



BRISTOL BAY
Regional Seafood Development Association

Bristol Bay Regional Seafood Development Association, Inc.

Audited Financial Statements and Additional Information
Years Ended December 31, 2016 and 2015

State Single Audit and Required Attachments
Year Ended December 31, 2016

Bristol Bay Regional Seafood Development Association, Inc.

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Bristol Bay Regional Seafood Development Association, Inc.

Statements of Financial Position

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 3,227,893	3,732,033
Accounts receivable	2,249	-
Prepaid expenses	1,051	-
	<hr/>	<hr/>
TOTAL ASSETS	\$ 3,231,193	3,732,033
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 11,886	14,136
Projects and contracts payable, net of contingent projects and contracts of \$68,359 and \$359,877, respectively	76,825	42,000
Accrued payroll liabilities	14,122	31,172
Other current liabilities	187	70
	<hr/>	<hr/>
TOTAL LIABILITIES	103,020	87,378
	<hr/> <hr/>	<hr/> <hr/>
Net assets:		
Unrestricted:		
Designated by the Board for commitments and contingencies	68,359	359,877
Designated by the Board for Budget Reserve	2,466,942	2,185,616
Undesignated	592,872	1,099,162
	<hr/>	<hr/>
Unrestricted net assets	3,128,173	3,644,655
	<hr/> <hr/>	<hr/> <hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 3,231,193	3,732,033
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

Bristol Bay Regional Seafood Development Association, Inc.

Statements of Activities

	Years Ended	
	December 31,	
	<u>2016</u>	<u>2015</u>
UNRESTRICTED NET ASSETS		
Revenue and other support:		
Assessments	\$ 1,091,422	1,861,009
Grants	102,500	4,245
Other income	20,623	1,643
Total unrestricted revenue and other support	<u>1,214,545</u>	<u>1,866,897</u>
Expenses:		
Program services	1,476,631	1,209,846
Management and general	254,396	177,657
Total expenses	<u>1,731,027</u>	<u>1,387,503</u>
Change in unrestricted net assets	(516,482)	479,394
UNRESTRICTED NET ASSETS:		
Beginning of year	<u>3,644,655</u>	<u>3,165,261</u>
End of year	<u>\$ 3,128,173</u>	<u>3,644,655</u>

Bristol Bay Regional Seafood Development Association, Inc.

Statements of Cash Flows

	Years Ended	
	December 31,	
	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (516,482)	479,394
Change in operating assets and liabilities that provided (used) cash:		
Accounts receivable	(2,249)	-
Prepaid expenses	(1,051)	67,500
Accounts payable	(2,250)	4,417
Projects and contracts payable	34,825	17,000
Accrued payroll liabilities	(17,050)	31,172
Deferred revenue	-	(27,274)
Other current liabilities	117	70
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(504,140)	572,279
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>3,732,033</u>	<u>3,159,754</u>
End of year	<u>\$ 3,227,893</u>	<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.

	<u>2016</u>	<u>2015</u>
Cash deposits in Alaskan bank. FDIC insured.	\$ 326,163	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.	-	1,125,750
Cash deposits in Vanguard Treasury Money Market, VUSXX, which invests per its prospectus in short-term treasury securities (underlying securities are backed by the full faith and credit of the U.S. government). Not FDIC insured.	434,788	156,017
Cash deposits for Budget Reserve are held in Vanguard Federal Money Market Fund, VMFXX, which invests per its prospectus in short-term U.S. government securities (underlying securities are backed by the full faith and credit of the U.S. government). During 2015, deposits were held in VMMXX. Not FDIC insured.	2,466,942	2,185,616
Total cash and cash equivalents - bank balance	<u>\$ 3,227,893</u>	<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, 2016, 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 - 2015 Season Reserve	1,729,011
2015 Board approved withdrawals	<u>(700,000)</u>
Total Budget Reserve	2,450,228
Interest and dividends earned to date	<u>16,714</u>
Total Budget Reserve and earnings	<u><u>\$ 2,466,942</u></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 \$39 and \$4,259 for the years ended December 31, 2016 and 2015, respectively.

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 19, 2017, 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. The Association had no income derived from unrelated business activities for the years ended December 31, 2016 and 2015.

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, 2016 and 2015, the projects and contracts authorized and payable within one year totaled \$76,825 and \$42,000, respectively.

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, 2016 and 2015, respectively:

	<u>2016</u>	<u>2015</u>
Projects and contracts contingent upon projects starting	\$ -	-
Projects and contracts contingent upon specific performance	6,833	38,456
Projects and contracts contingent upon receipt of required reports detailing performance	61,526	321,421
	<hr/>	<hr/>
Total contingent projects and contracts	<u>\$ 68,359</u>	<u>359,877</u>

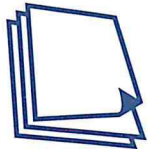
Expenses made pursuant to projects and contracts awarded to BBRSDA are subject to audit by the grantor or their representatives. Amounts reflected in the financial statement and expenses in prior years have generally not been audited by grantor agencies. Accordingly, adjustments of amounts received under 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.

NOTE 5 - CONCENTRATIONS

The Organization incurred expenses of approximately \$384,400 to Rising Tide Communications, \$279,500 to the Alaska Department of Fish & Game and \$215,200 to the University of Washington representing 22%, 16% and 12%, respectively, of total expenses for the year ended December 31, 2016. No concentrations existed 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 statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 audits 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

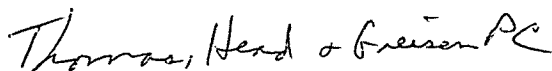
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bristol Bay Regional Seafood Development Association, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Other Information

Our audits were 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 schedules of functional expenses are 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 audits 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 19, 2017 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.



September 19, 2017

STATE SINGLE AUDIT

Bristol Bay Regional Seafood Development Association, Inc.

Schedule of State Financial Assistance

Year Ended December 31, 2016

(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>\$ 1,091,422</u>	<u>1,091,422</u>	<u>1,607,904</u>
		<u>\$ 1,091,422</u>	<u>1,091,422</u>	<u>1,607,904</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, 2016

General

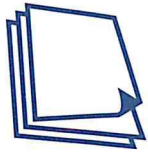
The accompanying schedule of state financial assistance presents the activity of Bristol Bay Regional Seafood Development Association, Inc. (BBRSDA).

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 statements.

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, 2016, 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 19, 2017.

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 2016-001 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 2016-001.

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

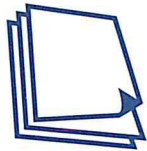
Bristol Bay Regional Seafood Development Association, Inc.'s response to the finding identified in our audit is described in the accompanying corrective action plan. Bristol Bay Regional Seafood Development Association, Inc.'s response was not subjected to the auditing procedures applied in the audit 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 & Gleason PC

September 19, 2017



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, 2016. 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, 2016.

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 2016-002. 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 2016-002 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 & Greisen PC

September 19, 2017

Bristol Bay Regional Seafood Development Association, Inc.

Schedule of Findings and Questioned Costs

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2016

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?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Noncompliance material to financial statements?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Dollar threshold used to distinguish a state major program: **\$75,000**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding:	2016-001 Workers’ Compensation Requirement See finding 2016-002 at Section III - State Award Findings and Questioned Costs.
Criteria:	AS 23.30 requires recipients of state financial assistance to provide and maintain workers’ compensation insurance.
Questioned Costs:	None noted.
Condition/Context:	Workers’ compensation insurance was required when the Association hired employees.
Effect:	The Association was not in compliance with AS 23.30 during the period January 1, 2016 to June 24, 2016.
Cause:	The Association did not have controls in place to identify and meet the requirements of AS 23.30.
Recommendation:	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, Continued

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2016

SECTION III – STATE AWARD FINDINGS AND QUESTIONED COSTS

Finding:	2016-002 Workers' Compensation Requirement – Internal Control / Compliance
State Agency:	Department of Commerce, Community and Economic Development
Program Name:	Salmon Development Tax
Program Number:	N/A
Criteria:	AS 23.30 requires recipients of state financial assistance to provide and maintain workers' compensation insurance.
Questioned Costs:	None noted.
Condition/Context:	Workers' compensation insurance was required when the Association hired employees.
Effect:	The Association is not in compliance with AS 23.30 during the period January 1, 2016 to June 24, 2016.
Cause:	The Association did not have controls in place to identify and meet the requirements of AS 23.30.
Recommendation:	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

2015-001:	This finding was resolved as of June 24, 2016. Bristol Bay
Workers' Compensation Requirement – Internal Control / Compliance	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.



BRISTOL BAY

Regional Seafood Development Association

Corrective Action Plan

Year Ended December 31, 2016

Name of contact person: Becky Martello, Executive Director
Bristol Bay Regional Seafood Development Association, Inc.
P.O. Box 6386
Sitka Alaska, 99835
(907) 738-2605
becky@bbrsda.com

Financial Statement Findings

Finding: 2016-001 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: 2016-002 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, 2016

(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	\$ 527,220	25,000	170,564	294,582	276,327	1,293,693	-	1,293,693
Payroll	4,848	-	-	-	-	4,848	165,161	170,009
Professional services	12,986	5,795	16,003	-	13,365	48,149	53,207	101,356
Board meeting	2,300	61,725	-	-	-	64,025	-	64,025
Travel - non board	13,945	16,664	-	-	-	30,609	16,664	47,273
Conferences and meetings	-	4,279	-	-	7,581	11,860	4,278	16,138
Printing	4,633	9,169	-	-	220	14,022	392	14,414
Miscellaneous	801	2,309	151	-	24	3,285	3,482	6,767
Postage and mailing	1,269	1,196	6	-	709	3,180	1,197	4,377
Insurance	-	-	-	-	-	-	3,968	3,968
Occupancy	-	-	-	-	-	-	3,007	3,007
Gifts	308	-	1,500	-	-	1,808	920	2,728
Computer and internet	784	329	-	-	-	1,113	610	1,723
Office equipment	-	-	-	-	-	-	1,510	1,510
Advertising	19	20	-	-	-	39	-	39
TOTAL EXPENSES	\$ 569,113	126,486	188,224	294,582	298,226	1,476,631	254,396	1,731,027

If contingencies are met, additional grant and contract expenses will be incurred as follows:

Contingent expenses	\$ 8,333	-	12,300	47,726	-	68,359	-	68,359
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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
TOTAL EXPENSES	\$ 390,179	223,313	82,049	274,481	239,824	1,209,846	177,657	1,387,503
If contingencies are met, additional grant and contract expenses will be incurred as follows:								
Contingent expenses	\$ 1,500	-	-	358,377	-	359,877	-	359,877