

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended September 30, 2021



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## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

We have audited the financial statements of Atlantic Salmon Federation (U.S.), Inc. (the Entity), which comprise:

- the financial position as at September 30, 2021
- the statement of activities for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at end of September 30, 2021, its results of activities and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



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### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG LLP*

Chartered Professional Accountants

Fredericton, Canada

April 7, 2022

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

## Statement of Financial Position

September 30, 2021, with comparative information for 2020

	2021	2020
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 3,330,039	\$ 2,128,055
Accounts receivable	173,714	623,841
Unconditional promises to give (note 3)	167,641	142,003
Prepaid expenses	69,895	88,129
	<u>3,741,289</u>	<u>2,982,028</u>
Long-term unconditional promises to give (note 3)	60,302	153,451
Receivable from ASF (Canada) (note 8)	151,787	487,732
Investments (note 4)	14,825,452	12,676,901
Property, plant and equipment, net (note 5)	263,463	451,259
	<u>\$ 19,042,293</u>	<u>\$ 16,751,371</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities (note 6)	\$ 78,819	\$ 448,807
Deferred revenue (note 7)	329,662	291,466
	<u>408,481</u>	<u>740,273</u>
<b>Net assets:</b>		
<b>Unrestricted:</b>		
Operating	925,190	804,895
Board designated	11,638,776	9,524,021
Property, plant and equipment	263,463	451,259
Total unrestricted	<u>12,827,429</u>	<u>10,780,175</u>
Temporarily restricted net assets (note 9)	2,977,895	2,470,935
Permanently restricted net assets (note 10)	2,828,488	2,759,988
	<u>18,633,812</u>	<u>16,011,098</u>
	<u>\$ 19,042,293</u>	<u>\$ 16,751,371</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, 2021, with comparative information for 2020

	Unrestricted	Temporarily restricted	Permanently restricted	2021 Total	2020 Total
<b>Revenues:</b>					
Membership	\$ 61,413	\$ -	\$ -	\$ 61,413	\$ 62,674
Development and annual giving	813,877	-	-	813,877	798,753
Other contributions	-	1,088,824	68,500	1,157,324	1,912,260
Dinners and raffles	973,188	-	-	973,188	1,489,689
Investment income (note 4)	345,240	7,947	-	353,187	436,693
Realized gain (loss) on sale of investments (note 4)	368,571	-	-	368,571	(330,007)
Unrealized gain (loss) on investments (note 4)	2,059,221	19,864	-	2,079,085	(678,698)
Gain (loss) on foreign exchange fluctuation	(11,146)	-	-	(11,146)	(1,650)
Miscellaneous	41,589	-	-	41,589	304,050
Net assets released in satisfaction of restrictions (note 9)	609,675	(609,675)	-	-	-
	5,261,628	506,960	68,500	5,837,088	3,993,764
<b>Expenses and other deductions:</b>					
Conservation programs:					
General	695,086	-	-	695,086	1,805,374
Regional programs	91,117	-	-	91,117	82,004
Operations - Brunswick office	180,526	-	-	180,526	169,314
	966,729	-	-	966,729	2,056,692
Education program:					
Public information	1,557	-	-	1,557	1,793
Development programs	217,167	-	-	217,167	163,503
Dinners and raffles	136,084	-	-	136,084	301,602
Administration	28,696	-	-	28,696	23,914
Facilities	74,141	-	-	74,141	89,440
Contributions to ASF (Canada) (note 8)	1,790,000	-	-	1,790,000	1,554,000
	3,214,374	-	-	3,214,374	4,190,944
Excess (deficiency) of revenues over expenses	2,047,254	506,960	68,500	2,622,714	(197,180)
Net assets, beginning of year	10,780,175	2,470,935	2,759,988	16,011,098	16,208,278
Net assets, end of year	\$ 12,827,429	\$ 2,977,895	\$ 2,828,488	\$ 18,633,812	\$ 16,011,098

See accompanying notes to financial statements.

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

## Statement of Cash Flows

Year ended September 30, 2021, with comparative information for 2020

	2021	2020
Operating activities		
Excess (deficiency) of revenues over expenses	\$ 2,622,714	\$ (197,180)
Adjustments to reconcile excess of revenues over expenses to net cash used by operating activities:		
Realized (gain)/loss on sale of investments	(368,571)	330,007
Unrealized (gain)/loss on investments	(2,079,085)	678,698
Loss on sale of property, plant and equipment	28,213	-
Depreciation	50,667	53,595
Decrease (increase) in accounts receivable	450,127	(392,953)
Decrease (increase) in net unconditional promises to give	67,511	121,311
Contributions restricted for long-term investments	(68,500)	(76,804)
Decrease in prepaid expenses	18,234	119,815
Interest on temporarily restricted long-term investments	(7,947)	(11,174)
(Decrease) increase in accounts payable and accrued liabilities	(369,988)	254,396
Increase (decrease) in deferred revenue	38,196	(344,021)
Decrease (increase) in accounts receivable from ASF Canada	335,945	(439,812)
Net cash provided by operating activities	717,516	95,878
Financing activities		
Contributions restricted for long-term investments	68,500	76,804
Interest on temporarily restricted long-term investments	7,947	11,174
Net cash provided by financing activities	76,447	87,978
Investing activities		
Acquisition of investments	(3,912,683)	(3,364,284)
Proceeds from sale of investments	4,211,788	3,619,466
Proceeds from sale of property, plant and equipment	112,642	-
Purchase of property, plant and equipment	(3,726)	(13,073)
Net cash provided by (used for) investing activities	408,021	242,109
Increase in cash position	1,201,984	425,965
Cash position, beginning of year	2,128,055	1,702,090
Cash position, end of year	\$ 3,330,039	\$ 2,128,055

See accompanying notes to financial statements.

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

Notes to Financial Statements  
Year ended September 30, 2021

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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

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 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.

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.
- Financial liabilities: accounts payable and accrued liabilities are classified as other payables and recorded at amortized costs.



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

Notes to Financial Statements (continued)

Year ended September 30, 2021

**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	2021	2020
Total unconditional promises to give	\$ 230,641	\$ -	\$ 230,641	\$ 304,004
Receivables in less than one year	167,641	-	167,641	142,003
Receivable in one to three years	63,000	-	63,000	162,001
Less discounts to net present value	2,698	-	2,698	8,550
Net receivable in one to three years	\$ 60,302	\$ -	\$ 60,302	\$ 153,451

**4. Investments:**

	2021		2020	
	Cost	Fair value	Cost	Fair value
Cash and equivalents	\$ 335,553	\$ 335,553	\$ 149,923	\$ 149,923
Governmental securities	1,693,916	1,636,454	2,198,636	2,167,614
Corporate bonds	1,882,738	1,828,992	1,786,949	1,800,766
Mutual funds	1,026,192	1,265,741	396,086	427,971
Equities	6,572,044	9,758,712	6,136,657	7,714,930
Limited partnerships	-	-	772,726	415,697
	\$ 11,510,443	\$ 14,825,452	\$ 11,440,977	\$ 12,676,901

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

Notes to Financial Statements (continued)

Year ended September 30, 2021

**4. Investments (continued):**

2021	Unrestricted	Temporarily restricted	Permanently restricted	Total
Investment income (interest and dividend)	\$ 345,240	\$ 7,947	\$ -	\$ 353,187
Realized gain/(loss) on sale of investments	368,571	-	-	368,571
Unrealized gain/(loss) on investments	2,059,221	19,864	-	2,079,085
Total investment return	\$ 2,773,032	\$ 27,811	\$ -	\$ 2,800,843

2020	Unrestricted	Temporarily restricted	Permanently restricted	Total
Investment income (interest and dividend)	\$ 425,519	\$ 11,174	\$ -	\$ 436,693
Realized gain/(loss) on sale of investments	(330,007)	-	-	(330,007)
Unrealized gain/(loss) on investments	(689,931)	11,233	-	(678,698)
Total investment return	\$ (594,419)	\$ 22,407	\$ -	\$ (572,012)

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:**

	Cost	Accumulated depreciation	2021 Net book value	2020 Net book value
Land and land improvements	\$ 51,887	\$ -	\$ 51,887	\$ 192,743
Buildings and research facilities	2,926,014	2,733,072	192,942	231,960
Office furniture and fixtures	210,538	198,285	12,253	16,984
Motor vehicles	91,612	85,231	6,381	9,572
	\$ 3,280,051	\$ 3,016,588	\$ 263,463	\$ 451,259

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

	2021	2020
Accounts payable	\$ 37,553	\$ 409,529
Accrued liabilities	41,266	39,278
	\$ 78,819	\$ 448,807

**7. Deferred revenue:**

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

**8. 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).

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

Notes to Financial Statements (continued)

Year ended September 30, 2021

**8. Related party transactions (continued):**

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, 2021, ASF (US) contributed a total of \$1,790,000 (2020 - \$1,554,000) 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.

**9. Temporarily restricted net assets:**

Temporarily restricted net assets are available for the following purposes:

	2021	2020
Conservation	\$ 2,819,126	\$ 2,315,151
Research	151,750	148,750
Education	7,019	7,034
Time restricted	-	-
	<u>\$ 2,977,895</u>	<u>\$ 2,470,935</u>

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

Conservation net assets includes \$1,229,039 (\$1,328,578 as at September 30, 2020) which are restricted to use in support of the Greenland Atlantic Salmon Conservation Agreement. Further details of this Agreement are found in Note 13. Time restricted net assets represent funds whereby the donor has stipulated that the funds are to be spent for general operations in future.

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

	2021	2020
Conservation	\$ 608,118	\$ 1,674,791
Research	-	-
Education	1,557	1,793
Time restricted	-	184,063
	<u>\$ 609,675</u>	<u>\$ 1,860,647</u>

**10. Permanently restricted net assets:**

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

Investment income on \$2,614,893 (2020 - \$2,546,393 ) of endowment contributions is available for unrestricted program expenses. One endowment contribution of \$50,000 (2020 - \$50,000) carries the donor restriction that the investment income is temporarily restricted for educational scholarships. A second endowment contribution of \$10,871 (2020 - \$10,871) carries the donor stipulation that 15% of annual investment income be added to the endowment capital and the balance is available for unrestricted program expenses. A third endowment of \$152,724 (2020 - \$152,724) stipulates that all investment income be allocated to Greenland specific projects.

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

Notes to Financial Statements (continued)

Year ended September 30, 2021

**11. Contributed services:**

The Federation receives a significant amount of donated services from unpaid volunteers who assist in fundraising 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.

**12. 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, 2021 and 2020. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Cash	\$ 3,330,039	\$ 3,330,039	\$ 2,128,055	\$ 2,128,055
Receivable from ASF (Canada)	151,787	151,787	487,732	487,732
Accounts receivable	173,714	173,714	623,842	623,842
Unconditional promises to give	227,943	227,943	295,453	295,453
Investments	14,825,452	14,825,452	12,676,901	12,676,901
Financial liabilities:				
Accounts payable and accrued liabilities	78,819	78,819	448,806	448,806

Cash, accounts receivable, current unconditional promises to give, accounts payable, accrued liabilities and receivable from 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
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, 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 (continued)

Year ended September 30, 2021

**12. Fair value measures (continued):**

	2021	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	\$ 3,330,039	\$ 3,330,039	\$ -	\$ -
<b>Investments:</b>				
Cash and equivalents	335,553	335,553	-	-
Governmental securities	1,636,454	-	1,636,454	-
Corporate bonds	1,828,992	-	1,828,992	-
Mutual and fixed income funds	1,265,741	1,265,741	-	-
Equities - energy	538,200	538,200	-	-
Equities - financials	1,679,686	1,679,686	-	-
Equities - materials	345,418	345,418	-	-
Equities - other	7,195,408	7,195,408	-	-
Limited partnership	-	-	-	-
	\$ 18,155,491	\$ 14,690,045	\$ 3,465,446	\$ -

	2020	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	\$ 2,128,055	\$ 2,128,055	\$ -	\$ -
<b>Investments:</b>				
Cash and equivalents	149,923	149,923	-	-
Governmental securities	2,167,614	-	2,167,614	-
Corporate bonds	1,800,766	-	1,800,766	-
Mutual and fixed income funds	427,971	427,971	-	-
Equities - energy	352,773	352,773	-	-
Equities - financials	1,466,151	1,466,151	-	-
Equities - materials	429,307	429,307	-	-
Equities - other	5,466,699	5,466,699	-	-
Limited partnership	415,697	399,337	-	16,360
	\$ 14,804,956	\$ 10,820,216	\$ 3,968,380	\$ 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, 2021.

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

Notes to Financial Statements (continued)

Year ended September 30, 2021

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### **13. Contingency:**

In 2018, 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 (KNAPK). The agreement signifies that there will be no commercial export fishery for salmon, only a well-regulated subsistence fishery during the lifetime of the 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) per tonne.

In the summer of 2021, after a change in government in Greenland and changes in leadership with at KNAPK, it was agreed by all parties to put the agreement on hold pending a review. While on hold no payments will be made. Since then, discussions are underway to determine parameters under which the agreement could continue. As at September 30, 2021, the Federation has \$1,229,039 (\$1,328,578 as at September 30, 2020) on hand which are restricted to use in support of this Agreement. This amount is included in the Temporarily Restricted Net Assets – Conservation amount shown in note 9.

The agreement states 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.

### **14. Other risk:**

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in the United States and around the world.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Federation's operations and financial position is not known at this time. These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of accumulated net assets to sustain operations. An estimate of the financial effect of the pandemic on the Federation is not predictable at this time.