapters and regional councils.

Included in grant revenue is \$100,000 (2011 - \$ nil) from a foundation of a board member.

10. Interfund transfers

During the year, \$472,032 (2011 - \$38,000) was allocated to the unrestricted Project Fund to cover additional expenditures for the year.

11. Internally restricted funds

In the unrestricted Project Fund, \$83,756 (2011 - \$83,756) consists of internally restricted funds related to the Cold Water Conservation Fund.

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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) 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. The majority of accounts receivable relates to donation revenue where management has received confirmation of donation.

(b) 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 accounts payable and accrued liabilities, operating loan and operating lease commitments.

(c) 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.

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.

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
SCHEDULE 1
SCHEDULE OF RESOURCE EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund [note 2c]	Project Fund [note 2c]	2012	2011
Conservation	\$ 178,388	\$ 865,589	\$ 1,043,977	\$ 1,270,718
Education, communications, memberships/council/chapter support	186,202	-	186,202	175,180
Fundraising - special events	41,804	-	41,804	40,875
Amortization	9,170	-	9,170	8,938
	<u>415,564</u>	<u>865,589</u>	<u>1,281,153</u>	<u>1,495,711</u>
Support services				
Salaries	105,037	-	105,037	79,567
Rent	94,861	-	94,861	76,684
Other direct costs	86,497	-	86,497	73,338
Travel	68,557	-	68,557	28,227
Office	62,961	-	62,961	56,228
Insurance	14,558	-	14,558	15,342
Professional fees	11,826	-	11,826	6,240
	<u>444,297</u>	<u>-</u>	<u>444,297</u>	<u>335,626</u>
	<u>\$ 859,861</u>	<u>\$ 865,589</u>	<u>\$ 1,725,450</u>	<u>\$ 1,831,337</u>

TROUT UNLIMITED CANADA
TRUITE ILLIMITÉE CANADA
SCHEDULE 2
SCHEDULE OF UNEXPENDED GRANTS FOR THE PROJECT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Bronte Creek	Drywood Creek	Duffins Creek	Qualicum Bay	Yellow Fish Road	Other Projects	2012	2011
Balance, beginning of year	\$ (75,283)	\$ 67,592	\$ 109,243	\$ 40,854	\$ 79,871	\$ (222,277)	-	\$ -
Add: Grants and sponsorships received during the year	23,250	82,914	8,000	6,000	31,363	242,030	393,557	1,104,371
Less: Expenditures incurred during the year	(152,584)	(29,831)	(64,478)	(26,027)	(121,415)	(471,254)	(865,589)	(1,142,371)
Interfund transfer	204,617	-	-	-	-	267,415	472,032	38,000
Balance, end of year	\$ -	\$ 120,675	\$ 52,765	\$ 20,827	\$ (10,181)	\$ (184,086)	-	\$ -