



**Bristol Bay Regional Seafood Development Association, Inc.**

Audited Financial Statement and Additional Information  
Year Ended December 31, 2015

State Single Audit and Required Attachments  
Year Ended December 31, 2015

## **Bristol Bay Regional Seafood Development Association, Inc.**

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**Bristol Bay Regional Seafood Development Association, Inc.**

Statement of Financial Position

December 31, 2015

ASSETS

Current assets:

Cash and cash equivalents \$ 3,732,033

TOTAL ASSETS \$ 3,732,033

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable \$ 14,136

Projects and contracts payable, net of contingent projects and contracts of  
\$359,877 (see Note 3) 42,000

Accrued payroll liabilities 31,172

Other current liabilities 70

TOTAL LIABILITIES 87,378

Net assets:

Unrestricted:

Designated by the Board for commitments and  
contingencies (Note 3) 359,877

Designated by the Board for Budget Reserve 2,185,616

Undesignated 1,099,162

Unrestricted net assets 3,644,655

TOTAL LIABILITIES AND NET ASSETS \$ 3,732,033

**Bristol Bay Regional Seafood Development Association, Inc.**

Statement of Activities

Year Ended December 31, 2015

UNRESTRICTED NET ASSETS

Revenue and other support:	
Assessments	\$ 1,861,009
Grants	4,245
Other income	<u>1,643</u>
Total unrestricted revenue and other support	<u>1,866,897</u>
Expenses:	
Program services	1,209,846
Management and general	<u>177,657</u>
Total expenses	<u>1,387,503</u>
Change in unrestricted net assets	479,394

UNRESTRICTED NET ASSETS:

Beginning of year	<u>3,165,261</u>
End of year	<u><u>\$ 3,644,655</u></u>

**Bristol Bay Regional Seafood Development Association, Inc.**

Statement of Cash Flows

Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 479,394
Change in operating assets and liabilities that provided (used) cash:	
Prepaid expenses	67,500
Accounts payable	4,417
Projects and contracts payable	17,000
Accrued payroll liabilities	31,172
Deferred revenue	(27,274)
Other current liabilities	<u>70</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	572,279

CASH AND CASH EQUIVALENTS:

Beginning of year	<u>3,159,754</u>
End of year	<u>\$ 3,732,033</u>

## **Bristol Bay Regional Seafood Development Association, Inc.**

### Notes to the Financial Statement

#### **NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Bristol Bay Regional Seafood Development Association, Inc. (the "Association" or "BBRSDA") was organized as an Alaska nonprofit corporation to implement the provisions of AS 44.33.065 for fishers operating within the Bristol Bay Region of Alaska. A primary goal of the Association is to promote and market seafood harvested in the region and to thereby improve fisher revenues. Without limiting the generality of the foregoing, the Association shall implement a wide range of strategies for improving fisher income including:

- Promote and market Alaska seafood products harvested in the region
- Research ways and means for increasing fisher revenues by improving quality and the market reputation for Bristol Bay Seafood
- Establish education, research, advertising and sales promotions for seafood harvested in the region
- Research and implement ways and means for reducing fisher costs
- Prepare market research and product development plans for promoting seafood harvested in the region
- Cooperate with ASMI and other public or private entities engaged in seafood promotion, consumer education, seafood quality improvements or research in the areas of seafood harvesting, processing or distribution that may pertain to seafood harvested in the region
- Cooperate with commercial fishers, fisher organizations, seafood processors, AFDF, FITC, state and federal agencies and other relevant entities to investigate market reception to new seafood forms and to develop commodity standards and future markets for seafood products from the region
- Conduct other related activities as directed by its Board but only if permitted by governing laws and regulations
- The Association shall not advocate any position on state resource allocation issues, lobby the state or agencies of the state, or engage in an activity for which registration is required under AS 24.45.121.

The significant accounting policies followed by the Association are described below:

#### **Basis of Accounting**

The financial statement of the Association has been prepared on the accrual basis of accounting and, accordingly, reflects all significant receivables, payables and other liabilities. Net assets are classified on the statement of financial position as unrestricted or temporarily restricted based on the absence or existence and type of donor-imposed restrictions.

#### **Basis of Presentation**

The Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Unrestricted net assets are those currently available at the discretion of the Board for use in the Association's operations. All net assets are unrestricted for use by the Association or their temporary donor restrictions were met within the year presented.

## **Bristol Bay Regional Seafood Development Association, Inc.**

Notes to the Financial Statement, Continued

### **NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures at the date of the financial statements and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

#### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and any other unrestricted highly liquid investments with an initial maturity of three months or less. The Association's cash investment and balance per year-end statement is described below. In determining what money market fund to invest in, the Association puts tremendous weight on safety of principal.

Cash deposits in Alaskan bank. FDIC insured.	\$ 264,618
Cash deposits in Vanguard Prime Money Market Fund, VMMXX, which invests per its prospectus in short-term money market instruments, including certificates of deposit, banker's acceptances, commercial paper and other money market securities. Not FDIC insured.	156,017
Cash deposits in Vanguard Admiral Treasury Money Market, FUSXX, which invests per its prospectus in short-term money market securities whose interest and principal payments are backed by the full faith and credit of the U.S. government. Not FDIC insured.	1,125,750
Cash deposits for Budget Reserve held in Vanguard Prime Money Market Fund, VMMXX, which invests per its prospectus in short-term money market instruments, including certificates of deposit, banker's acceptances, commercial paper and other money market securities. Not FDIC insured.	<u>2,185,616</u>
Total cash and cash equivalents - bank balance	<u>\$ 3,732,001</u>

The Association's Vanguard accounts are protected by the Securities Investor Protection Corporation (SIPC) up to a maximum of \$250,000 for cash claims and \$500,000 total. Vanguard has obtained private insurance from Lloyd's of London Company (Lloyd's) to provide additional protection and security for client accounts. For customers who have reached the full SIPC limits, further protection (with a customer limit of \$1.75 million for cash) is provided by the Lloyd's policy, subject to an aggregate loss limit of \$250 million for all eligible customer claims.

## **Bristol Bay Regional Seafood Development Association, Inc.**

Notes to the Financial Statement, Continued

### **NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

#### **Assessment Revenues**

In May 2006, Bristol Bay driftnet permit holders voted pursuant to Alaska Statute 43.76.370 to approve a 1% seafood development tax on the ex-vessel price of seafood sold, the "assessment", on their harvests to support BBRSDA. The tax is collected by the State of Alaska and distributed to BBRSDA. The collection and disbursement process, from the salmon season in which the tax is collected until the assessment amount is received by BBRSDA, takes a year to complete. Because the funds are considered part of the State's general fund prior to distribution, BBRSDA does not recognize them as revenue until the beginning of the State fiscal year in which they will be distributed to BBRSDA. The Association received substantially all of its revenue from the State of Alaska. Annual funding by the State of Alaska is subject to appropriation by the legislature. A reduction in the annual appropriation by the State of Alaska would have a significant impact on the Association's ability to sustain operations at current levels.

#### **Budget Reserve**

Pursuant to its bylaws, the Board of Directors (Board) established a budget reserve account. The intent of the Board in establishing this fund is to ensure that the Association has options irrespective of the outcome of any one fishing season. The Board shall establish by resolution the method for setting, attaining and maintaining the reserve account balance. Determination of the desired reserve level will be made annually at the same time as the Board approves the coming year's budget (no later than 45 days before year-end). No more than twenty-five percent of the budget reserve fund may be withdrawn annually from the budget reserve account to cover expenditures authorized in the Association's budget unless the Board, by two-thirds majority vote of the full Board, adopts a resolution approving the expenditure. As of December 31, 2015, the Board has designated revenue collected from the State of Alaska to be held for the Budget Reserve, calculated as follows for each respective season:

2006 - 2010 Season Reserve	\$ 1,421,217
2011 Season Reserve	340,226
2012 Season Reserve	306,567
2013 Season Reserve	344,105
2014 Season Reserve	465,252
2015 Board approved withdrawals	<u>(700,000)</u>
Total Budget Reserve	2,177,367
Interest and dividends earned to date	<u>8,249</u>
Total Budget Reserve - bank balance	<u>\$ 2,185,616</u>



## **Bristol Bay Regional Seafood Development Association, Inc.**

Notes to the Financial Statement, Continued

### **NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

#### Public Support and Revenue Recognition

Contributions are recognized as revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions made by a granting agency that are conditioned upon the Association incurring certain qualifying costs are recognized as revenue as those costs are incurred. All temporarily restricted support received and released from restrictions within the same year are treated as unrestricted support.

#### Advertising

Advertising costs are charged to operations when incurred. The Association incurred advertising costs of \$4,259 or the year ended December 31, 2015.

#### Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Program service expenses include the costs to market and promote the region's seafood, seek improvements to the area's infrastructure, and work to raise quality, while management and general expenses are those expenses that are not directly identifiable with program services.

#### Subsequent Events

The Association has evaluated subsequent events through September 8, 2016, the date which the financial statements were available to be issued. No events were identified that required adjustment or disclosure in the financial statements.

### **NOTE 2 - INCOME TAXES**

The Association is incorporated under the laws of the State of Alaska as a nonprofit corporation and is generally exempt from income taxes under the provisions of Section 501(c)(6) of the Internal Revenue Code.

Although the Association is generally exempt from federal income taxes, any income derived from unrelated business activities is subject to the requirement of filing Form 990-T and an income tax liability may be determined on those activities.

## **Bristol Bay Regional Seafood Development Association, Inc.**

Notes to the Financial Statement, Continued

### **NOTE 3 - COMMITMENTS AND CONTINGENCIES**

Program projects and contracts authorized but unpaid at year-end are reported as liabilities. At December 31, 2015, the projects and contracts authorized and payable within one year totaled \$42,000.

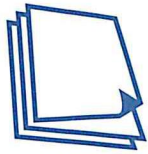
The Association has also authorized program projects and contracts that are contingent on projects starting, specific performance or required reporting. The contingent projects and contracts will be considered unconditional when the contingency requirements are met. All current program projects and contracts are written to be completed within one year. The following is a summary of contingent projects and contracts as of December 31, 2015:

Projects and contracts contingent upon projects starting	\$ -
Projects and contracts contingent upon specific performance	38,456
Projects and contracts contingent upon receipt of required reports detailing performance	<u>321,421</u>
Total contingent projects and contracts	<u>\$ 359,877</u>

Expenses made pursuant to projects and contracts awarded to BBRSDA are subject to audit by the grantor or their representatives. Amounts reflected in the financial statement and expenses in prior years have generally not been audited by grantor agencies. Accordingly, adjustments of amounts received under projects and contracts could result if the projects and contracts are audited by such agencies. Management of the Association believes no significant liability will result from the foregoing matters, and accordingly, no liabilities for amounts which may be payable have been recorded in the accompanying financial statements.

### **NOTE 4 - RELATED PARTIES**

The Association contracted with Neqleq Consulting (Neqleq) for professional services regarding sustainability through April 30, 2015. The sole owner of Neqleq was a board member of the Association through June 6, 2015. The Association incurred professional services of approximately \$43,000 from Neqleq for the year ended December 31, 2015. No amounts were payable at December 31, 2015.



## Independent Auditor's Report

To the Board of Directors  
Bristol Bay Regional Seafood Development Association, Inc.  
Sitka, Alaska

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Bristol Bay Regional Seafood Development Association, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 referred to above present fairly, in all material respects, the financial position of Bristol Bay Regional Seafood Development Association, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters – Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of state financial assistance, as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2016 on our consideration of Bristol Bay Regional Seafood Development Association, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bristol Bay Regional Seafood Development Association, Inc.'s internal control over financial reporting and compliance.

*Thomas, Head & Grisean PC*

September 8, 2016

STATE SINGLE AUDIT

**Bristol Bay Regional Seafood Development Association, Inc.**

Schedule of State Financial Assistance

Year Ended December 31, 2015

(See Independent Auditor's Report)

<u>Program Title</u>	<u>Program Number</u>	<u>Program Amount</u>	<u>Amount Received</u>	<u>Expenditures</u>
Department of Commerce, Community and Economic Development:				
Pass through local option tax revenues appropriated from the general fund by the legislature:				
Salmon Development Tax	* N/A	<u>\$ 1,861,009</u>	<u>1,861,009</u>	<u>1,381,615</u>
		<u>\$ 1,861,009</u>	<u>1,861,009</u>	<u>1,381,615</u>

\* Major program

The accompanying notes to schedule of state financial assistance are an integral part of this schedule.

## **Bristol Bay Regional Seafood Development Association, Inc.**

Notes to Schedule of State Financial Assistance

Year Ended December 31, 2015

### **General**

The accompanying Schedule of State Financial Assistance presents the activity of Bristol Bay Regional Seafood Development Association, Inc. (BBRSDA).

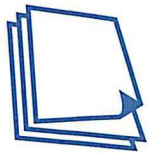
### **Basis of Accounting**

The accompanying Schedule of State Financial Assistance is presented using the accrual basis of accounting, which is described in BBRSDA's financial statement.

### **Nature of Revenues**

In May 2006, Bristol Bay driftnet permit holders voted pursuant to Alaska Statute 43.76.370 to approve a 1% seafood development tax on the ex-vessel price of seafood sold, the "assessment", on their harvests to support BBRSDA. The tax is collected by the State and distributed to BBRSDA. The collection and disbursement process from the salmon season in which the tax is collected until the assessment amount is received by BBRSDA takes a year to complete. Because the funds are considered part of the State's general fund prior to distribution, BBRSDA does not recognize them as revenue until the beginning of the State fiscal year in which they will be distributed to BBRSDA. The Association received substantially all of its revenue from the State of Alaska. Annual funding by the State of Alaska is subject to appropriation by the legislature. A reduction in the annual appropriation by the State of Alaska would have a significant impact on the Association's ability to sustain operations at current levels.





Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors  
Bristol Bay Regional Seafood Development Association, Inc.  
Sitka, Alaska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bristol Bay Regional Seafood Development Association, Inc., which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 8, 2016.

***Internal Control over Financial Reporting***

In planning and performing our audit, we considered Bristol Bay Regional Seafood Development Association, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bristol Bay Regional Seafood Development Association, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Bristol Bay Regional Seafood Development Association, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a significant deficiency.



### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Bristol Bay Regional Seafood Development Association, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2015-001.

### **Bristol Bay Regional Seafood Development Association, Inc.'s Response to Finding**

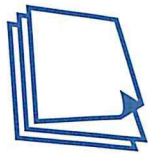
Bristol Bay Regional Seafood Development Association, Inc.'s response to the finding identified in our audit is described in the accompanying corrective action plan. Bristol Bay Regional Seafood Development Association, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Thomas, Head & Greisen PC*

September 8, 2016



Independent Auditor's Report on Compliance for Each Major State Program and Report on Internal Control over Compliance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

To the Board of Directors  
Bristol Bay Regional Seafood Development Association, Inc.  
Sitka, Alaska

**Report on Compliance for Each Major State Program**

We have audited Bristol Bay Regional Seafood Development Association, Inc.'s compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of Bristol Bay Regional Seafood Development Association, Inc.'s major state programs for the year ended December 31, 2015. Bristol Bay Regional Seafood Development Association, Inc.'s major state programs are identified in the accompanying schedule of state financial assistance.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Bristol Bay Regional Seafood Development Association, Inc.'s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Bristol Bay Regional Seafood Development Association, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However our audit does not provide a legal determination of Bristol Bay Regional Seafood Development Association, Inc.'s compliance.

***Opinion on Each Major State Program***

In our opinion, Bristol Bay Regional Seafood Development Association, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2015.

### **Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* which are described in the accompanying schedules of findings and questioned costs as item 2015-001. Our opinion on each major state program is not modified with respect to these matters.

Bristol Bay Regional Seafood Development Association, Inc.'s response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. Bristol Bay Regional Seafood Development Association, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of Bristol Bay Regional Seafood Development Association, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bristol Bay Regional Seafood Development Association, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bristol Bay Regional Seafood Development Association, Inc.'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

*A deficiency in internal control over compliance exists* when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.



Independent Auditor's Report on Compliance for Each Major State Program and Report on Internal Control over Compliance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

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*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a significant deficiency.

Bristol Bay Regional Seafood Development Association, Inc.'s response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. Bristol Bay Regional Seafood Development Association, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

*Thomas Head & Griesen PC*

September 8, 2016

## **Bristol Bay Regional Seafood Development Association, Inc.**

Schedule of Findings and Questioned Costs

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2015

### **SECTION I – SUMMARY OF AUDITOR’S RESULTS**

#### **Financial Statements**

Type of auditor’s report issued:

**Unmodified**

Internal control over financial reporting:

Significant deficiency(ies) identified?  Yes

No

Material weakness(es) identified?  Yes

No

Noncompliance material to financial statements?  Yes

No

#### **State Financial Assistance**

Type of auditor’s report issued on compliance for major programs:

**Unmodified**

Internal control over major programs:

Significant deficiency(ies) identified?  Yes

No

Material weakness(es) identified?  Yes

No

Dollar threshold used to distinguish a state major program:

**\$75,000**

### **SECTION II – FINANCIAL STATEMENT FINDINGS**

<b>Finding:</b>	<b>2015-001 Workers’ Compensation Requirement</b> See finding 2015-001 at Section III - State Award Findings and Questioned Costs.
<b>Criteria:</b>	AS 23.30 requires recipients of state financial assistance to provide and maintain workers’ compensation insurance.
<b>Questioned Costs:</b>	None noted.
<b>Condition/Context:</b>	Workers’ compensation insurance was required in 2015 when the Association hired employees.
<b>Effect:</b>	The Association is not in compliance with AS 23.30.
<b>Cause:</b>	The Association did not have controls in place to identify and meet the requirements of AS 23.30.
<b>Recommendation:</b>	The Association should obtain workers’ compensation insurance as well as design and implement controls to insure it meets the requirements of AS 23.30.

## **Bristol Bay Regional Seafood Development Association, Inc.**

Schedule of Findings and Questioned Costs

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2015

### **SECTION III – STATE AWARD FINDINGS AND QUESTIONED COSTS**

<b>Finding:</b>	<b>2015-001 Workers' Compensation Requirement – Internal Control / Compliance</b>
<b>State Agency:</b>	Department of Commerce, Community and Economic Development
<b>Program Name:</b>	Salmon Development Tax
<b>Program Number:</b>	N/A
<b>Criteria:</b>	AS 23.30 requires recipients of state financial assistance to provide and maintain workers' compensation insurance.
<b>Questioned Costs:</b>	None noted.
<b>Condition/Context:</b>	Workers' compensation insurance was required in 2015 when the Association hired employees.
<b>Effect:</b>	The Association is not in compliance with AS 23.30
<b>Cause:</b>	The Association did not have controls in place to identify and meet the requirements of AS 23.30.
<b>Recommendation:</b>	The Association should obtain workers' compensation insurance as well as design and implement controls to insure it meets the requirements of AS 23.30.

### **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

There were no prior year findings or questioned costs.

## **Bristol Bay Regional Seafood Development Association, Inc.**

Corrective Action Plan

Year Ended December 31, 2015

Name of contact person: Becky Martello, Executive Director  
Bristol Bay Regional Seafood Development Association, Inc.  
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(907) 738-2605  
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### **Financial Statement Findings**

**Finding: 2015-001 Workers' Compensation Requirement**

Corrective Action: Bristol Bay Regional Seafood Development Association, Inc. has obtained the necessary workers' compensation insurance to meet the requirements of AS 23.30, including designing and implementing the appropriate controls.

Completion date: The above procedures were implemented June 24, 2016.

### **State Award Findings and Questioned Costs**

**Finding: 2015-001 Workers' Compensation Requirement**

Corrective Action: Bristol Bay Regional Seafood Development Association, Inc. has obtained the necessary workers' compensation insurance to meet the requirements of AS 23.30, including designing and implementing the appropriate controls.

Completion date: The above procedures were implemented June 24, 2016.

ADDITIONAL INFORMATION



## **Bristol Bay Regional Seafood Development Association, Inc.**

### Schedule of Functional Expenses

Year Ended December 31, 2015

(See Independent Auditor's Report)

	Marketing	Organization Development	Quality	Research	Sustain- ability	Total Program Expense	Management and General	Total Expenses
Program grant awards and contracts	\$ 159,153	10,000	74,000	270,577	57,501	571,231	-	571,231
Professional services	92,737	74,563	4,417	(2,133)	80,942	250,526	50,428	300,954
Payroll	61,978	50,457	-	-	13,649	126,084	48,310	174,394
Board meeting	2,142	57,856	331	-	9,517	69,846	57,856	127,702
Travel - non board	52,740	10,264	1,803	2,547	14,998	82,352	8,446	90,798
Sustainability awareness	-	-	-	-	38,730	38,730	-	38,730
Printing	1,216	7,988	88	1,399	4,763	15,454	4,566	20,020
Conferences and meetings	3,952	2,000	663	-	12,177	18,792	-	18,792
Postage and mailing	3,676	2,818	21	2,091	1,180	9,786	2,802	12,588
Computer and internet	2,495	1,117	417	-	2,220	6,249	1,116	7,365
Miscellaneous	892	2,878	309	-	443	4,522	2,260	6,782
Program supplies	3,803	-	-	-	2,645	6,448	-	6,448
Advertising	4,170	44	-	-	-	4,214	45	4,259
Insurance	-	1,819	-	-	-	1,819	1,819	3,638
Business meals	1,225	509	-	-	1,059	2,793	9	2,802
Gifts	-	1,000	-	-	-	1,000	-	1,000
<b>TOTAL EXPENSES</b>	<b>\$ 390,179</b>	<b>223,313</b>	<b>82,049</b>	<b>274,481</b>	<b>239,824</b>	<b>1,209,846</b>	<b>177,657</b>	<b>1,387,503</b>
If contingencies are met, additional grant and contract expenses will be incurred as follows:								
Contingent expenses	\$ 1,500	-	-	358,377	-	359,877	-	359,877