

Financial Statements of

**ATLANTIC SALMON
FEDERATION (U.S.), INC.**

Year ended September 30, 2017



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INDEPENDENT AUDITORS' REPORT

To the Directors of Atlantic Salmon Federation (U.S.), Inc.

We have audited the accompanying financial statements of Atlantic Salmon Federation (U.S.), Inc., which comprise the statement of financial position as at September 30, 2017, the related statements of activities and cash flows for the year then ended, and notes, comprising 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 United States generally accepted accounting principles, 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.

Auditors' 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 our 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, we consider internal control relevant to the entity'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 entity'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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Atlantic Salmon Federation (U.S.), Inc. as at September 30, 2017, and its results of operations and its cash flows for the year then ended in accordance with United States generally accepted accounting principles.

Chartered Professional Accountants
Fredericton, Canada

January 16, 2018

ATLANTIC SALMON FEDERATION (U.S.), INC.

Statement of Financial Position

September 30, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 848,751	\$ 694,120
Currency forward exchange contracts (note 7)	96,731	3,287
Accounts receivable	193,722	228,964
Unconditional promises to give (note 3)	85,000	60,000
Prepaid expenses	166,615	137,907
	1,390,819	1,124,278
Long-term unconditional promises to give (note 3)	69,821	100,680
Investments (note 4)	13,115,700	12,044,016
Property, plant and equipment, net (note 5)	559,840	549,396
	\$ 15,136,180	\$ 13,818,370
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 96,702	\$ 131,244
Deferred revenue (note 8)	302,145	346,928
Payable to ASF (Canada) (note 9)	326,754	415,135
	725,601	893,307
Long-term forward exchange contracts (note 7)	-	5,570
Net assets:		
Unrestricted:		
Operating	90,815	224,616
Board designated	10,341,575	9,444,103
Property, plant and equipment	559,840	549,396
Total unrestricted	10,992,230	10,218,115
Temporarily restricted net assets (note 10)	832,644	429,934
Permanently restricted net assets (note 11)	2,585,705	2,271,444
	14,410,579	12,919,493
	\$ 15,136,180	\$ 13,818,370

See accompanying notes to the financial statements.

On behalf of the Board:

Director

Director

ATLANTIC SALMON FEDERATION (U.S.), INC.

Statement of Activities

Year ended September 30, 2017, with comparative information for 2016

	Unrestricted	Temporarily restricted	Permanently restricted	2017 Total	2016 Total
Revenues:					
Membership	\$ 76,972	\$ -	\$ -	\$ 76,972	\$ 73,142
Development and annual giving	731,113	-	-	731,113	908,129
Other contributions	-	1,214,880	314,255	1,529,135	895,672
Dinners and raffles	1,065,693	-	-	1,065,693	1,202,812
Investment income (note 4)	390,668	1,500	6	392,174	479,665
Realized gain (loss) on sale of investments (note 4)	248,833	-	-	248,833	(32,326)
Unrealized gain on investments (note 4)	712,886	-	-	712,886	1,101,596
Unrealized gain on financial derivatives	99,014	-	-	99,014	183,375
Gain (loss) on foreign exchange fluctuation	9,007	-	-	9,007	(154,412)
Miscellaneous	46,839	-	-	46,839	31,093
Net assets released in satisfaction of restrictions (note 10)	813,670	(813,670)	-	-	-
	4,194,695	402,710	314,261	4,911,666	4,688,746
Expenses and other deductions:					
Conservation programs:					
General	562,813	-	-	562,813	928,862
Regional programs	120,295	-	-	120,295	146,209
U.S. Operations	210,499	-	-	210,499	201,452
	893,607	-	-	893,607	1,276,523
Education programs	3,000	-	-	3,000	3,265
Research programs	240,619	-	-	240,619	117,000
Dinners and raffles	305,284	-	-	305,284	385,282
Administration	20,671	-	-	20,671	36,513
Development	-	-	-	-	84,537
Facilities	91,216	-	-	91,216	86,968
Contributions to ASF (Canada) (note 9)	1,866,183	-	-	1,866,183	1,695,485
	3,420,580	-	-	3,420,580	3,685,573
Excess of revenues over expenses	774,115	402,710	314,261	1,491,086	1,003,173
Net assets, beginning of year	10,218,115	429,934	2,271,444	12,919,493	11,916,320
Net assets, end of year	\$ 10,992,230	\$ 832,644	\$ 2,585,705	\$ 14,410,579	\$ 12,919,493

See accompanying notes to financial statements.

ATLANTIC SALMON FEDERATION (U.S.), INC.

Statement of Cash Flows

Year ended September 30, 2017, with comparative information for 2016

	2017	2016
Operating activities		
Excess of revenues over expenses	\$ 1,491,086	\$ 1,003,173
Adjustments to reconcile excess of revenues over expenses to net cash used by operating activities:		
Realized loss (gain) on sale of investments	(248,833)	32,326
Unrealized gain on investments	(712,886)	(1,101,596)
Unrealized gain on financial derivatives	(99,014)	(183,375)
Depreciation	67,748	66,370
Decrease in accounts receivable	35,242	19,003
Decrease in net unconditional promises to give	5,859	3,820
Contributions restricted for long-term investments	(311,622)	(72,179)
Decrease (increase) in prepaid expenses	(28,708)	17,229
Interest on temporarily restricted long-term investments	(1,500)	(1,500)
Decrease in accounts payable and accrued liabilities	(34,542)	(230,911)
Decrease in deferred revenue	(44,783)	(2,907)
Increase (decrease) in payable to ASF (Canada)	(88,381)	332,737
Net cash provided by (used for) operating activities	29,666	(117,810)
Financing activities		
Contributions restricted for long-term investments	311,622	72,179
Interest on temporarily restricted long-term investments	1,500	1,500
Net cash provided by financing activities	313,122	73,679
Investing activities		
Acquisition of investments	(2,945,273)	(4,542,982)
Proceeds from sale of investments	2,835,308	4,606,653
Additions to property, plant and equipment	(78,192)	(39,946)
Net cash provided by (used for) investing activities	(188,157)	23,725
Increase (decrease) in cash position	154,631	(20,406)
Cash position, beginning of year	694,120	714,526
Cash position, end of year	\$ 848,751	\$ 694,120

See accompanying notes to financial statements.

ATLANTIC SALMON FEDERATION (U.S.), INC.

Notes to Financial Statements
Year ended September 30, 2017

Atlantic Salmon Federation (U.S.), Inc. (the "Federation") is incorporated in New York and promotes the conservation of the wild Atlantic salmon through scientific research, public awareness programs and other activities. The Federation is generally exempt from Federal income taxes under Section 501(a) as an organization described in Section 501 (c)(3) of the U.S. Internal Revenue Code, and is also generally exempt from state and local income taxes.

1. Significant accounting policies:

(a) Basis of presentation and reporting currency:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles.

All amounts in the financial statements are expressed in U.S. dollars. Because the Federation carries on much of its activity in U.S. dollars, its functional currency has been determined to be the U.S. dollar.

(b) Foreign currency:

All accounts in the statement of financial position are translated into U.S. dollars at the year-end rate of exchange with any gain or loss reported in the statement of activities and all accounts in the statement of activities are translated at the exchange rate at the dates on which those items are recorded.

(c) Revenue recognition:

Unrestricted contributions of revenue and support are recognized as revenue when received. Contributions of assets other than cash are recorded at their fair values at the date of contribution. Contributions of revenue and support with donor-imposed restrictions that are met in the same year as received or earned are reported as unrestricted revenues.

Grants and contributions restricted by the donor, grantor or other outside party for particular purposes or are time restricted are reported as temporarily restricted revenues and are reclassified to unrestricted net assets when expenses are incurred that satisfy the donor-imposed restrictions or time restrictions are met.

Endowment contributions are those permanently restricted by the donor. Investment income available for distribution is recorded as unrestricted or temporarily restricted revenue depending on the terms specified by the donor.

Contribution of services is recognized when the services received create or enhance non financial assets or require specialized skills.

Revenue from fees for service is recognized when the services are provided and collection is probable.

Unconditional promises to give due in the next year are reflected as current assets and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises and are recorded at the present value of their net realizable value using risk-free interest rates when the pledge is recorded.

Collectability of unconditional promises to give is determined based on the history of collections for each donor.

(d) Financial instruments:

The Federation has classified its financial instruments as follows:

- Cash, investments and currency forward exchange contracts are classified as held-for-trading and carried at fair value. fair value are recognized in the statement of activities in the period in which they are incurred.
- Accounts receivables and unconditional promises to give are classified as trade and other receivables and are carried at cost.
- Financial liabilities: accounts payable and accrued liabilities and Payable to Atlantic Salmon Federation (Canada) (the "ASF (Canada)") are classified as other payables and recorded at amortized costs.

ATLANTIC SALMON FEDERATION (U.S.), INC.

Notes to Financial Statements
Year ended September 30, 2017

1. Significant accounting policies (continued):

(e) Property, plant and equipment:

Property, plant and equipment are stated at cost. Depreciation is provided using the straight-line method at the following annual rates:

Asset	Rate
Buildings and research facilities	30 years
Office furniture and fixtures	10 years
Motor vehicles	7 years

(f) Use of estimates:

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed property, plant, and equipment, allowance for doubtful accounts and the valuation of unconditional promises to give, investments and currency forward exchange contracts.

2. Concentrations of risk:

(a) Foreign exchange

The Federation operates in both Canada and the United States of America and incurs Canadian dollar denominated expenses. The Federation manages its exposure to fluctuations in the exchange rate by entering into forward exchange

(b) Credit and market risk

The Federation is exposed to credit risk on financial assets, such as cash balances, investments, forward exchange contracts, accounts receivable and unconditional promises to give. Cash balances and forward exchange contracts are maintained at high quality financial institutions. The collectability of accounts receivable and unconditional promises is assessed on an individual basis and written off in the statement of activities when deemed irrecoverable. Investments are subject to both credit and market risk which is managed by holding a diverse portfolio.

ATLANTIC SALMON FEDERATION (U.S.), INC.Notes to Financial Statements
Year ended September 30, 2017**3. Unconditional promises to give:**

	Temporarily restricted		Permanently restricted		2017		2016	
Total unconditional promises to give	\$	10,000	\$	147,611	\$	157,611	\$	166,493
Receivables in less than one year		10,000		75,000		85,000		60,000
Receivable in one to three years		-		72,611		72,611		106,493
Less discounts to net present value		-		2,790		2,790		5,813
Net receivable in one to three years	\$	-	\$	69,821	\$	69,821	\$	100,680

4. Investments:

	2017		2016	
	Cost	Fair value	Cost	Fair value
Broker cash account	\$ 443,868	\$ 443,868	\$ 749,191	\$ 749,191
Governmental securities	1,600,579	1,566,397	1,904,455	1,935,591
Corporate bonds	1,776,892	1,719,026	1,596,993	1,573,129
Mutual and fixed income funds	367,260	396,473	481,837	500,598
Equities	6,244,427	8,065,364	5,369,529	6,371,929
Limited partnerships	978,553	924,572	950,775	913,578
	\$ 11,411,579	\$ 13,115,700	\$ 11,052,780	\$ 12,044,016

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended September 30, 2016 and 2015:

2017	Unrestricted	Temporarily restricted	Permanently restricted	Total
Investment income (interest and dividend)	\$ 390,668	\$ 1,500	\$ 6	\$ 392,174
Realized gain on sale of investments	248,833	-	-	248,833
Unrealized gain on investments	712,886	-	-	712,886
Total investment return	\$ 1,352,387	\$ 1,500	\$ 6	\$ 1,353,893

2016	Unrestricted	Temporarily restricted	Permanently restricted	Total
Investment income (interest and dividend)	\$ 478,165	\$ 1,500	\$ -	\$ 479,665
Realized loss on sale of investments	(32,326)	-	-	(32,326)
Unrealized gain on investments	1,101,596	-	-	1,101,596
Total investment return	\$ 1,547,435	\$ 1,500	\$ -	\$ 1,548,935

ATLANTIC SALMON FEDERATION (U.S.), INC.Notes to Financial Statements
Year ended September 30, 2017**5. Property, plant and equipment:**

			2017		2016	
	Cost	Accumulated depreciation	Net book value	Net book value		
Land and land improvements	\$ 192,743	\$ -	\$ 192,743	\$ 192,743		
Buildings and research facilities	2,940,751	2,630,533	310,218	312,673		
Office furniture and fixtures	190,333	172,469	17,864	13,403		
Motor vehicles	97,262	58,247	39,015	30,577		
	\$ 3,421,089	\$ 2,861,249	\$ 559,840	\$ 549,396		

6. Accounts payable and accrued liabilities:

	2017		2016	
Accounts payable	\$ 35,406	\$ 79,104		
Accrued liabilities	61,296	52,140		
	\$ 96,702	\$ 131,244		

7. Currency forward exchange contracts:

The Federation uses currency forward exchange contracts to manage its exposure to fluctuation in exchange rates. At September 30, 2017, the Federation is obligated to sell an aggregate of \$1,530,000 for Canadian dollars at monthly settlement dates ending September 30, 2018 at exchange rates ranging from 1.2955 to 1.3488 for every \$1 Canadian dollar. As at September 30, 2017, the exchange rate was \$1.251.

8. Deferred revenue:

Deferred revenue is comprised of deposits on dinners to be held subsequent to year end.

9. Related party transactions:

The program of conservation activities in United States, complete with budgets that cover all costs to be incurred, including staffing and other direct and indirect components, is developed and approved for implementation by the Board of Directors of the Atlantic Salmon Federation (U.S.), Inc. ("ASF (US)").

ASF (US) receives requests for funding from Atlantic Salmon Federation (Canada) ("ASF (Canada)"), a separate but affiliated Canadian charity with a separate board of directors, to support certain conservation programs and activities implemented by ASF (Canada).

ASF (US) has entered into a lease agreement with ASF (Canada) for use of all real estate, improvements and equipment which ASF (US) owns in Canada. Under this lease agreement, ASF (Canada) pays all costs related to occupancy of the real estate and operation of the equipment; and pays ASF (US) an annual rental fee of \$1.

ASF (US) has entered into agreements with ASF (Canada), pursuant to which, the President of ASF (Canada) will provide services as President of ASF (US); and, the employees of ASF (Canada)'s Fundraising and Administration departments will provide fundraising and administration services to ASF (US). Under the terms of these agreements ASF (US) will pay ASF (Canada) amounts as determined during the annual budget process.

During the fiscal year ended September 30, 2017, ASF (US) contributed a total of \$1,866,183 (2016 - \$1,695,485) to ASF (Canada) relative to certain conservation programs and other activities, including agreements, as described in the paragraph immediately above.

These related party transactions are recorded at the exchange amount as agreed upon by the two parties.

ATLANTIC SALMON FEDERATION (U.S.), INC.

Notes to Financial Statements
Year ended September 30, 2017

10. Temporarily restricted net assets:

Temporarily restricted net assets are available for the following purposes:

	2017		2016	
Conservation	\$	775,994	\$	352,517
Research		39,374		46,141
Education		4,776		6,276
Time restricted		12,500		25,000
	\$	832,644	\$	429,934

Time restricted net assets represent funds whereby the donor has stipulated that the funds are to be spent for general operations in future periods.

Net assets were released from donor restrictions by incurring expenses satisfying the purpose and time restrictions specified by donors as follows:

	2017		2016	
Conservation	\$	443,799	\$	802,607
Research		240,619		117,000
Education		3,000		3,265
Time restricted		126,252		39,807
	\$	813,670	\$	962,679

11. Permanently restricted net assets:

Endowment contributions received or recorded as unconditional promises to give are recorded as permanently restricted net assets.

Investment income on \$2,524,834 (2016 - \$2,210,579) of endowment contributions is available for unrestricted program expenses. One endowment contribution of \$50,000 (2016 - \$50,000) carries the donor restriction that the investment income is temporarily restricted for educational scholarships. One endowment contribution of \$10,871 (2016 - \$10,865) carries the donor stipulation that 15% of annual investment be added to the endowment capital and the balance is available for

12. Contributed services:

The Federation receives a significant amount of donated services from unpaid volunteers who assist in fund raising and special projects. No amounts have been recognized in the statement of activities because the services provided by volunteers did not create or enhance non financial assets or require special skills.

ATLANTIC SALMON FEDERATION (U.S.), INC.Notes to Financial Statements
Year ended September 30, 2017**13. Fair value measures:**

a) Fair value of financial instruments:

The following table presents the carrying amounts and estimated fair values of the Federation's financial instruments at September 30, 2017 and 2016. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Cash	\$ 848,751	\$ 848,751	\$ 694,120	\$ 694,120
Currency forward exchange	96,731.00	96,731.00	-	-
Accounts receivable	193,722	193,722	228,964	228,964
Unconditional promises to give	154,821	154,821	160,680	160,680
Investments	13,115,700	13,115,700	12,044,016	12,044,016
Financial liabilities:				
Accounts payable and accrued	96,702	96,702	131,244	131,244
Currency forward exchange	-	-	2,283	2,283
Payable to ASF (Canada)	326,754	326,754	415,135	415,135

Cash, broker cash account, accounts receivable, current unconditional promises to give, accounts payable and accrued liabilities and payable to ASF (Canada): the carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of these instruments.

Long-term unconditional promises to give: The value of promises to give that are due in more than one year is estimated by discounting the future cash flows using a current risk free rate of return over the expected collection period.

b) Fair value hierarchy:

The Federation utilized valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Federation determines the fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurement, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the Federation at the measurement date.
- Level 2 Inputs: Other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Such inputs may include prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.) as inputs derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

ATLANTIC SALMON FEDERATION (U.S.), INC.

 Notes to Financial Statements
 Year ended September 30, 2017

13. Fair value measures (continued):

	2017	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Cash	\$ 848,751	\$ 848,751	\$ -	\$ -
Currency forward exchange contracts	96,731	-	96,731	-
Investments				
Broker cash account	443,868	443,868	-	-
Governmental securities	1,566,397	-	1,566,397	-
Corporate bonds	1,719,026	-	1,719,026	-
Mutual and fixed income funds	396,473	396,473	-	-
Equities - energy	661,246	661,246	-	-
Equities - financials	2,116,295	2,116,295	-	-
Equities - materials	200,902	200,902	-	-
Equities - other	5,086,919	5,086,919	-	-
Limited partnership	924,572	908,212	-	16,360
	\$ 14,061,180	\$ 10,662,666	\$ 3,382,154	\$ 16,360
Liabilities:				
Currency forward exchange contracts	\$ -	\$ -	\$ -	\$ -
Assets:				
	2016	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash	\$ 694,120	\$ 694,120	\$ -	\$ -
Currency forward exchange contracts	3,287	-	3,287	-
Investments				
Broker cash account	749,191	749,191	-	-
Governmental securities	1,935,591	-	1,935,591	-
Corporate bonds	1,573,129	-	1,573,129	-
Mutual and fixed income funds	500,598	500,598	-	-
Equities - energy	442,606	442,606	-	-
Equities - financials	1,478,704	1,478,704	-	-
Equities - materials	160,277	160,277	-	-
Equities - other	4,290,342	4,290,342	-	-
Limited partnership	913,578	897,218	-	16,360
	\$ 12,741,423	\$ 9,213,056	\$ 3,512,007	\$ 16,360
Liabilities:				
Currency forward exchange contracts	\$ 5,570	\$ -	\$ 5,570	\$ -

The Federation's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfer into or out of levels 1, 2, or 3 for the year ended September 30, 2017. At year end, the Federation recognized unrealized gains on investments in limited partnerships classified as Level 3 of nil (2016 - nil).