

Financial Statements of

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

Year ended September 30, 2018



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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, 2018, 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, 2018, and its results of operations and its cash flows for the year then ended in accordance with United States generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Moncton, Canada  
April 2, 2019

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

## Statement of Financial Position

September 30, 2018, with comparative information for 2017

	2018	2017
<b>Assets</b>		
Current assets:		
Cash	\$ 1,276,196	\$ 848,751
Currency forward exchange contracts (note 7)	-	96,731
Accounts receivable	211,568	193,722
Unconditional promises to give (note 3)	62,611	85,000
Prepaid expenses	132,166	166,615
	<u>1,682,541</u>	<u>1,390,819</u>
Long-term unconditional promises to give (note 3)	-	69,821
Investments (note 4)	13,685,351	13,115,700
Property, plant and equipment, net (note 5)	508,184	559,840
	<u>\$ 15,876,076</u>	<u>\$ 15,136,180</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 237,733	\$ 96,702
Deferred revenue (note 8)	573,038	302,145
Payable to ASF (Canada) (note 9)	89,396	326,754
	<u>900,167</u>	<u>725,601</u>
Net assets:		
Unrestricted:		
Operating	(222,979)	90,815
Board designated	10,719,760	10,341,575
Property, plant and equipment	508,184	559,840
Total unrestricted	<u>11,004,965</u>	<u>10,992,230</u>
Temporarily restricted net assets (note 10)	1,362,449	832,644
Permanently restricted net assets (note 11)	2,608,495	2,585,705
	<u>14,975,909</u>	<u>14,410,579</u>
	<u>\$ 15,876,076</u>	<u>\$ 15,136,180</u>

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, 2018, with comparative information for 2017

	Unrestricted	Temporarily restricted	Permanently restricted	2018 Total	2017 Total
<b>Revenues:</b>					
Membership	\$ 74,924	\$ -	\$ -	\$ 74,924	\$ 76,972
Development and annual giving	702,548	-	-	702,548	731,113
Other contributions	-	1,189,194	22,790	1,211,984	1,529,135
Dinners and raffles	927,236	-	-	927,236	1,065,693
Investment income (note 4)	383,773	30,019	-	413,792	392,174
Realized gain on sale of investments (note 4)	537,424	-	-	537,424	248,833
Unrealized gain on investments (note 4)	155,771	-	-	155,771	712,886
Unrealized gain (loss) on financial derivatives	(96,731)	-	-	(96,731)	99,014
Loss on foreign exchange fluctuation	20,195	-	-	20,195	9,007
Miscellaneous	57,974	-	-	57,974	46,839
Net assets released in satisfaction of restrictions (note 10)	689,408	(689,408)	-	-	-
	3,452,522	529,805	22,790	4,005,117	4,911,666
<b>Expenses and other deductions:</b>					
Conservation programs:					
General	675,578	-	-	675,578	562,813
Regional programs	127,760	-	-	127,760	120,295
U.S. Operations	200,693	-	-	200,693	210,499
	1,004,031	-	-	1,004,031	893,607
Education program:					
Public information	-	-	-	-	3,000
Research programs	54,000	-	-	54,000	240,619
Dinners and raffles	275,198	-	-	275,198	305,284
Administration	31,600	-	-	31,600	20,671
Facilities	74,958	-	-	74,958	91,216
Contributions to ASF (Canada) (note 9)	2,000,000	-	-	2,000,000	1,866,183
	3,439,787	-	-	3,439,787	3,420,580
Excess of revenues over expenses	12,735	529,805	22,790	565,330	1,491,086
Net assets, beginning of year	10,992,230	832,644	2,585,705	14,410,579	12,919,493
Net assets, end of year	\$ 11,004,965	\$ 1,362,449	\$ 2,608,495	\$ 14,975,909	\$ 14,410,579

See accompanying notes to financial statements.

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

## Statement of Cash Flows

Year ended September 30, 2018, with comparative information for 2017

	2018	2017
Operating activities		
Excess of revenues over expenses	\$ 565,330	\$ 1,491,086
Adjustments to reconcile excess of revenues over expenses to net cash used by operating activities:		
Realized gain on sale of investments	(537,424)	(248,833)
Unrealized gain on investments	(155,771)	(712,886)
Unrealized loss (gain) on financial derivatives	96,731	(99,014)
Depreciation	49,757	67,748
Decrease (increase) in accounts receivable	(17,846)	35,242
Decrease in net unconditional promises to give	92,210	5,859
Contributions restricted for long-term investments	(22,790)	(311,622)
Decrease (increase) in prepaid expenses	34,449	(28,708)
Interest on temporarily restricted long-term investments	(30,019)	(1,500)
Increase (decrease) in accounts payable and accrued liabilities	141,031	(34,542)
Increase (decrease) in deferred revenue	270,893	(44,783)
Decrease in payable to ASF (Canada)	(237,358)	(88,381)
Net cash provided by (used for) operating activities	249,193	29,666
Financing activities		
Contributions restricted for long-term investments	22,790	311,622
Interest on temporarily restricted long-term investments	30,019	1,500
Net cash provided by financing activities	52,809	313,122
Investing activities		
Acquisition of investments	(2,609,068)	(2,945,273)
Proceeds from sale of investments	2,732,612	2,835,308
Additions to property, plant and equipment	1,899	(78,192)
Net cash provided by (used for) investing activities	125,443	(188,157)
Increase in cash position	427,445	154,631
Cash position, beginning of year	848,751	694,120
Cash position, end of year	\$ 1,276,196	\$ 848,751

See accompanying notes to financial statements.

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

Notes to Financial Statements

Year ended September 30, 2018

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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 U.S. 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 in to 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 and investments are classified as held-for-trading and carried at fair value. Gains and losses on changes in 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 amortized 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, 2018

## 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) Credit and market risk

The Federation is exposed to credit risk on financial assets, such as cash balances, investments, accounts receivable and unconditional promises to give. Cash balances 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.

## 3. Unconditional promises to give:

	Temporarily restricted	Permanently restricted	2018	2017
Total unconditional promises to give	\$ -	\$ 62,611	\$ 62,611	\$ 157,611
Receivables in less than one year	-	62,611	62,611	85,000
Receivable in one to three years	-	-	-	72,611
Less discounts to net present value	-	-	-	2,790
Net receivable in one to three years	\$ -	\$ -	\$ -	\$ 69,821

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

Notes to Financial Statements  
Year ended September 30, 2018

**4. Investments:**

	2018		2017	
	Cost	Fair value	Cost	Fair value
Cash and equivalents	\$ 126,494	\$ 126,494	\$ 443,868	\$ 443,868
Governmental securities	1,805,121	1,706,040	1,600,579	1,566,397
Corporate bonds	2,386,742	2,278,334	1,776,892	1,719,026
Mutual funds	372,047	378,763	367,260	396,473
Equities	6,350,424	8,486,761	6,244,427	8,065,364
Limited partnerships	784,631	708,959	978,553	924,572
	\$ 11,825,459	\$ 13,685,351	\$ 11,411,579	\$ 13,115,700

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended September 30, 2018 and 2017:

2018	Unrestricted	Temporarily restricted	Permanently restricted	Total
Investment income (interest and dividend)	\$ 383,773	\$ 30,019	\$ -	\$ 413,792
Realized gain on sale of investments	537,424	-	-	537,424
Unrealized gain on investments	155,771	-	-	155,771
Total investment return	\$ 1,076,968	\$ 30,019	\$ -	\$ 1,106,987

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

As part of the organization's investment strategies to ensure that its investment funds (considered by the board as the Endowment) are managed efficiently there is a policy in place that allows the organization to have a set percentage of funds available for operations in any one given year. This calculation is based on the net assets of the organization over the last three fiscal periods by taking 4.5% of this average as available to the organization for operations but no withdrawal would occur that would put the organization's investment portfolio below a threshold of \$9,000,000".

**5. Property, plant and equipment:**

	2018		2017	
	Cost	Accumulated depreciation	Net book value	Net book value
Land and land improvements	\$ 192,743	\$ -	\$ 192,743	\$ 192,743
Buildings and research facilities	2,943,059	2,668,376	274,683	310,218
Office furniture and fixtures	191,774	177,316	14,458	17,864
Motor vehicles	91,612	65,314	26,298	39,015
	\$ 3,419,188	\$ 2,911,006	\$ 508,182	\$ 559,840

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

Notes to Financial Statements  
Year ended September 30, 2018

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**6. Accounts payable and accrued liabilities:**

	2018		2017	
Accounts payable	\$	188,596	\$	35,406
Accrued liabilities		49,137		61,296
	\$	237,733	\$	96,702

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**7. Currency forward exchange contracts:**

During the year the Federation discontinued its currency forward exchange contracts due to the fact of the minimal exposure to foreign currency transactions.

**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, 2018, ASF (US) contributed a total of \$2,000,000 (2017 - \$1,866,183) 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, 2018

**10. Temporarily restricted net assets:**

Temporarily restricted net assets are available for the following purposes:

	2018	2017
Conservation	\$ 1,308,249	\$ 775,994
Research	47,674	39,374
Education	6,526	4,776
Time restricted	-	12,500
	\$ 1,362,449	\$ 832,644

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:

	2018	2017
Conservation	\$ 622,908	\$ 443,799
Research	54,000	240,619
Education	-	3,000
Time restricted	12,500	126,252
	\$ 689,408	\$ 813,670

**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 \$2,417,200 (2017 - \$2,524,834) of endowment contributions is available for unrestricted program expenses. One endowment contribution of \$50,000 (2017 - \$50,000) carries the donor restriction that the investment income is temporarily restricted for educational scholarships. A second endowment contribution of \$10,871 (2017 - \$10,871) carries the donor stipulation that 15% of annual investment be added to the endowment capital and the balance is available for unrestricted program expenses. A third endowment of \$130,424 stipulates that all investment income be allocated to Greenland specific projects.

**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, 2018

### 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, 2018 and 2017. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Cash	\$ 1,276,196	\$ 1,276,196	\$ 848,751	\$ 848,751
Currency forward exchange contracts	-	-	96,731	96,731
Accounts receivable	211,568	211,568	193,722	193,722
Unconditional promises to give	62,611	62,611	154,821	154,821
Investments	13,685,351	13,685,351	13,115,700	13,115,700
Financial liabilities:				
Accounts payable and accrued liabilities	237,733	237,733	96,702	96,702
Payable to ASF (Canada)	89,369	89,369	326,754	326,754

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 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 are not 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, 2018

13. Fair value measures (continued):

	2018	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets:</b>				
Cash	\$ 1,276,196	\$ 1,276,196	\$ -	\$ -
<b>Investments</b>				
Cash and equivalents	126,494	126,494	-	-
Governmental securities	1,706,040	-	1,706,040	-
Corporate bonds	2,278,334	-	2,278,334	-
Mutual and fixed income funds	378,763	378,763	-	-
Equities - energy	808,567	808,567	-	-
Equities - financials	1,985,788	1,985,788	-	-
Equities - materials	263,704	263,704	-	-
Equities - other	5,428,702	5,428,702	-	-
Limited partnership	708,959	692,599	-	16,360
	\$ 14,961,547	\$ 10,960,813	\$ 3,984,374	\$ 16,360
<b>Assets:</b>				
Cash	\$ 848,751	\$ 848,751	\$ -	\$ -
Currency forward exchange contracts	96,731	-	96,731	-
<b>Investments</b>				
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

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, 2018. At year end, the Federation recognized unrealized gains on investments in limited partnerships classified as Level 3 of \$0 (2017 - \$0).

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

Notes to Financial Statements

Year ended September 30, 2018

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### 14. Contingency

During the year, the Federation signed a 12 year agreement called the Greenland Atlantic Salmon Conservation Agreement. This agreement is between the Federation, The North Atlantic Salmon Fund and The Organization of Fishermen and Hunters in Greenland. The agreement signifies that there will be no commercial harvests of wild salmon and only a limited recreational harvest will exist during the lifetime of this agreement. Each year there is a financial commitment of \$2,050,000 Danish Kroner (approximately \$328,000 in United States dollars) for compliance of the agreement to which the Federation is responsible for 50% of this amount. The expected payout dates are in September and December of each year, once the information on the years harvest has been reported. There are penalties if the harvest goes over the 20 tonne threshold as well as incentives should the harvest come in below the established threshold. This incentive amounts to \$50,000 Danish Kroner (approximately \$8,000 United States dollars). The agreement does state that any violation of any term of the agreement allows any of the parties to declare the agreement null and void and as such due to the uncertainty of such agreement there has been no contingency recorded in these financial statements.