COPPER RIVER / PRINCE WILLIAM SOUND
MARKETING ASSOCIATION

FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

TOGETHER WITH INDEPENDENT ACCOUNTANT'S
REVIEW REPORT

COPPER RIVER / PRINCE WILLIAM SOUND MARKETING ASSOCIATION

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For the Year Ended June 30, 2019

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Partners

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Copper River/Prince William Sound Marketing Association

We have reviewed the accompanying financial statements of Copper River/Prince William Sound Marketing Association (the Association) (a nonprofit organization), which comprise the statement of net position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Elgee Rehfeld

October 23, 2019

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COPPER RIVER / PRINCE WILLIAM SOUND MARKETING ASSOCIATION

STATEMENT OF FINANCIAL POSITION

June 30, 2019

		2019
ASSETS:		
CURRENT ASSETS-		
Cash and cash equivalents	$	333,007
Total current assets		333,007
LONG-TERM INVESTMENTS, board designated		435,751
Total assets	$	768,758
LIABILITIES AND NET ASSETS:		
CURRENT LIABILITIES:		
Accounts payable	$	13,093
Healthcare reimbursement plan		870
Payroll liabilities		10,701
Total current liabilities		24,664
NET ASSETS-		
Net assets without donor restriction		744,094
Total net assets		744,094
Total liabilities and net assets	$	768,758

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

COPPER RIVER / PRINCE WILLIAM SOUND MARKETING ASSOCIATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

	2019
Changes in net assets without donor restrictions:	
SUPPORT-	
State financial assistance - tax receipts	$ 383,793
REVENUES:	
Interest income	20,181
Other income	2,035
Total revenues	22,216
Total support and revenues	406,009
EXPENSES:	
Program services:	
Salmon marketing and promotion	198,056
Fleet outreach and programming	79,308
Supporting services-	
General and administrative	63,620
Total expenses	340,983
Change in net assets without donor restrictions	65,026
NET ASSETS, beginning of year	679,068
NET ASSETS, end of year	$ 744,094

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

COPPER RIVER / PRINCE WILLIAM SOUND MARKETING ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

	Programming Services		Supporting Services	
	Fleet Outreach and Programming	Salmon Marketing and Promotion	General and Administrative	Total Expenses
Payroll	$ 13,818	$ 92,723	$ 24,181	$ 130,721
Professional services	61,726	23,001	10,283	95,010
Travel	1,764	32,150	1,200	35,114
Supplies	-	18,844	7,793	26,637
Printing and duplication	-	13,506	1,407	14,913
Advertising	-	13,079	259	13,338
Facilities	-	-	12,817	12,817
Postage and delivery	-	4,483	679	5,162
Insurance	-	-	2,745	2,745
Miscellaneous	-	270	2,256	2,526
Equipment	2,000	-	-	2,000
Total expenses	$ 79,308	$ 198,056	$ 63,620	$ 340,983

See independent accountant's review report.

COPPER RIVER / PRINCE WILLIAM SOUND MARKETING ASSOCIATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

		2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions and grants	$	383,793
Cash received from other sources		2,035
Cash received from interest		16,676
Cash paid to employees		(122,231)
Cash paid to suppliers		(236,928)
Net cash provided by operating activities		43,345
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments		(19,807)
Net cash used for investing activities		(19,807)
Net increase in cash and cash equivalents		23,538
Cash and cash equivalents at beginning of year		309,469
Cash and cash equivalents at end of year	$	333,007

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Copper River/Prince William Sound Marketing Association (the Association) is a Regional Seafood Development Association (RSDA) representing Prince William Sound drift and set gillnet fisherman and processors. The Association was created in 2005. The Association's mission is to increase the value of Copper River and Prince William Sound salmon through programs focused on brand enhancement, quality enhancement, effective partnerships, and competent organization management. The Association is almost entirely funded by a 1% regional seafood development tax of the drift and set gillnet fleet. The Association's operations include the following:

> *Fleet Outreach and Programming:* Provides equipment and programs that benefit fishermen and the fleet.
>
> *Salmon Marketing and Promotion:* Includes services that provide brand and quality enhancement, as well as sharing information about commercial fisheries and the seafood industry in Alaska.

The Association is controlled by a Board of Directors who has hired an Executive Director to carry on the day-to-day activities of the Association.

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statements of the Association have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Association to report information regarding its financial position and activities according to the following net asset classifications:

> *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association's management and the board of directors.
>
> *Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Classification of Transactions
All revenues are reported as increases in net assets without donor restrictions in the statements of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. The Association also classifies donor restricted amounts as net assets without donor restriction if it satisfied the donor restriction in the same fiscal year in which the support was received. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Revenue Recognition
Revenue consists of tax receipts, investment and interest income, and other revenue. Amounts that are unrestricted are recorded as revenue in the statement of activities when received. The Association follows the guidance of FASB ASC 958-605, *Revenue Recognition*, to determine whether its tax receipts are contributions or exchange transactions for purposes of presentation in the accompanying financial statements. Exchange transactions with a donor or other outside party for particular purposes are deemed to be earned and reported as revenue when the Association has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred revenue.

Cash and Cash Equivalents
For the purpose of the statement of cash flows, the Association considers all cash on-hand and in checking and savings accounts to be cash and cash equivalents.

Investments
Investments in the accompanying statement of financial position consist of money market held in mutual funds. All investments are measured at fair value.

Board Designation of Net Assets Without Donor Restrictions
The Association has established an operating reserve to which it contributes 10% of the RSDA assessment on an annual basis. The Association will continue to fund the reserve account until the balance is equal to one year of operating costs based on a three-year average assessment as determined by the State of Alaska Department of Revenue. The reserve is shown as net assets without donor restriction in the statements of financial position. The designations are evaluated periodically (see Note 5).

Management's Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes
The Association is organized under Section 501(c)(6) of the Internal Revenue Code as a nonprofit, tax-exempt organization. The Association is not classified as a private foundation. The Association follows the provisions of FASB ASC 740 *Income Taxes*, and management believes that it has appropriate support for any tax positions taken. The Association's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statute of limitations on those tax returns, which, in general, have a three-year statute of limitations.

Functional Allocation of Expenses

The cost of providing the Association's various programs and other activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. The Association uses grant costing as its basis for allocating costs among program and administrative categories. Costs common to multiple functions have been allocated among the various functions benefitted using a reasonable allocation method that is consistently applied, as follows:

- Payroll expenditures are allocated based on each employee's area of service to the organization.

Change in Accounting Principles

The Association implemented Financial Accounting Standard Board (FASB) ASU No. 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities" in the current year, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The format of the statements of cash flows has changed to the direct method of reporting cash flows from operations, which management believes is more understandable for the users of its financial statements.
- A Statement of Functional Expenses has been added presenting expenses by program, marketing, and supporting services and general and administrative expenses.
- The financial statements include a disclosure about liquidity and availability of resources (Note 2).

The changes had no effect on net assets at June 30, 2019.

Fair Value Measurements

The Association follows FASB ASC 820 *Fair Value Measurement and Disclosure,* which provides a framework for measuring fair value and requires that an entity determine fair value based on exit price from the principal market for the asset or liability being measured.

Reclassifications

Certain prior year financial statement balances have been reclassified to conform to the current year presentation.

Recent Accounting Pronouncements

Management is evaluating the impact of the recent accounting pronouncements listed below on the Association's financial position, results of operations, or cash flows. The impact of adoption has not been fully determined. Other accounting standards that have been issued or proposed by FASB, or other standards-setting bodies, not listed below, will also be evaluated prior to their effective date.

ASU 2016-02
In February 2016, the FASB issued ASU No. 2016-02, *"Leases (Topic 842)."* The amendments in this update will supersede much of the existing authoritative guidance for leases. This guidance requires lessees to recognize right-of-use assets and liabilities on their balance sheet for all leases with terms longer than twelve months. The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2019 with early application permitted. The Association plans to adopt ASU 2016-02 in its fiscal year ending June 30, 2021.

ASU 2015-14
In August 2015, the FASB issued ASU No. 2015-14, *"Deferral of the Effective Date"* which modified ASU No. 2014-09, *"Revenue from Contracts with Customers (Topic 606)"* which was issued by the FASB in May 2014. These standards replace existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. ASU 2015-14 is effective for not-for-profit entities annual reporting periods beginning after December 15, 2018. The amendment is required to be applied retrospectively and all entities can adopt the standard as early as the original effective date annual periods beginning after December 15, 2016. The Association plans to adopt ASU 2015-14 in its fiscal year ending June 30, 2020.

ASU 2016-18
In November 2016, the FASB issued ASU No. 2016-18, *"Statement of Cash Flows (Topic 230): Restricted Cash."* This ASU provides specific guidance on the cash flow classification and presentation of changes in restricted cash and cash equivalents. The amendments require that a statement of cash flows explain the change during the period in the total of cash and cash equivalents and restricted cash and cash equivalents. ASU 2016-18 is effective for not-for-profit entities for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after 2019. The amendment is required to be applied retrospectively and early adoption is permitted. The Association plans to adopt ASU 2016-18 in its fiscal year ending June 30, 2020.

ASU 2018-08
In June 2018, the FASB issued ASU 2018-08 – Not-for-Profit Entities (Topic 958): *"Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made."* The amendments in this Update clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The amendments in the update are effective for fiscal years beginning after December 15, 2018 for transactions in which the entity serves as a resource recipient, and December 15, 2019 for transactions in which the entity serves as a resource provider. Early adoption permitted. The Association plans to adopt ASU-2018-08 in its fiscal year ending June 30, 2020.

<u>Subsequent Events</u>
The Association has evaluated subsequent events through the date of the Independent Accountant's Review Report, which is commensurate with the date the financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures without donor or other restriction limiting their use, within one year of June 30, 2019:

Financial assets at year end*:	
Cash and cash equivalents	$ 333,007
Long-term investments, board designated	435,751
Total financial assets	768,758
Less those unavailable for general expenditure within one year, due to board designation:	
Cash and investments subject to board designation:	
Long-term investments, board designated	(435,751)
Financial assets available to meet cash needs for general expenditures within one year	$ 333,007

* Total assets, less nonfinancial assets (e.g. real property, prepaid expenses)

NOTE 3 – INVESTMENTS

The Association's held-to-maturity investments are stated at fair value. Cost and fair value of investments at June 30, 2019 are as follows:

	Amortized Cost	Unrealized Gain (Loss)	Fair Value
Mutual funds:			
Domestic stocks	$ 87,000	$ 3,669	$ 90,669
International stocks	34,600	374	34,974
Domestic bonds	247,685	17,171	264,856
International bonds	43,500	1,752	45,252
Total investments	$ 412,785	$ 22,966	$ 435,751

Interest income of $20,181 reported in the statement of activities for the year ended June 30, 2019, consists of interest, dividends, unrealized gain, and investment management fee expenses.

NOTE 4 – FAIR VALUE MEASUREMENT

FASB ASC 820 *Fair Value Measurement and Disclosure* defines fair value as the exchange prince that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. It also establishes a three-level hierarchy that describes the inputs that are used to measure assets or liabilities. The three levels include Level 1 (quoted prices in active markets in identical assets), Level 2 (significant other observable inputs), and Level 3 (significant unobservable inputs).

Fair values of assets measured on a recurring basis at June 30, 2019 are as follows:

	Fair Value	Level 1
Investments		
Mutual funds:		
Domestic stocks	$ 90,669	$ 90,669
International stocks	34,974	34,974
Domestic bonds	264,856	264,856
International bonds	45,252	45,252
Total	$ 435,751	$ 435,751

NOTE 5 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions for the years ended June 30, 2019 are as follows:

Undesignated	$ 308,343
Designated - Operating reserve	435,751
Total net assets without donor restrictions	$ 744,094

NOTE 6 – OPERATING LEASES

The Association leases office space and a storage locker in Cordova, Alaska. Rent expense from the lease for the years ended June 30, 2019 and 2018 was $9,147 and $9,054, respectively. Minimum rent expense on an annual basis, based on the current lease, is $9,147 for fiscal year 2020.

NOTE 7 – CONCENTRATIONS AND CONTINGENCIES

Economic Dependency

The Association receives a substantial amount of support from the 1% regional seafood development tax. This tax is collected from members of the drift and set gillnet fleet. The tax is calculated as a percentage of the price paid by the processors to the fishermen. If a significant reduction in the level of this support were to occur, it would have a significant adverse effect on the Association's programs and activities.

Regional Seafood Development Associations

The Association is under the threshold of eligibility to require a State Single Audit in FY2019. However, expenditures made pursuant to RSDA statutes may be subject to additional audits by government agencies or their representatives. Accordingly, adjustments of amounts received or receivable from the regional seafood development tax could result if the Association is audited by such agencies.

Depository Concentration

The Association has concentrated its credit risk for cash by maintaining deposits in financial institutions, which may at times exceed amounts covered by insurance provided by the United States Federal Deposit Insurance Corporation (FDIC). The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.